

# HSBC Portfolios

## Information Memorandum

January 2022

**HSBC Portfolios - World Selection 1**

**HSBC Portfolios - World Selection 2**

**HSBC Portfolios - World Selection 3**

**HSBC Portfolios - World Selection 4**

**HSBC Portfolios - World Selection 5**



**HSBC**  
Asset Management

PUBLIC

**HSBC PORTFOLIOS  
(THE “COMPANY”)**

**HSBC PORTFOLIOS – WORLD SELECTION 1  
HSBC PORTFOLIOS – WORLD SELECTION 2  
HSBC PORTFOLIOS – WORLD SELECTION 3  
HSBC PORTFOLIOS – WORLD SELECTION 4  
HSBC PORTFOLIOS – WORLD SELECTION 5  
(THE “SUB-FUNDS”)**

**Offering Memorandum for Investors in Singapore dated 20 January 2021**

**This offering memorandum (“Offering Memorandum”) forms part of, and should be read in conjunction with the attached Luxembourg Prospectus dated 29 December 2021 (the “Luxembourg Prospectus”)**

**Disclaimer**

The offer or invitation which is the subject of this Offering Memorandum does not relate to a collective investment scheme which is authorised under Section 286 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). The Sub-Funds are not authorised by the Monetary Authority of Singapore (the “MAS”) and offers of Shares are only allowed to be made to accredited investors, institutional investors, and other relevant persons in accordance with the conditions of any other applicable provisions of the SFA (as amended from time to time), and not the retail public in Singapore. The Sub-Funds are recognised by the MAS under Section 287 of the SFA and offers of Shares are allowed to be made to the retail public in Singapore. A copy of the registered Singapore Prospectus for the Sub-Funds is separately available. This Offering Memorandum is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

As this Offering Memorandum has not been registered as a prospectus with the MAS, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Shares may not be circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an accredited investor, and in accordance with the conditions, specified in Section 305 of the SFA, (ii) to an institutional investor or person specified in Section 304 of the SFA, or (iii) in accordance with the conditions of any other applicable provisions of the SFA, as the same may be amended from time to time. Shares subscribed or purchased pursuant to Sections 304 or 305 of the SFA may only be transferred in accordance with provisions of Sections 304A and 305A of the SFA respectively.

Where the Shares are acquired under Section 305 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in the SFA)) whose sole business is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, securities of that corporation shall not be transferred within 6 months after that corporation has acquired the Shares under Section 305 except:

- (1) to an institutional investor or to a relevant person as defined in Section 305(5) or arising from an offer under Section 275(1A) of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

Where the Shares are acquired under Section 305 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that trust has acquired the Shares under Section 305 except:

- (1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA or arising from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) (or such other amount as may be prescribed under the SFA) for each transaction, whether such amount is to be paid for in cash or by exchange of units in a collective investment scheme, securities, securities-based derivatives contracts or other assets;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

## Important Information

|   |   |
|---|---|
| <b>Investment Objective and Focus of the Sub-Funds / Investment Approach of the Investment Manager (termed as “Investment Adviser” in this Offering Memorandum)</b> | Please refer to Section 3 “Portfolio Information” of the Luxembourg Prospectus.   |
| <b>Risk Factors</b>   | Please refer to Section 1.3 “General Risk Considerations” and the heading “Risk profile” under Section 3.2 of the Luxembourg Prospectus.  |
| <b>Title and Jurisdiction of the Legislation regulating the Company</b>   | The Company is an open-ended investment company with multiple Portfolios incorporated as a société anonyme qualifying as a société d’investissement à capital variable under Part I of the Luxembourg law of 20 December 2002 implementing directive 85/611/EEC (as amended) into Luxembourg law. Each Portfolio corresponds to distinct part of assets and liabilities. It exists for an unlimited period. Since 1 July 2011, the Company qualifies as an Undertaking for Collective Investment in Transferable Securities under the Part I of the 2010 Law implementing Directive 2009/65/EC into Luxembourg law. |
| <b>Name and place of incorporation of the Manager (termed as “Management Company” in this Offering Memorandum) and the Investment Adviser</b>                       | <p><u>Manager</u></p> <p>HSBC Investment Funds (Luxembourg) S.A.<br/>16, boulevard d’Avranches<br/>L-1160 Luxembourg<br/>Grand Duchy of Luxembourg</p> <p><u>Investment Adviser</u></p> <p>HSBC Global Asset Management (UK) Limited<br/>8 Canada Square<br/>London E14 5HQ<br/>United Kingdom</p>  |
| <b>Name and place of incorporation of the Custodian (termed as “Depositary Bank” in this Offering Memorandum)</b>   | <p>HSBC Continental Europe, Luxembourg<br/>38 avenue Kléber<br/>75116 Paris<br/>France</p>  |
| <b>Name and Contact Details of the regulatory authority of the Company, the Manager, the Investment Adviser and the Custodian</b>                                   | <p><u>Regulatory Authority of the Company and the Management Company</u></p> <p>Commission de Surveillance du Secteur Financier (CSSF)<br/>283, route d’Arlon<br/>L-1150 Luxembourg<br/>Tel: (+352) 26 25 1 - 1<br/>Fax: (+352) 26 25 1 – 601</p> <p><u>Regulatory Authority of the Investment Adviser</u></p> <p>Financial Conduct Authority<br/>25 The North Colonnade<br/>Canary Wharf<br/>London E14 5HS</p>  |

|   |  |
|---|--|
|   | <p>Tel: (+44) 20 7066 1000</p> <p><u>Regulatory Authorities of the Depositary Bank</u></p> <p>European Central Bank<br/>60640 Frankfurt am Main<br/>Germany<br/>Tel: (+49) 69 1344 0</p> <p>French Prudential Supervisory and Resolution Authority<br/>(l'Autorité de Contrôle Prudentiel et de Résolution)<br/>31 rue Croix des Petits-Champs<br/>75001 Paris, France<br/>Tel: (+33)1 42 92 42 92</p> <p>French Financial Markets Authority<br/>(l'Autorité des Marchés Financiers)<br/>17, place de la Bourse<br/>75082 Paris Cedex 02<br/>France<br/>Tel: (+33) 1 5345 6000<br/>Fax: (+33) 1 5345 6100</p> <p>Commission de Surveillance du Secteur Financier (CSSF)<br/>283, route d'Arlon<br/>L-1150 Luxembourg<br/>Tel: (+352) 26 25 1 - 1<br/>Fax: (+352) 26 25 1 – 601</p> |
| <b>Maximum Redemption Limit / Conditions for Redemption</b> | Please refer to the heading “Deferral of redemption” under Section 2.3 “How to sell Shares” of the Luxembourg Prospectus.  |
| <b>Side Letter Policy</b>                                   | The Company and the Manager do not have side letter arrangements. However, the distributors appointed by the global distributor of the Company do receive a distribution fee. These distributors have the discretion to enter rebate agreements with sub-distributors or investors.  |
| <b>Past Performance of the Sub-Funds</b>                    | <p>Information on the past performance of the Sub-Funds may be obtained from the website at <a href="https://www.assetmanagement.hsbc.co.uk/en">https://www.assetmanagement.hsbc.co.uk/en</a>.</p> <p>In the event that the past performance figures are not found on the website, please contact the relevant distributors or management company directly to obtain the information.</p>  |
| <b>Accounts</b>   | Please refer to Section 2.14 “Meetings and Reports” of the Luxembourg Prospectus.  |
| <b>Fees and Charges</b>                                     | Please refer to the heading “Fees and expenses” under Section 3.2 “Portfolios details” of the Luxembourg Prospectus.   |

# HSBC Portfolios

## Investment Company with Variable Capital Incorporated in Luxembourg

Prospectus

December 2021



VISA 2021/167133-6225-0-PC

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité  
Luxembourg, le 2021-12-29  
Commission de Surveillance du Secteur Financier

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## Important information

THE INFORMATION IN THIS PROSPECTUS IS BASED ON THE DIRECTORS' UNDERSTANDING OF CURRENT LAW AND PRACTICE (INCLUDING AS TO TAXATION) AT THE DATE HEREOF. BOTH LAW AND PRACTICE MAY BE SUBJECT TO CHANGE. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER OR, IF YOU ARE IN THE UK, A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES.

HSBC PORTFOLIOS (the "Company") is an investment company (**Société d'Investissement à Capital Variable**) incorporated in the Grand Duchy of Luxembourg and qualifies as an Undertaking for Collective Investment in Transferable Securities ("UCITS") complying with the provisions of Part I of the 2010 Law.

It should be remembered that the price of shares of the Company and income from them can go down as well as up and that investors may not receive back the amount they originally invested.

Shares are available for issue on the basis of the information and representations contained in this Prospectus. Any further information given or representations made by any person with respect to any shares must be regarded as unauthorised.

The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make misleading any statement herein whether of fact or opinion. All the Directors accept responsibility accordingly.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus and the offering of the shares may be restricted in certain jurisdictions. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions. Prospective applicants for shares should inform themselves as to legal requirements so applying and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence or domicile.

The key investor information documents of each Class of each Portfolio (the "Key Investor Information Documents"), the latest annual and any semi-annual reports of the Company, are available at the registered office of the Company and will be sent to investors upon request. Such reports shall be deemed to form part of this Prospectus.

The Key Investor Information Documents are available on [www.assetmanagement.hsbc.com/fundinfo](http://www.assetmanagement.hsbc.com/fundinfo). Before subscribing to any Class and to the extent required by local laws and regulations each investor shall consult, if available, the Key Investor Information Documents. The Key Investor Information Documents provide information in particular on historical performance, the synthetic risk and reward indicator and charges. Investors may download the Key Investor Information Documents on the website mentioned above or obtain them in paper form or on any other durable medium agreed between the Management Company or the intermediary and the investor.

### ◆ United States of America

The shares in the Company have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") or under the securities laws of any state and the Company has not been and will not be registered under the Investment Company Act 1940 (the "Investment Company Act"). This document may not be distributed, and the shares in the Company may not be offered or sold within the United States or to US Persons, (as specified under the "US Person" definition in the Glossary of the Prospectus), except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act and any applicable state securities laws and which would not require the Company to register under the Investment Company Act.

### ◆ Canada

The shares described in this Prospectus may only be distributed in Canada exclusively through HSBC Global Asset Management (Canada) Limited by way of exempt distribution to accredited investors as defined in National Instrument 45-106 Prospectus and Registration Exemption who qualify as permitted clients under National



Instrument 31-103 - Registration Requirements, Exemptions and On-going Registrant Obligation. This Prospectus may not be used to solicit, and will not constitute a solicitation of, an offer to buy shares in Canada unless such solicitation is made by HSBC Global Asset Management (Canada) Limited.

### ◆ Hong Kong

In Hong Kong, the Company and a number of its sub-funds have been authorised by the Securities and Futures Commission ("SFC"). SFC authorisation is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of the scheme or its performance. It does not mean the Company is suitable for all investors nor it is an endorsement of its suitability for any particular investor or class of investors.

Investors in Hong Kong SAR should read the Information for Hong Kong Investors obtainable from [www.assetmanagement.hsbc.com.hk](http://www.assetmanagement.hsbc.com.hk).

The Company is authorised and regulated in the Grand Duchy of Luxembourg. HSBC Holding plc ("HSBC") is the parent company of a number of affiliates involved in the management, investment management and distribution of the Company. HSBC is regulated by the Federal Reserve in the United States of America as a Financial Holding Company ("FHC") under the Bank Holding Company Act (and its associated the rules and regulations) (the "BHCA"). As an FHC, the activities of HSBC and its affiliates are subject to certain restrictions imposed by the BHCA.

### ◆ Bank Holding Company Act

Although HSBC does not own a majority of the shares of the Company, the relationship with HSBC means that HSBC may be deemed to "control" the Company within the meaning of the BHCA. Investors should note that certain operations of the Company, including its investments and transactions, may therefore be restricted in order to comply with the BHCA.

For example, in order to comply with the BHCA a Portfolio may be:

- i. restricted in its ability to make certain investments;
- ii. restricted in the size of certain investments,
- iii. subject to a maximum holding period on some or all of its investments; and/or
- iv. required to liquidate certain of its investments.

In addition, certain investment transactions made between the Company and the Investment Adviser, the Board of Directors, HSBC and their affiliates may be restricted.

Any actions required pursuant to the BHCA will be executed in compliance with applicable law and in a manner consistent with the best interests of the shareholders of each Portfolio. Investors should also refer to Section 2.12 "Conflicts of Interest" below.

There can be no assurance that the bank regulatory requirements applicable to HSBC and/or indirectly to the Company, will not change, or that any such change will not have a material adverse effect on the investments and/or investment performance of the Portfolios. Subject to applicable law, HSBC and the Company may in the future, undertake such actions as they deem reasonably necessary (consistent with ensuring any actions remain in the best interests of the shareholders of the Portfolios) in order to reduce or eliminate the impact or applicability of any bank regulatory restrictions on the Company and its Portfolios.

### Data protection

Any information concerning shareholders or potential investors (the "Personal Data") and individuals connected with such shareholders or potential investors, including but not limited to directors, employees and/or agents, representatives and/or beneficial owners and shareholders (together the "Data Subjects"), provided to, or collected by or on behalf of, the Company and the Management Company (directly from Data Subjects or from publicly available sources and from external sources) will be processed by the latter as joint data controllers (the "Controllers" – contact details available at HSBC Investment Funds (Luxembourg) S.A. at 16, Boulevard d'Avranches, L-1160 Luxembourg, in compliance with applicable data protection laws, in particular Regulation (EU) 2016/679 of 27 April 2016, the "General Data Protection Regulation" (together the "Data Protection Legislation").

If certain items of requested Personal Data are not provided it may not be possible to invest in or maintain an investment in Shares of the Company.

Personal Data will be processed by the Controllers and disclosed to, and processed by, service providers acting as processors on behalf of the Controllers such as the Depositary Bank, Paying Agent and Administration Agent, the Registrar and Transfer Agent, the Corporate and Domiciliary Agent, the Investment Advisers, the Distributors and their appointed sub-distributors, legal and financial advisers (the "Processors"). This will be for purposes which include, but are not limited to (i) offering and managing investments and performing the related services (ii) developing and maintaining the business relationship with the Processors, (iii) verifying shareholder identity as part of the client onboarding process (iv) carrying out shareholder instructions (v) keeping track of conversations with shareholders (by phone, in person, by email or any kind of communication including email screening and (vi) managing internal operational requirements for risk management, system or product development and planning, insurance, audit and administrative purposes (the "Purposes"). For more information, please refer to the more detailed privacy notice.

Personal Data will also be processed by the Controllers and Processors to comply with legal or regulatory obligations applicable to them such as cooperation with, or reporting to, public authorities including but not limited to legal obligations under applicable fund and company law, anti-money laundering and counter terrorist financing (AML-CTF) legislation, prevention and detection of crime, tax law such as reporting to the tax authorities under Foreign Account Tax Compliance Act (FATCA), the Common Reporting Standard (CRS) or any other tax identification legislation to prevent tax evasion and fraud as applicable (the "Compliance Obligations").

The Controllers and/or the Processors may be required to report information (including name and address, date of birth and U.S. tax identification number (TIN) if applicable, account number, balance on account, the "Tax Data") to the Luxembourg tax authorities (**Administration des contributions directes**) which will exchange this information with the competent authorities in permitted jurisdictions (including outside the European Economic Area) for the purposes provided for in FATCA and CRS or equivalent Luxembourg legislation. It is mandatory to answer questions and requests with respect to FATCA and/or CRS relating to the Data Subjects' identification and number of Shares held in the Company and failure to provide relevant Personal Data requested by the Controllers or the Processors in the course of a shareholder's relationship with the Company may result in incorrect or double reporting, prevent a shareholder from acquiring or maintaining their Shares in the Company and may be reported to the relevant Luxembourg authorities.

In certain circumstances, the Processors may also process Personal Data of Data Subjects as controllers, in particular for compliance with their legal obligations in accordance with laws and regulations applicable to them (such as anti-money laundering identification) and/or compliance with the order of any competent jurisdiction, court, governmental, supervisory or regulatory bodies, including tax authorities.

Communications (including telephone conversations and e-mails) may be recorded by the Controllers and Processors including for record keeping as proof of a transaction or related communication in the event of a disagreement and to enforce or defend the Controllers' and Processors' interests or rights in compliance with any legal obligation to which they are subject. Such recordings may be produced in court or other legal proceedings and permitted as evidence with the same value as a written document and will be retained for a period of 10 years starting from the date of the recording. The absence of recordings may not in any way be used against the Controllers and Processors.

Personal Data of Data Subjects may be transferred outside of the European Union (including to Processors), in countries which are not subject to an adequacy decision of the European Commission and whose legislation does not ensure an adequate level of protection as regards the processing of personal data such as, but not limited to, Malaysia and Hong Kong.

Insofar as Personal Data is not provided by the Data Subjects themselves the shareholders represent that they have the authority to provide such Personal Data relating to other Data Subjects. If the shareholders are not natural persons, they undertake and warrant to (i) adequately inform any such other Data Subject about the processing of their Personal Data and their related rights as described below and in the information notice and (ii) where necessary and appropriate, obtain in advance any consent that may be required for the processing of the Personal Data.

Personal Data of Data Subjects will not be retained for longer than necessary with regard to the Purposes and Compliance Obligations, in accordance with applicable laws and regulations, subject always to applicable legal minimum retention periods.

Detailed data protection information is contained in the privacy notice available at [www.global.assetmanagement.hsbc.com/luxembourg/privacy-notices](http://www.global.assetmanagement.hsbc.com/luxembourg/privacy-notices), in particular in relation to the nature of the Personal Data processed by the Controllers and Processors, the legal basis for processing, recipients, and safeguards applicable for transfers of Personal Data outside of the European Union.

The shareholders have certain rights in relation to Personal Data relating to them including the rights to access to or to have Personal Data about them rectified or deleted, ask for a restriction of processing or object thereto, right to portability, right to lodge a complaint with the relevant data protection supervisory authority and the right to withdraw consent after it was given). The information notice contains more detailed information concerning these rights and how to exercise them.

The full privacy notice is also available on demand by contacting HSBC Investment Funds (Luxembourg) S.A. at 16, Boulevard d'Avranches, L-1160 Luxembourg.

The shareholders' attention is drawn to the fact that the data protection information contained herein and in the information notice is subject to change at the sole discretion of the Controllers.

## Section 1. General information

The Company offers investors, within the same investment vehicle, a choice of investments in one or more sub-funds (each a "Portfolio"), in respect of which a separate portfolio of investments is held, which are distinguished among others by their specific investment policy and objective and/or by the currency of denomination (a "Base Currency"). Within each Portfolio, shares may be offered in different Classes which are distinguished by specific features, as more fully described in Section 3.2. "Portfolios details".

The assets of a Portfolio are exclusively available to satisfy the rights of shareholders in relation to that Portfolio and the rights of creditors whose claims have arisen in connection with the creation, operation or liquidation of that Portfolio.

In this Prospectus and in the reports, the short names of the Portfolios are used. They should be read with HSBC Portfolios preceding them.

### 1.1. Investment objectives and policies of the Company

The Company seeks to provide a comprehensive range of Portfolios with the purpose of spreading investment risk and satisfying the requirements of investors seeking to emphasise income, capital conservation and/or capital growth as detailed in relation to the specific Portfolios.

In carrying out the investment objectives of the Company, the Directors at all times seek to maintain an appropriate level of liquidity in the assets of the Portfolios so that redemptions of shares under normal circumstances may be made without undue delay upon request by the shareholders.

Whilst using their best endeavours to attain the investment objectives, the Directors cannot guarantee the extent to which these objectives will be achieved. The value of the shares and the income from them can fall as well as rise and investors may not realise the value of their initial investment. Changes in the rates of exchange between currencies may also cause the value of the shares to diminish or to increase.

The Directors may from time to time, by amendment of this Prospectus, establish further Portfolios which may have different investment objectives and policies to those detailed in Section 3.2. "Portfolios details", subject however to these conforming to the UCITS status of the Company.

### 1.2. Share Class information

The Directors have authority to issue different Classes of Shares in one or several Portfolios. Details of the characteristics of such Share Classes, if and when offered, by one or several Portfolios will be determined by the Directors. In case of the creation of additional Classes of Shares and issue of shares within a Portfolio, this Prospectus will be updated.

As at the date of this Prospectus, the Company has the following Share Classes available:

| Class          | Description   |
|----------------|---|
| <b>Class A</b> | A shares are available to all investors.  |
| <b>Class B</b> | B Shares are available to: <ul style="list-style-type: none"><li>◆ Sub-distributors who are prohibited from accepting and retaining inducements from third parties under applicable laws and regulations or court rulings, such as in the United Kingdom or the Netherlands; or</li><li>◆ Sub-distributors who have a separate fee arrangement with their clients in relation to the provision of investment services and activities (for example, in the European Union, services and activities performed under MiFID II) and who have opted to not accept and retain inducements from third parties.</li></ul> |
| <b>Class E</b> | E Shares will be available in certain countries, subject to the relevant regulatory approval, through specific distributors selected by the Distributor on application to the Company.  |

| Class           | Description   |
|-----------------|---|
| <b>Class S*</b> | S Shares are available through distributors selected by the Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law.   |
| <b>Class X</b>  | X Shares are available through distributors selected by the Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law.   |
| <b>Class Z</b>  | Z shares are available to investors having entered into a discretionary management agreement with an HSBC Group entity and to investors subscribing via distributors selected by the Distributor provided that such investors qualify as institutional investors within the meaning of article 174 of the 2010 Law. |

\* Successive issue of Classes S Shares will be numbered 1, 2, 3, etc. and respectively referred to as S<sub>1</sub>, S<sub>2</sub>, S<sub>3</sub>, etc. A series of Class S Shares may be issued in one or more Portfolios and each series may or may not be available in all Portfolios.

The subscription proceeds of all Shares in a Portfolio are invested in one common underlying portfolio of investments. The allocation of the assets and liabilities of the Company to each Portfolio is described in the Articles of Incorporation. All shares of the same Class have equal rights and privileges. Each share is, upon issue, entitled to participate equally in assets of the Portfolio to which it relates on liquidation and in dividends and other distributions as declared for such Portfolio. The shares will carry no preferential or pre-emptive rights and each whole share will be entitled to one vote at all meetings of shareholders.

Investors purchasing any Class of shares through a distributor should note that they will be subject to the distributor's normal account opening requirements.

If as a result of redemptions or conversions, the minimum holding in a Class of a Portfolio is less than the amount determined by the Directors for each Class, the Directors may consider at their discretion that the shareholder has requested to convert or redeem its entire holding in such Class and proceed to compulsory redemption. The above is not applicable in case the value of an investor's holding falls below the minimum holding threshold by reason of market movements affecting the Portfolio value.

Restrictions apply to the purchase of B, E, S, X and Z Shares. First time applicants should contact their local HSBC distributor before submitting an Application Form for these Classes of Shares.

The minimum initial and subsequent investment amounts may be waived or reduced at the discretion of the Company.

## Share Class Denominations

Within each Share Class of a Portfolio, the Company shall be entitled to create different sub-classes, distinguished by their Class name, their distribution policy (Capital-Accumulation (C), Distribution (D) Quarterly Distribution (Q) and Monthly Distribution (M) shares), their reference currency, their hedging activity (H) and/or by any other criterion to be stipulated by the Board of Directors.

Distribution Shares are identifiable by a "D" following the Portfolio and Class names (e.g.: Class AD), with the exception of Monthly Distribution Shares which are identifiable by an "M" following the Portfolio and Class names (e.g.: Class AM) and Quarterly Distribution Shares which are identifiable by a "Q" following the Portfolio and Class names (e.g.: Class AQ).

In derogation from the above table, Monthly and Quarterly Distribution shares are available only in certain countries, subject to the relevant regulatory approval, through specific distributors selected by the Distributor.

**The different Classes offered in relation to each Portfolio are described in the relevant table in Section 3.2. "Portfolios details".**

A list of all currently available hedged and other Share Classes may be obtained at the registered office of the Company or from the distributors.

### ◆ **Currency Hedged Share Classes**

Within each Share Class of a Portfolio, separate currency hedged Classes may be issued (suffixed by "H" and the currency into which the Base Currency is hedged e.g. "HEUR" or "HGBP") which seek to minimise the effect of currency fluctuations between the reference currency of the Share Class and the Base Currency of the relevant Portfolio. Any fees relating to the carrying out the administration of the currency hedging will be borne by the relevant currency hedged Class. These fees are in addition to the operating administrative and servicing expenses as detailed under Section 2.8. (3).

Any gains or losses from the currency hedging shall also accrue to the relevant currency hedged Share Class. Currency hedged Share Classes will be hedged whether the Base Currency is declining or increasing in value relative to the target currency. No assurance can be given that the hedging objective will be achieved.

Subscriptions and redemptions are only accepted in the currency of the relevant currency hedged Share Class.

### ◆ **Share Class Reference Currencies**

The Management Company may decide to issue within a Portfolio Share Classes having a different reference currency (currency denomination) than the Base Currency and which denotes the currency in which the Net Asset Value per Share of the Share Class will be calculated. In principle, Share Classes may be issued in the following reference currencies: Euro, Hong Kong Dollar, Australian Dollar, Singapore Dollar and Pound Sterling ("Share Class Reference Currencies").

Share Classes in other Share Class Reference Currencies may be available on application to the Company.

A Share Class Reference Currency is identified by a standard international currency acronym added as a suffix, e.g. "ACEUR" for a Capital-Accumulation Share Class expressed in Euro.

Unless otherwise provided for in the Prospectus, subscriptions and redemptions are only accepted in the currency of the Share Class Reference Currency.

Where Share Classes are issued in a Share Class Reference Currency other than the Base Currency of the relevant Portfolio, the portfolio remains exposed to the currencies of the underlying holdings. No hedging is undertaken for those Share Classes except otherwise provided in the Section 3.2. "Portfolios Details".

### ◆ **Dealing Currencies**

Share Classes are available in the Base Currency of the relevant Portfolio and in EUR and GBP, as the case may be, as disclosed in Section 3.2. "Portfolios details".

Hong Kong Dollar, Singapore Dollar, Australian Dollar and Polish Zloty are available as Dealing Currencies in certain Classes or through selected distributors and/or in certain countries. Other Dealing Currencies may be available on application to the Company. The amount of the minimum initial and subsequent investment in each Dealing Currency may be obtained from the distributors or at the registered office of the Company.

Where Share Classes are issued only in different Dealing Currencies, the underlying portfolio remains exposed to the currencies of the underlying holdings. No hedging is undertaken for those Share Classes except otherwise provided in the Section 3.2. "Portfolios details".

## **1.3. General Risk Considerations**

**Investment in any Portfolio carries with it a degree of risk, including, but not limited to, those referred to below. Potential investors should review the Prospectus in its entirety and the relevant Key Investor Information Document and consult with their legal, tax and financial advisors prior to making a decision to invest.**

**There can be no assurance that the Portfolios of the Company will achieve their investment objectives and past performance should not be seen as a guide to future returns. An investment may also be affected by any changes in exchange control regulation, tax laws, withholding taxes and economic or monetary policies.**

## **Conflicts**

There are potential conflicts of interest which may arise between the Company and those persons and entities which are involved as managers of the Collective Investment Schemes. Managers normally manage assets of other clients that make investments similar to those made on behalf of the Company and such clients could thus compete for the same trades or investments. Whilst available investments or opportunities are generally allocated to each client in a manner believed to be equitable, some of those allocation procedures may adversely affect the price paid or received for investments or the size of positions obtained or disposed of. Conflicts may also arise as a result of other services provided by the affiliates of the HSBC Group which may provide advisory, custodial or other services to other clients and to some of the Collective Investment Schemes in which the Company invests.

The Company may also invest in other Collective Investment Schemes which are managed by the Management Company or Investment Advisers of the Company. The directors of the Management Company may also be directors of the Collective Investment Schemes and the interest of such Collective Investment Schemes and of the Company could result in conflicts. Generally, there may be conflicts between the best interests of the Company and the interests of affiliates of the Management Company in connection with the fees, commissions and other revenues derived from the Company or the Collective Investment Schemes. In the event that such a conflict arises, the directors of the Management Company will endeavour to ensure that it is resolved in a fair manner.

## **Currency Hedged Share Classes**

The Company offers currency hedged Share Classes across a range of Portfolios as described in in Section 1.2. "Share Class information".

Investors should be aware that the implementation of currency hedged Share Classes by the Administration Agent (or other appointed parties) is a passive currency hedge and will be implemented regardless of currency fluctuations between the Reference Currency of the currency hedged Share Class and the Base Currency of the relevant Portfolio. Furthermore, this passive currency hedging is separate from the various strategies the Investment Advisers may seek to implement at a Portfolio level to manage currency risks within each Portfolio.

There can be no assurance or guarantee that the Administration Agent or other appointed parties will be able to successfully implement passive currency hedging for currency hedged Share Classes at any time or at all. Investors should note that although the aim is to maintain at the time of this Prospectus a hedge ratio from 99.5% to 100.5% there may be occasions when the hedge ratio falls outside these parameters which may be due to factors which cannot be controlled such as investor trade activity, volatility in the Net Asset Value per Share and/or currency volatility.

Movements in currency exchange rates can materially impact investment returns and investors should ensure they fully understand the difference between investments in currency hedged Share Classes versus investment in those Share Classes which are not currency hedged Share Classes, (i.e. those Share Classes denominated in the Base Currency of the Portfolio as well as reference currency Share Classes).

Currency hedged Share Classes are not recommended for investors whose home currency (i.e. the main currency that an investor uses on a day-to-day basis (the "Home Currency")) is different to the Reference Currency of the currency hedged Share Class. Investors who choose to convert their Home Currency to the Reference Currency of a currency hedged Share Class and subsequently invest in such a Share Class should be aware that they may be exposed to higher currency risks and may suffer material losses as a result of exchange rate fluctuations between the Reference Currency of the currency hedged Share Class and their Home Currency.

Any transaction costs and gains or losses from currency hedging shall be accrued to and therefore reflected in the NAV per Share of the relevant currency hedged Share Class. Currency hedged Share Classes will be hedged irrespective of whether the target currency is declining or increasing in value.

The main financial derivative instruments used in the passive currency hedging process are forward foreign exchange contracts.

## **Cross-Class Liability Risk**

Multiple Share Classes may be issued in relation to a Portfolio, with particular assets and liabilities of a Portfolio attributable to particular Share Classes.

For instance, Portfolios offering currency hedged Share Classes will have assets and liabilities related to the hedge which are attributable to the relevant currency hedged Share Classes.

Given that there is no legal segregation of liabilities between Share Classes, there may be a remote risk that, under certain circumstances, currency hedging transactions in relation to a currency hedged Share Class could result in liabilities which might affect the Net Asset Value of the other Share Classes of the same Portfolio.

Where the liabilities of a particular Class exceed the assets pertaining to that Class, creditors pertaining to one Share Class may have recourse to the assets attributable to other Share Classes. Although for the purposes of internal accounting, a separate account will be established for each Share Class, in the event of an insolvency or termination of a Portfolio (i.e., when the assets of a Portfolio are insufficient to meet its liabilities), all assets will be used to meet a Portfolio's liabilities, not just the amount standing to the credit of any individual Share Class. However, the assets of a Portfolio may not be used to satisfy the liabilities of another Portfolio.

### **Market risk**

The value of investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Company. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies.

### **Foreign exchange risk**

Because a Portfolios' assets and liabilities may be denominated in currencies different to the Base Currency, the Portfolio may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between the Base Currency and other currencies. Changes in currency exchange rates may influence the value of a Portfolio's shares, the dividends or interest earned and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

If the currency in which a security is denominated appreciates against the Base Currency, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

A Portfolio may engage in foreign currency transactions in order to hedge against currency exchange risk, however there is no guarantee that hedging or protection will be achieved. This strategy may also limit the Portfolio from benefiting from the performance of a Portfolio's securities if the currency in which the securities held by the Portfolio are denominated rises against the Base Currency. In case of a hedged Class, (denominated in a currency different from the Base Currency), this risk applies systematically.

### **Liquidity risk**

A Portfolio is exposed to the risk that a particular investment or position cannot be easily unwound or offset due to insufficient market depth or market disruption. This can affect the ability of a shareholder to redeem funds from that Portfolio, and can also have an impact on the value of the Portfolio.

Although the Portfolios will invest mainly in the Collective Investment Schemes in which the shareholders are entitled to redeem their shares within a reasonable timeframe, there may be exceptional circumstances in which such Collective Investment Schemes cannot guarantee the liquidity of their shares/units. Absence of liquidity may have a determined impact on the Portfolio and the value of its investments.

This liquidity risk is mitigated as the Portfolios will have a well-diversified exposure to a broad range of asset classes.

In addition, the Company manages a robust risk management process effective on a daily basis in identifying, measuring, monitoring and controlling the liquidity risk for all assets classes including, but not limited to, Emerging Markets equities, Investment Grade, high yield and Emerging Markets debt securities, real estate, hedge fund, private equity and absolute return strategies.



## **Emerging Markets risk**

Because of the special risks associated with investing in Emerging Markets, Portfolios which have exposure to such securities should be considered speculative. Investors in such Portfolios are advised to consider carefully the special risks of investing in Emerging Market securities. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade.

Brokerage commissions, custodial services and other costs relating to investment in Emerging Markets generally are more expensive than those relating to investment in more developed markets. Lack of adequate custodial systems in some markets may prevent investment in a given country or may require a Portfolio to accept greater custodial risks in order to invest, although the Depositary Bank will endeavour to minimise such risks through the appointment of correspondents that are international, reputable and creditworthy financial institutions. In addition, such markets have different settlement and clearance procedures. In certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. The inability of a Portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss attractive investment opportunities. Inability to dispose of a portfolio security caused by settlement problems could result either in losses to a Portfolio due to subsequent declines in value of the portfolio security or, if a Portfolio has entered into a contract to sell the security, could result in potential liability to the purchaser.

The risk also exists that an emergency situation may arise in one or more developing markets as a result of which trading of securities may cease or may be substantially curtailed and prices for a Portfolio's securities in such markets may not be readily available.

Investors should note that changes in the political climate in Emerging Markets may result in significant shifts in the attitude to the taxation of foreign investors. Such changes may result in changes to legislation, the interpretation of legislation, or the granting of foreign investors the benefit of tax exemptions or international tax treaties. The effect of such changes can be retrospective and can (if they occur) have an adverse impact on the investment return of shareholders in any Portfolio so affected.

Investors in Emerging Markets Portfolios should be aware of the risk associated with investment in Russian equity securities. Markets are not always regulated in Russia and, at the present time, there are a relatively small number of brokers and participants in these markets and when combined with political and economic uncertainties this may temporarily result in illiquid equity markets in which prices are highly volatile.

The relevant Portfolios will therefore only invest up to 10% of their net asset value directly in Russian equity securities (except if they are listed on the RTS Stock Exchange, on the Moscow Interbank Currency Exchange in Russia and any other regulated markets in Russia which would further be recognised as such by the Luxembourg supervisory authority) while the Portfolios will invest in American, European and Global Depositary Receipts, respectively ADRs, EDRs or GDRs, where underlying securities are issued by companies domiciled in the Russian Federation and then trade on a Regulated Market outside Russia, mainly in the USA or Europe. By investing in ADRs, EDRs and GDRs, the Portfolios expect to be able to mitigate some of the settlement risks associated with the investment policy, although other risks, e.g. the currency risk exposure, shall remain.

## **Interest rate risk**

A Portfolio that has exposure to bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

## **Credit risk**

A Portfolio which has exposure to bonds and other fixed income securities, is subject to the risk that issuers may not make payments on such securities. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a

security, may also offset the security's liquidity, making it more difficult to sell. Portfolios investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

### **Downgrading Risk**

Investment Grade bonds may be subject to the risk of being downgraded to Non-Investment Grade bonds. In the event of downgrading in the credit ratings of a security or an issuer relating to a security, the Portfolio's investment value in such security may be adversely affected. The Management Company or the relevant Investment Adviser may or may not dispose of the securities, subject to the investment objective of the Portfolio. If downgrading occurs, the non-Investment Grade debt risk outlined in the paragraph below will apply.

### **Non-Investment Grade Debt / Unrated Debt**

A Portfolio which invests in Non-Investment Grade or unrated fixed-income securities carries higher credit risk (default risk and downgrade risk), liquidity risk and market risk than a Portfolio that invests in investments in Investment Grade fixed-income securities.

Credit risk is greater for investments in fixed-income securities that are rated below Investment Grade or unrated fixed income securities which are not of comparable quality with Investment Grade securities. It is more likely that income or capital payments may not be made when due. Thus the risk of default is greater. The amounts that may be recovered after any default may be smaller or zero and the Portfolio may incur additional expenses if it tries to recover its losses through bankruptcy or other similar proceedings.

Adverse economic events may have a greater impact on the prices of Non-Investment Grade and unrated fixed-income securities. Investors should therefore be prepared for greater volatility than for Investment Grade fixed-income securities, with an increased risk of capital loss, but with the potential of higher returns.

The market liquidity for Non-Investment Grade and unrated fixed-income securities can be low and there may be circumstances in which there is no liquidity for these securities, making it more difficult to value and/or sell these securities. As a result of significant redemption applications received over a limited period in a Portfolio invested in Non-Investment Grade or unrated fixed-income securities, the Board of Directors may invoke the procedure permitting the deferral of shareholder redemptions (See Section "Deferral of Redemption" in Section 2.3. "How to Sell Shares" for further information).

### **Volatility of financial derivative instruments**

The price of a financial derivative instrument can be very volatile. This is because a small movement in the price of the underlying security, index, interest rate or currency may result in a substantial movement in the price of the financial derivative instrument. Investment in financial derivative instruments may result in losses in excess of the amount invested.

### **Futures and options**

Under certain conditions, the Company may use options and futures on securities, indices and interest rates for different purposes (i.e. investment, hedging and efficient portfolio management). Also, where appropriate, the Company may hedge market and currency risks using futures, options or forward foreign exchange contracts.

Transactions in futures carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

## **OTC financial derivative transactions**

In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which currencies, forward, spot and option contracts, credit default swaps, total return swaps and certain options on currencies are generally traded) than of transactions entered into on organized exchanges. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with OTC financial derivative transactions. Therefore, a Portfolio entering into OTC financial derivative transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Portfolio will sustain losses. The Company will only enter into transactions with counterparties which it believes to be creditworthy, and may reduce the exposure incurred in connection with such transactions through the receipt of letters of credit or collateral from certain counterparties. Regardless of the measures the Company may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that a Portfolio will not sustain losses as a result.

From time to time, the counterparties with which the Company effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, the Company might be unable to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance. Further, in contrast to exchange-traded instruments, forward, spot and option contracts on currencies do not provide the Investment Adviser with the possibility to offset the Company's obligations through an equal and opposite transaction. For this reason, in entering into forward, spot or options contracts, the Company may be required, and must be able, to perform its obligations under the contracts.

## **Counterparty risk**

The Company on behalf of a Portfolio may enter into transactions in over-the-counter markets, which will expose the Portfolio to the credit of its counterparties and their ability to satisfy the terms of such contracts.

For example, the Company on behalf of the Portfolio may enter into repurchase agreements, forward contracts, options and swap arrangements or other derivative techniques, each of which expose the Portfolio to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Portfolio could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to cover any losses incurred. Derivative contracts such as swap contracts entered into by the Company on behalf of a Portfolio on the advice of the Investment Adviser involve credit risk that could result in a loss of the Portfolio's entire investment as the Portfolio may be fully exposed to the credit worthiness of a single approved counterparty where such an exposure will be collateralised.

## **Investment in real estate**

Investments in equity securities issued by companies or in shares/units of real estate Collective Investment Scheme which are principally engaged in the business of real estate will subject the strategy to risks associated with the direct ownership of real estate. These risks include, among others, possible declines in the value of real estate. Risks related to general and local economic conditions, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increases in competition, real estate taxes and transaction, operating and foreclosure expenses, changes in zoning laws, costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses, uninsured damages from natural disasters and acts of terrorism, limitations on and variations in rents; and changes in interest rates. The strategy may invest in securities of small to mid-size companies which may trade in lower volumes and be less liquid than the securities of larger, more established companies or other Collective Investment Schemes. There are therefore risks of fluctuations in value due to the greater potential volatility in their share prices.

## **Investment in REITs**

Investors should note that insofar as the Portfolio directly invests in REITs, any dividend policy or dividend payout at the Portfolio level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

The legal structure of a REIT, its investment restrictions and the regulatory and taxation regimes to which it is subject will differ depending on the jurisdiction in which it is established.

## **Investment in hedge funds**

Hedge funds are considered to fall within the category of alternative investments. Hedge funds often engage in borrowing money to increase returns and other speculative investment practices that may increase the risk of investment loss. They may also regularly make short sales, i.e. sales of assets received through securities lending from a third party, for which there exists an obligation to return the securities. If the price of the securities increases the hedge funds may suffer a loss, possibly unlimited in amount. They can be difficult to sell, are not required to provide periodic pricing or valuation information to investors, and may involve complex tax structures and delays in distributing important information. Alternative investments may not always be subject to governmental or regulatory supervision and are generally not bound by investment restrictions or limits. They are often not subject to the same regulatory requirements as, say, funds and often charge high fees that may potentially offset trading profits when they occur. Exposure to hedge funds through derivatives is subject to the risks associated with such derivatives described in this section.

## **Investment in private equity**

Private equity investments are generally illiquid, long-term investments that do not display the liquidity or transparency characteristics often found in other investments (e.g. listed securities). It can take a longer time for money to be invested as well as a longer time for investments to produce returns after initial losses. There is a higher degree of risk that the entire investment may be lost. Private equity companies are subject to little or no regulatory supervision and thus the reporting standards may be lower than exchange traded companies.

## **Investment in commodity Collective Investment Schemes or commodity financial derivative instruments**

The Portfolio may have exposure to commodities markets. This type of exposure generally entails greater volatility than investments in traditional securities, such as stocks and bonds. The commodities markets may vary widely based on a variety of factors. These include changes in overall market movements, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest rates and/or expectations concerning interest rates, domestic and foreign inflation rates and/or investor expectations concerning inflation rates and investment and trading activities of mutual funds and commodities funds.

Prices of various commodities may also be affected by factors such as droughts, floods, weather, livestock disease, embargoes, tariffs and other regulatory developments. Many of these factors are very unpredictable. The prices of commodities can also fluctuate widely due to supply and demand disruptions in major producing or consuming regions. Certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers. As a result political, economic and supply related events in such countries could have a disproportionate impact on the prices of such commodities.

Because the Portfolio's performance may be linked to the performance of highly volatile commodities, investors should consider purchasing shares of the Portfolio only as part of an overall diversified portfolio and should be willing to assume the risks of potentially significant fluctuations in the value of Portfolio shares.

## **Specific nature of a fund of funds**

Prospective investors should be aware of the specific features of a fund of funds and the consequences of investing in the Collective Investment Schemes. Although the Company will seek to monitor investments and trading activities of the Collective Investment Schemes to which certain Portfolios' assets will be allocated, investment decisions are made at the level of such Collective Investment Schemes and it is possible that the managers of such Collective Investment Schemes will take positions or engage in transactions in the same securities or in issues of the same asset class, industry or country or currency at the same time. Consequently, there is a possibility

that one Collective Investment Scheme may purchase an asset at about the same time as another Collective Investment Schemes may sell it.

There can be no assurance that the selection of the managers of the Collective Investment Schemes will result in an effective diversification of investment styles and that positions taken by the underlying Collective Investment Schemes will always be consistent.

The selection of the Collective Investment Schemes will be made in a manner to secure the opportunity to have the shares or units in such Collective Investment Schemes redeemed within a reasonable time frame. There is, however, no assurance that the liquidity of the Collective Investment Schemes will always be sufficient to meet redemption requests as and when made.

### **Duplication of costs when investing in Collective Investment Schemes**

The Company incurs costs of its own management and administration comprising the fees paid to the Management Company (which include among others the fees of the Depositary Bank, unless otherwise provided hereinafter) and other service providers. It should be noted that, in addition, the Company incurs similar costs in its capacity as an investor in the Collective Investment Schemes which in turn pay similar fees to their manager and other service providers. The Directors endeavour to reduce duplication of management charges by negotiating rebates where applicable in favour of the Company with the Collective Investment Schemes or their managers. Please refer to the Section 2.8. "Charges and Expenses" of this Prospectus.

Further, the investment strategies and techniques employed by certain Collective Investment Schemes may involve frequent changes in positions and a consequent portfolio turnover. This may result in brokerage commission expenses which exceed significantly those of the Collective Investment Schemes of comparable size.

The Collective Investment Schemes may be required to pay performance fees to their manager. Under these arrangements the managers will benefit from the appreciation, including unrealised appreciation of the investments of such Collective Investment Schemes, but they are not similarly penalised for realised or unrealised losses.

As a consequence, the direct and indirect costs borne by the Company are likely to represent a higher percentage of the Net Asset Value than would typically be the case with Collective Investment Schemes which invest directly in equity and bond markets (and not through other Collective Investment Schemes).

### **Withdrawal of the UK from the EU**

Following the UK Government's notification to the European Union (EU) of its intention to leave the Union (i.e. "Brexit"), on 23 January 2020, the UK Government enacted the European Union (Withdrawal Agreement) Act 2020 (WAA). The WAA implemented the withdrawal agreement into UK law. The EU also ratified the withdrawal agreement in accordance with its procedures, with the European Parliament consenting to the Withdrawal Agreement on 29 January 2020.

As part of the Withdrawal Agreement, the UK and the EU agreed a Transition Period (referred to in the UK as an 'Implementation Period') in order to provide continuity and certainty. During this time, the UK will generally continue to apply EU law as it does now. UK domiciled UCITS will continue to be referred to as UCITS and enjoy the rights conferred by the UCITS Directive during the Transition Period. EU UCITS will continue to use their cross-border passporting rights to passport into the UK.

Currently, the Transition Period will run from 12:00 midnight CET on 31 January 2020 until 12:00 midnight CET on 31 December 2020. Under the Withdrawal Agreement, before 1 July 2020, the UK Government and the EU are able to agree to extend the Transition Period for up to one or two years. However, the UK Government's stated policy is that it will not seek an extension and so it is highly likely that the Transition Period will end on 31 December 2020.

Investors should note that during the Transition Period references to the EU in this Prospectus shall be taken to include the UK.

Once the Transition period expires, all cross-border passporting rights to the UK for EU UCITS funds will cease; however, the UK's commitment to a Temporary Permission Regime will mitigate the cliff-edge risks associated with a no-deal end of the Transition Period. The UK Government has also committed to bringing forward domestic

legislation to streamline the process to allow overseas (including EU) investment funds to be sold in the UK post-Brexit.

Notwithstanding the above, the UK's future economic and political relationship with the EU (and with other non-EU countries by agreement) continues to remain uncertain. This uncertainty is likely to generate further global currency and asset price volatility. This may negatively impact the returns of a Portfolio and its investments resulting in greater costs if a Portfolio decides to employ currency hedging policies. Ongoing uncertainty could adversely impact the general economic outlook and as such, this may impact negatively on the ability of a Portfolio and its investments to execute their strategies effectively, and may also result in increased costs to the Company.

It is possible that there will be more divergence between UK and EU regulations post-Brexit, limiting what cross-border activities can take place. However, it is unlikely to affect a Portfolio's ability to receive portfolio management services. At the date of this Prospectus, the Portfolios continue to be recognised by the FCA and can be marketed to UK investors. The nature and extent of the impact of any Brexit related changes are uncertain, but may be significant.

The information provided in this section is correct as at the date of this Prospectus.

## **Taxation**

Investors should note in particular that (i) the proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market including taxation levied by withholding at source and/or (ii) the Portfolio's investments may be subject to specific taxes or charges imposed by authorities in some markets. Tax law and practice in certain countries into which a Portfolio invests or may invest in the future is not clearly established. It is possible therefore that the current interpretation of the law or understanding of practice might change, or that the law might be changed with retrospective effect. It is therefore possible that the Portfolio could become subject to additional taxation in such countries that is not anticipated either at the date of this Prospectus or when investments are made, valued or disposed of.

## **ESG Scoring Risk**

The Company and the Investment Advisers may rely on third parties to provide ESG scoring data where relevant. Therefore, the Company is subject to certain operational and data quality risks associated with reliance on third party service providers and data sources. ESG data provided by third parties may not always be reliable, consistent or available and this may impact on a Portfolio's ability to accurately assess sustainability risks and effectively promote environmental and social characteristics, where relevant.

## **SFDR categorisation and ESG data**

SFDR requires Portfolios to be categorised into three different categories;

- ◆ Portfolios which do not have sustainable investment as their objective or promote environmental or social characteristics (referred to as Article 6 SFDR Portfolios);
- ◆ Portfolios which promote environmental and/or social characteristics (referred to as Article 8 SFDR Portfolios); and
- ◆ Portfolios with sustainable investment as their investment objective (referred to as Article 9 SFDR Portfolios).

Article 8 and Article 9 SFDR Portfolios are subject to particular disclosure requirements, with the purpose of providing transparency to show how the Portfolio's environmental and/or social characteristics are met, or how the sustainable investment objective is achieved.

HSBC Asset Management's investment process uses bespoke sustainability frameworks, to assess the investments to be made in line with the relevant Portfolio's SFDR categorisation as an Article 8 or Article 9 SFDR Portfolio. The Investment Advisers will use all relevant information available to them to manage the Portfolios in line with the ESG characteristics of the stated investment objective.

However, the required disclosures may not always include the data required by the SFDR and/or Taxonomy Regulation due to the unavailability of such data. A lack of data could arise because a company does not provide

this data at an entity and/or product level, or because the company's circumstances change and it ceases to provide particular information in future.

In such a situation, the Investment Advisers will aim to disclose as much information about the Portfolio as possible in order to provide as much transparency as it is able to about the alignment between the existing investments and the environmental and/or social characteristics promoted by the Portfolio or the Portfolio's sustainable investment objective.

## **1.4. Integration of sustainability risks into investment decisions**

### **SFDR Regulation**

As set out in the SFDR, the Management Company is required to disclose the manner in which sustainability risks are integrated into the investment process and the results of the assessment of the likely impacts of sustainability risks on the returns of the Portfolios. A sustainability risk is defined in the SFDR as an ESG event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

The Management Company has adopted HSBC Asset Management's responsible investment policy and related Responsible Investment Policy Implementation Procedures (the "Policy") in relation to the integration of sustainability risks into investment decisions for the Portfolios. The Investment Advisers integrate this on behalf of the Management Company and have adopted the Policy and therefore integrate sustainability risks into their investment decisions.

The Policy outlines HSBC Asset Management's approach to sustainable investing, focusing on the ten principles of the United Nations Global Compact ("UNGC"). The UNGC sets out key areas of financial and non-financial risk: human rights, labour, environment and anti-corruption. The Investment Advisers use third party screening providers to identify companies with a poor track record in these areas of risk and, where potential sustainability risks are identified, the Investment Advisers also carry out their own due diligence. Sustainability risks are monitored on an ongoing basis as part of the Investment Adviser's portfolio management strategy generally.

The Investment Advisers have a duty to act in the best long-term interests of shareholders. The Investment Advisers believe that sustainability risks can affect the performance of investment portfolios across companies, sectors, regions and asset classes through time. While each Portfolio has its own investment objective, the Investment Adviser's goal is to provide shareholders with competitive risk-adjusted returns over the long term. To achieve this, the Investment Advisers will conduct thorough financial analysis and comprehensive assessment of sustainability risks as part of a broader risk assessment for each Portfolio, where relevant.

For more information, please refer to the Policy which can be found on HSBC Asset Management's website.

### **Article 6 SFDR Portfolios**

All Portfolios that either do not promote environmental and/or social characteristics within the meaning of Article 8 of SFDR or that do not have a sustainable investment objective within the meaning of Article 9 of SFDR, are required to comply with the requirements of Article 6 of SFDR and are categorised, and referred to as Article 6 SFDR Portfolios.

All the Portfolios at the date of this Prospectus are classified as Article 6 SFDR Portfolios.

### **Article 8 and 9 SFDR Portfolios**

These are Portfolios that promote environmental or social characteristics or which have a sustainable investment objective are required to comply with Article 8 or Article 9 of SFDR respectively. Further details of our launched Portfolios can be found for the relevant Portfolio in Section 3.0 Portfolio Information, as well as on HSBC Asset Management's website.

Portfolios which promote environmental and/or social characteristics within the meaning of Article 8 of SFDR or Portfolios which have a sustainable investment objective within the meaning of Article 9 of SFDR may be established from time to time and will be included in this Prospectus.

### **Likely impact of sustainability risks on returns**

Companies that adequately manage sustainability risks should be better placed to anticipate future sustainability risks and opportunities. This makes them more strategically resilient and therefore able to anticipate, and adapt to, the risks and opportunities in relation to sustainability on the horizon. Likewise, if managed inadequately, sustainability risks can adversely impact the value of the underlying company or the competitiveness of the country issuing government bonds. Sustainability risks can materialise in various forms for the issuers or government securities or other investments/assets in which the Portfolios invest, including (but not limited to) (i) reduced revenue due to shifts in customer preferences, negative impacts on the workforce, social unrest and decreased production capacity; (ii) increased operating/capital costs; (iii) write-off and early retirement of existing assets; (iv) loss of reputation due to fines and judgements and loss of license to operate; (v) the risk score (and market for) government bonds. These risks, together or individually can potentially impact the returns of the Portfolios.

The likely impacts of sustainability risks on the returns of each Portfolio will also depend on each Portfolio's investments and the materiality of sustainability risks. The likelihood of sustainability risks arising in respect of a Portfolio should be mitigated by the relevant Investment Adviser's approach to integrating sustainability risks in its investment decision-making process as outlined in the Policy. However, there is no guarantee that these measures will completely mitigate or prevent sustainability risks materialising in respect of a Portfolio. The likely impact on the return of a Portfolio from an actual or potential material decline in the value of an investment due to a sustainability risk will therefore vary and depend on several factors, including, but not limited to the type, extent, complexity, duration of the event or condition, prevailing market conditions and the existence of any mitigating factors.

### **Actively managed Portfolios**

All actively managed Portfolios integrate consideration of sustainability risks in the investment decision-making process. The relevant Investment Advisers integrates sustainability risks by identifying ESG factors that could have a material financial impact on the performance of an investment. Exposure to sustainability risk does not necessarily mean that the relevant Investment Advisers will refrain from taking or maintaining a position in an investment. Rather, the Investment Advisers will consider the assessments of sustainability risks together with other material factors in the context of the investee company or issuer and the investment objective and policy of the Portfolio.

### **Portfolios investing in financial derivative instruments and Securities Lending**

Some Portfolios may invest in financial derivative instruments and therefore, sustainability risks are harder to factor in as the Portfolios are not directly investing in the underlying asset. Currently, no ESG integration methodology can be applied for the financial derivative instruments or in any securities lending arrangements which may be utilised, but the Investment Advisers are exploring how such a methodology can be applied.

### **Consideration of principal adverse impacts**

SFDR requires the Management Company to determine whether they consider the principal adverse impacts of their investment decisions on sustainability factors. The Investment Advisers will implement this consideration on behalf of the Management Company. The Investment Advisers are supportive of the aim of this requirement, which is to improve transparency to investors and the market generally as to how the principal adverse impacts of investment decisions on sustainability factors are considered. However, for actively managed Portfolios, the Investment Advisers are able to consider principal adverse impacts. For passively managed Portfolios that track an index, the Investment Advisers are not able to consider principal adverse impacts (for more information see the section above on passively managed products). Moreover, the Investment Advisers are currently unable to consider principal adverse impacts of their investment decisions for certain investments where the underlying instruments are not directly being held by the relevant Portfolio, such as alternative investments and financial derivative instruments, as the data is not currently available. HSBC Asset Management intends to develop proprietary sustainability frameworks for alternative investments and financial derivative instruments, which will be finalised by 30 December 2022.

## **1.5. Taxonomy Regulation**

The Taxonomy Regulation was established to provide an EU-wide classification system which provides investors and investee companies with a common language to identify whether certain economic activities can be considered environmentally sustainable.

The Taxonomy Regulation introduces additional disclosure requirements in respect of Article 8 and Article 9 SFDR Portfolios. For Article 6 SFDR Portfolios, the Investment Advisers do not take into account the EU criteria for



environmentally sustainable economic activities and therefore these disclosure requirements do not apply to Article 6 SFDR Portfolios. However, as disclosed above in the section "Integration of sustainability risks into investment decisions", the Investment Advisers integrate sustainability risk considerations into the management of these Portfolios.

Under the Taxonomy Regulation, an economic activity will be considered to be environmentally sustainable where it:

1. contributes substantially to one or more defined environmental objectives;
2. does not significantly harm any of the environmental objectives;
3. complies with certain minimum social safeguards; and
4. complies with specified performance thresholds known as technical screening criteria.

For points 1 and 2 above, the Taxonomy Regulation defines the environmental objectives into six areas of sustainable investments:

- ◆ climate change mitigation; and
- ◆ climate change adaptation.
- ◆ sustainable use and protection of water and marine resources;
- ◆ transition to a circular economy;
- ◆ pollution prevention and control; and
- ◆ protection and restoration of biodiversity and ecosystems.

From 1 January 2022, the Taxonomy Regulation is limited in its application to only to the first two environmental objectives – climate change mitigation and climate change adaptation, as defined under the Taxonomy Regulation. The remaining four environmental objectives will apply from 1 January 2023.

Some of the Company's Portfolios may make investments that the Investment Advisers consider contribute to these four environmental objectives (i.e. the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems). However, the technical screening criteria for these environmental objectives set out in the Taxonomy Regulation are not yet developed as the Taxonomy Regulation will only apply from 1 January 2023 in respect of these environmental objectives.

Furthermore, the Investment Advisers may also make environmentally sustainable investments that do not qualify as environmentally sustainable under the Taxonomy Regulation.

Currently there are no Portfolios that intend to make taxonomy-aligned investments that directly contribute to the environmental objectives of climate change mitigation and/or climate change adaptation. Where such Portfolios are established in the future, they shall have a commitment to invest in activities that will be classified by the Taxonomy Regulation as activities that contribute to climate change mitigation and/or climate change adaptation.

For any such Portfolios established that intend to make investments in activities that contribute to the two environmental objectives of the Taxonomy Regulation relating to climate change mitigation and climate adaptation, information on how the relevant Fund intends to invest in environmentally sustainable investments contributing to these environmental objectives is described in the relevant Fund's investment objective or policy.

However, such Portfolios cannot, at this time, make any statements about the proportion of underlying investments that are in economic activities that qualify as environmentally sustainable under the Taxonomy Regulation or the

proportion of their total investments that are aligned with the Taxonomy Regulation (which includes the enabling and transitional activities referred to in the Taxonomy Regulation), due to:

- full reporting of investee companies on taxonomy-alignment pursuant to article 8 of the Taxonomy Regulation will not commence until 2024, pursuant to the draft Article 8 Taxonomy Regulation delegated act;
- the SFDR Regulatory Technical Standards (including the taxonomy-related disclosures to be incorporated by the Taxonomy RTS), which are meant to set out, i) how to disclose the information required by articles 5 and 6 of the Taxonomy Regulation (i.e. by way of templates to be included in the pre-contractual disclosures and annual report) and ii) the methodology how to calculate to what extent the underlying investments are taxonomy-aligned, have been postponed to 1 January 2023.

The Prospectus will be updated once it becomes possible to accurately disclose this information.

The "do no significant harm" principle applies only to those investments underlying the above Portfolios that take into account the EU criteria for environmentally sustainable economic activities. Similarly, for the reasons set out above, the Company cannot make any statement in respect of these Portfolios about the "do no significant harm" principle at this time.

## Section 2. Company details

### 2.1. Summary of principal features

|                                  |  |
|----------------------------------|--|
| <b>Legal structure:</b>          | The Company is an open-ended investment company and qualifies as an Undertaking for Collective Investment in Transferable Securities under the Part I of the 2010 Law implementing Directive 2009/65/EC into Luxembourg law. Each Portfolio corresponds to a distinct part of assets and liabilities. It exists for an unlimited period.   |
| <b>Incorporation date:</b>       | 21 July 2009.  |
| <b>Registered number:</b>        | B147223 at the <b>Registre de Commerce et des Sociétés</b> of Luxembourg.  |
| <b>Articles of Incorporation</b> | Published in the Mémorial on 5 August 2009 and the latest amendment was published in the Mémorial on 21 February 2012.   |
| <b>Dividends:</b>                | Will be declared separately in respect of each distribution Class of each Portfolio by a meeting of shareholders of the Company at the end of each financial year. The Board of Directors may declare interim dividends in respect of certain Portfolios.  |
| <b>Taxation:</b>                 | The Company is liable in Luxembourg to a tax of 0.05% per annum of its Net Asset Value, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter. This tax rate is reduced to 0.01% per annum for S, X and Z Share Classes in the relevant Portfolios (for details see Section 2.15. "Taxation"). |
| <b>Investment objectives:</b>    | The Company provides investment in separate professionally managed pools of international securities distinguished by different geographical areas and currencies, with the opportunity for the investor to spread investment risk as well as to choose to emphasise income, capital conservation and growth.  |
| <b>NAV publication:</b>          | Details can be obtained from distributors or the registered office of the Company. Generally available in various publications (for details see Section 2.6. "Prices of shares, publication of prices and NAV").   |
| <b>Base currency:</b>            | USD.   |
| <b>Year End:</b>                 | 31 July.   |

### 2.2. How to buy shares

#### 1. Application

Investors buying shares for the first time should complete the Application Form. Investors are allocated a personal account number upon acceptance of their Application Form. Any subsequent purchase of shares can be made by letter, fax or, by prior agreement, by telephone. The latter may require confirmation in writing.

Applications for shares of any Portfolio made to the Company, either directly to the Registrar and Transfer Agent or through an appointed distributor before the appropriate dealing cut-off times as set forth below on a Dealing Day will, if accepted, normally be fulfilled on that Dealing Day, unless otherwise provided below.

#### 2. Dealing cut-off times at place of issue of orders

The dealing cut-off times are indicated in Section 3.2. "Portfolios details" for each Portfolio.

Applications received after the relevant cut-off times will normally be dealt on the next following Dealing Day.

Shareholders should normally allow up to four Business Days before further switching or redeeming their shares after purchase or subscription to allow cleared funds to be received by the Company.

Investors and shareholders dealing through distributors (including those offering nominee services) shall be entitled to deal until the relevant dealing cut-off times. The distributors/nominees shall transmit the amalgamated orders to the Company within a reasonable timeframe as agreed from time to time with the Board of Directors.

### **3. Acceptance**

The Company or the Management Company reserves the right to reject any subscription application in whole or in part.

If an application is rejected, the application monies or balance thereof will be returned at the risk of the subscriber and without interest within four Business Days of rejection at the expense of the subscriber.

### **4. Anti-money laundering and prevention of terrorist financing**

Pursuant to the Luxembourg law of 12 November 2004 (as amended) on the fight against money laundering and terrorist financing, any other applicable laws and regulations and the relevant circulars of the Luxembourg supervisory authority, obligations have been imposed on professionals of the financial sector to prevent the use of undertakings for collective investment such as the Company for money laundering and terrorist financing purposes ("AML & KYC").

As a result of such provisions, the registrar and transfer agent of a Luxembourg undertaking for collective investment shall in principle ascertain the identity of the subscriber in accordance with Luxembourg laws and regulations. The Registrar and Transfer Agent may require subscribers to provide any document it deems necessary to effect such identification.

In case of delay or failure by an applicant to provide the documents required, the application for subscription (or, if applicable, for redemption) will not be accepted. Neither the Company nor the Registrar and Transfer Agent have any liability for delays or failure to process deals as a result of the applicant providing no or only incomplete documentation.

Shareholders may be requested to provide additional or updated identification documents from time to time pursuant to ongoing client due diligence requirements under relevant laws and regulations.

An Application Form will be completed by each new investor. The list of identification documents to be provided by each investor will be based on the AML & KYC requirements as stipulated in the CSSF's circulars and regulations as amended from time to time and based on the AML & KYC Guidelines of the current Registrar and Transfer Agent. These requirements may be amended following any new Luxembourg regulations.

Investors may be asked to produce additional documents for verification of their identity before acceptance of their applications. In case of refusal by the investor to provide the documents required, the application will not be accepted.

Before redemption proceeds are released, the Registrar and Transfer Agent will require original documents or certified copies of original documents to comply with the Luxembourg regulations.

In accordance with the Luxembourg law of 13 January 2019 establishing a register of beneficial owners, shareholders are informed that the Company may need to communicate certain information to the register of beneficial owners in Luxembourg. The relevant authorities as well as the general public can access the register and the relevant information of the beneficial owners of the Company, including the name, the month and year of birth, the country of residence and nationality. This law defines beneficial owners as a reference to economic beneficiaries under the Luxembourg Law of 12 November 2004 (as amended) on the fight against money laundering and terrorist financing as the shareholders who own more than 25% of the shares of the Company or who otherwise control the Company.

### **5. Settlement**

#### **◆ In Cash**

Settlement may be made by electronic transfer net of bank charges to the relevant correspondent bank(s) quoting the applicant's name and stating the appropriate Portfolio into which settlement monies are paid. Details of the relevant correspondent bank(s) are given on the Application Form or can be obtained from a distributor.

## ◆ In Kind

The Board of Directors may, at its discretion, decide to accept securities as valid consideration for a subscription provided that these comply with the investment policy and restrictions of the relevant Portfolios. Such securities will be independently valued in accordance with Luxembourg law by a special report of the Company's Luxembourg Auditors (to the extent legally or regulatory required). Additional costs resulting from a subscription in kind will be borne exclusively by the subscriber concerned.

## 6. Currencies

Where payments for subscriptions are made in a currency other than the Base Currency of the Portfolio concerned, EUR, GBP or the Dealing Currencies available for the relevant Share Class, the necessary foreign exchange transactions are arranged by the Registrar and Transfer Agent for the account of, and at the expense of, the applicant at prevailing exchange rates on the relevant Dealing Day.

Payments for subscriptions in a currency hedged Share Class can only be made in the currency of the relevant currency hedged Share Class.

## 7. Share allocation

Shares are provisionally allotted but not allocated until cleared funds have been received by the Company or to its order. Cleared monies must be received by the Company or by a correspondent bank to its order, not later than the deadlines set forth in Section 3.2. "Portfolios details".

If settlement is not received by the Company or to its order in cleared funds by the due date the Company reserves the right to cancel the provisional allotment of shares without prejudice to the right of the Company to obtain compensation of any loss directly or indirectly resulting from the failure of an applicant to effect settlement.

## 8. Contract notes

Contract Notes are faxed and/or posted to the investor on the allotment of shares. The Shareholder's personal account number is included in the Contract Note and should be quoted on all further correspondence.

## 9. Form of shares

Shares are only issued in registered form, with only a share Confirmation being sent to the subscriber.

For registered shares, fractions of shares will be allocated where appropriate.

Registered shares in book form can be delivered into the Clearstream or Euroclear platforms by prior agreement.

# 2.3. How to sell shares

## 1. Request

Redemption requests should be made to the Company, either directly to the Registrar and Transfer Agent or through an appointed distributor. Redemption requests may be made by letter, fax or, by prior agreement, by telephone. The latter may require confirmation in writing.

They must include the names and personal account number(s) of the shareholder(s), the number of shares to be repurchased relating to each Portfolio and any special instructions for dispatch of the redemption proceeds.

Valid instructions to redeem shares of any Portfolio received prior to the appropriate dealing cut-off times as described in Section 3.2. "Portfolios details" for each Portfolio will normally be fulfilled on that Dealing Day. Any valid request received after the dealing cut-off times will be dealt with on the next Dealing Day. Any request for which documentation is missing will be dealt on receipt of the relevant documents, on the appropriate Dealing Day, after taking account of the dealing cut-off times.

## 2. Settlement

## ◆ In Cash

The net redemption proceeds shall be paid in the Base Currency of the Portfolio concerned, in EUR, in GBP or in any other Dealing Currency available for the relevant Share Class, no later than the dates defined in Section 3.2. "Portfolios details".

If payment is made by telegraphic transfer at the request of the shareholder, any costs so incurred will be the liability of the shareholder. The payment of the redemption proceeds is carried out at the risk of the shareholder.

#### ◆ In Kind

At a shareholder's request, the Company may elect to make a redemption in kind subject to a special report from the Company's Luxembourg Auditors (to the extent this report is legally or regulatory required), having due regard to the interests of all shareholders, to the industry sector of the issuer, to the country of issue, to the liquidity and to the marketability and the markets on which the investments distributed are dealt in and to the materiality of investments. Additional costs resulting from a redemption in kind will be borne exclusively by the shareholder concerned.

### 3. Currencies

Where payments for redemptions are made in a currency other than the Base Currency of the Portfolio concerned, EUR, GBP or the Dealing Currencies available for the relevant Share Class, the necessary foreign exchange transactions are arranged by the Registrar and Transfer Agent for the account of, and at the expense of, the applicant at prevailing exchange rates as at the Dealing Day.

Payments for redemptions in a currency hedged Share Class can only be made in the currency of the relevant currency hedged Share Class.

In exceptional circumstances, such as during an event of very significant currency markets disruption, should it not be possible for the Company to make payments for redemptions in the Dealing Currency or currency of any currency hedged Share Class, the Company reserves the right to make such payment only in the Base Currency of the relevant Portfolio.

### 4. Contract notes

Contract Notes are posted to shareholders as soon as practicable after the transaction has been effected.

### 5. Mandatory redemption

If a redemption instruction would reduce the value of a shareholder's residual holding in any one Portfolio to below the minimum holding requirement as set forth in Section 3. "Portfolio Information", the Company may decide to compulsorily redeem the shareholder's entire holding in respect of that Portfolio.

### 6. Deferral of redemption

In order to ensure that shareholders who remain invested in the Company are not disadvantaged by the reduction of the liquidity of the Company's portfolio as a result of significant redemption applications received over a limited period, the Directors may apply the procedures set out below in order to permit the orderly disposal of securities to meet redemptions.

The Company, having regard to the fair and equal treatment of shareholders, on receiving requests to redeem shares amounting to 10% or more of the net asset value of any Portfolio:

- a. shall not be bound to redeem on any Dealing Day a number of shares representing more than 10% of the net asset value of any Portfolio. If the Company receives requests on any Dealing Day for redemption of a greater number of shares, it may declare that such redemptions exceeding the 10% limit may be deferred for seven consecutive Dealing Days. On such Dealing Days such requests for redemption will be complied with in priority to later requests. If in the case of a request for conversion, such day is not a Qualifying Day, requests for conversion shall be dealt with on the next Qualifying Day in priority to later requests.
- b. may elect to sell assets representing, as nearly as practicable, the same proportion of the Portfolio's assets as the shares for which redemption requests have been received. If the Company exercises this option, the amount due to the shareholders who have applied to have their shares redeemed will be based on the Net Asset Value per share, calculated after such sale or disposal. Payment will be made forthwith upon completion of the sales and the receipt by the Company of the proceeds of sale in freely convertible currency. Receipt of the sale proceeds by the Company may however be delayed and the amount ultimately received may not necessarily reflect the Net Asset Value per share calculation made at the time of the relevant transactions because of possible fluctuations in the currency values and difficulties in repatriating funds from certain jurisdictions (See Section 1.3. "Risk Considerations").

Payment of redemption proceeds may be delayed if there are any specific statutory provisions such as foreign exchange restrictions, or any circumstances beyond the Company's control which make it impossible to transfer the redemption proceeds to the country where the redemption was requested.

## **7. Cancellation right**

Requests for redemption once made may only be withdrawn in the event of a suspension or deferral of the right to redeem shares of the relevant Portfolio.

## **8. Prevention of market timing practices**

The Company does not knowingly allow investments which are associated with market timing practices, as such practices may adversely affect the interests of all shareholders.

In general, market timing refers to the investment behaviour of an individual or company or a group of individuals or companies buying, selling or exchanging shares or other securities on the basis of predetermined market indicators by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the net asset value. Market timers may also include individuals or groups of individuals whose securities transactions seem to follow a timing pattern or are characterised by frequent or large exchanges.

Accordingly, the Management Company may, whenever it deems it appropriate and using its existing discretion take the following decisions or cause the Registrar and Transfer Agent and/or the Administration Agent, as appropriate, to implement any or all, of the following measures:

- ◆ The Registrar and Transfer Agent may combine shares which are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in market timing practices. Accordingly, the Management Company reserves the right to cause the Registrar and Transfer Agent to reject any application for switching and/or subscription of shares from investors whom the former considers market timers.
- ◆ If a Portfolio is primarily invested in markets which are closed for business at the time the Portfolio is valued, the Management Company may, during periods of market volatility, and in accordance with the provisions below cause the Administration Agent to adjust the Net Asset Value per share to reflect more accurately the fair value of the Portfolio's investments or, in certain circumstances specified below, to suspend the calculation of the Net Asset Value per share and the issue, allocation, the redemption and the conversion of shares relating to that Portfolio.

If a Portfolio is primarily invested in markets that are closed or with substantially restricted or suspended dealings, the Management Company may suspend the calculation of the Net Asset Value per share and the issue allocation and the redemption and repurchase of shares relating to that Portfolio (see Appendix 2 "Other Information", paragraph 6).

In addition to the fees listed elsewhere in this Prospectus, the Board of Directors may impose a charge of up to 2.00% of the Net Asset Value of the shares redeemed or exchanged where the Board of Directors reasonably believes that an investor has engaged in market timing activity or active trading that is to the disadvantage of other shareholders. The charge shall be credited to the relevant Portfolio.

## **2.4. Foreign exchange transactions**

Shares are issued in principle at an Offer Price and redeemed at a Redemption Price denominated and payable in the Base Currency of the Portfolio or Class concerned. The Offer and Redemption Prices may also be expressed in different Dealing Currencies or in the currency of a currency hedged Share Class.

Payments for subscriptions and redemptions in a currency hedged Share Class can only be made in the currency of the relevant currency hedged Share Class, unless otherwise provided for in the Prospectus.

Where payments are tendered by a subscriber or, if a capital withdrawal is required in a currency other than that in the Base Currency or the Dealing Currencies, the necessary foreign exchange transactions are arranged by the Registrar and Transfer Agent for the account of, and at the expense of, the applicant at prevailing exchange rates on the relevant Dealing Day.

## 2.5. How to convert between Portfolios

Subject to shareholders being eligible in a given Class, shares of different Classes in any Portfolio may be converted into different Classes of the same or other Portfolios on any Dealing Day for both Portfolios (a "Qualifying Day"). Completed requests received before the dealing cut-off time will be dealt with on that Dealing Day or Qualifying Day, as applicable. Requests received after the dealing cut-off time are deemed received the next Dealing Day or Qualifying Day as applicable.

The Company reserves the right to reject any conversion application in whole or in part.

If compliance with conversion instructions would result in a residual holding in any one Portfolio or Class of less than the minimum holding, the Company may compulsorily redeem the residual shares at the Redemption Price ruling on the relevant Qualifying Day and make payment of the proceeds to the shareholder.

Investors in capital-accumulation shares can convert their holding to distribution shares, where available, in the same as other Portfolios and vice versa. Investors in currency hedged Share Classes can convert their holding to unhedged Share Classes in the same or other Portfolios and vice versa.

A conversion charge of up to 1% of the value of the shares which are being converted may be payable to the relevant distributor. If a currency conversion needs to be effected, because the Net Asset Values per share of the shares are in different currencies, the currency conversion rate of the relevant Dealing Day is used.

For investors in the Company who invest initially in Share Classes where no or a low sales charge is usually payable and subsequently switch into Share Classes of the same or different Portfolios with higher sales charges, such conversions are subject to the sales charge normally payable on direct investments into such Share Classes.

Fractions of registered shares are issued on conversion to three decimal points.

## 2.6. Price of shares, publication of prices and NAV

### 1. Calculation of Net Asset Value

#### Valuation Principles

The Net Asset Value of each Class within each Portfolio (expressed in the currency of denomination of the Portfolio) is determined by aggregating the value of securities and other permitted assets of the Company allocated to that Class and deducting the liabilities of the Company allocated to that Class.

The assets of each Class within each Portfolio are valued as of the Valuation Point, as defined in Section 3.2. "Portfolios details", as follows:

1. shares or units in open-ended undertakings for collective investment, which do not have a price quotation on a Regulated Market, will be valued at the actual net asset value for such shares or units as of the relevant Dealing Day, failing which they shall be valued at the last available net asset value which is calculated prior to such Dealing Day. In the case where events have occurred which have resulted in a material change in the net asset value of such shares or units since the last net asset value was calculated, the value of such shares or units may be adjusted at their fair value in order to reflect, in the reasonable opinion of the Board of Directors, such change;
2. the value of securities (including a share or unit in a closed-ended undertaking for collective investment and in an exchange traded fund) and/or financial derivative instruments which are listed and with a price quoted on any official stock exchange or traded on any other organised market at the last available stock price. Where such securities or other assets are quoted or dealt in or on more than one stock exchange or other organised markets, the Board of Directors shall select the principal of such stock exchanges or markets for such purposes;
3. shares or units in undertakings for collective investment the issue or redemption of which is restricted and in respect of which a secondary market is maintained by dealers who, as principal market-makers, offer prices in response to market conditions may be valued by the Board of Directors in line with such prices;
4. the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed



to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof;

5. in the event that any of the securities held in the Company portfolio on the relevant day are not listed on any stock exchange or traded on any organised market or if with respect to securities listed on any stock exchange or traded on any other organised market, the price as determined pursuant to sub-paragraph (2) is not, in the opinion of the Board of Directors, representative of the fair market value of the relevant securities, the value of such securities will be determined prudently and in good faith based on the reasonably foreseeable sales price or any other appropriate valuation principles;
6. the financial derivative instruments which are not listed on any official stock exchange or traded on any other organised market will be valued in a reliable and verifiable manner on a daily basis and verified by a competent professional appointed by the Company;
7. swap contracts will be valued according to generally accepted valuation rules that can be verified by auditors. Asset based swap contracts will be valued by reference to the market value of the underlying assets. Cash flow based swap contracts will be valued by reference to the net present value of the underlying future cash flows;
8. the value of any security or other asset which is dealt principally on a market made among professional dealers and institutional investors shall be determined by reference to the last available price;
9. any assets or liabilities in currencies other than the currency of the Classes of the shares will be converted using the relevant spot rate quoted by a bank or other responsible financial institution;
10. in the event that the above mentioned calculation methods are inappropriate or misleading, the Board of Directors may adopt to the extent such valuation principles are in the best interests of the shareholders any other appropriate valuation principles for the assets of the Company; and
11. in circumstances where the interests of the Company or its shareholders so justify (avoidance of market timing practices, for example), the Board of Directors may take any appropriate measures, such as applying a fair value pricing methodology to adjust the value of the Company's assets.

Any asset or liabilities expressed in terms of currencies other than the relevant currency of the Portfolio concerned are translated into such currency at the prevailing market rates as obtained from one or more banks or dealers.

The consolidated accounts of the Company for the purpose of its financial reports shall be expressed in USD.

## **2. Temporary suspension**

In certain circumstances, as defined in Appendix 2, section 6), Net Asset Value per share determinations may be suspended and during any such period of suspension no shares relating to the Portfolio to which the suspension applies may be issued or allocated (other than those already allotted), converted or redeemed.

## **3. Pricing adjustment**

When investors buy or sell shares in a Portfolio, the Investment Advisers may need to buy or sell the underlying investments within the Portfolio. Without an adjustment in the Net Asset Value per Shares of the Portfolio to take account of these transactions, all shareholders in the Portfolio would pay the associated costs of buying and selling these underlying investments. These costs can include, but are not limited to, bid-offer spreads, brokerage and taxes on transactions.

The pricing adjustment aims to protect shareholders in a Portfolio. The pricing adjustment aims to mitigate the effect of transactions costs on the Net Asset Value per Shares of a Portfolio incurred by significant net subscriptions or redemptions.

The pricing adjustment mechanism has 3 main components:

- ◆ A threshold rate
- ◆ A buy adjustment rate
- ◆ A sell adjustment rate

These may be different for each Portfolio.

The Company uses a partial swing pricing adjustment which means that the pricing adjustment is triggered when the difference between subscriptions and redemptions, as a percentage of the Portfolio's Net Asset Value, exceeds the threshold on any particular valuation day. The Net Asset Value of the Portfolio will be adjusted up or down using the adjustment rates (buy adjustment rate for net subscriptions or sell adjustment rate for net redemptions).

If it is in the interests of shareholders, the Net Asset Value per Share may be adjusted up or down by a maximum of 2% when the net capital inflows or outflows in a Portfolio exceed a predefined threshold agreed from time to time by the Board of Directors to mitigate the effects of transaction costs.

The adjustment of the Net Asset Value per Share will apply equally to each Class of Share in a specific Portfolio on any particular valuation day. The pricing adjustment is applied to the capital activity at the level of a Portfolio and does therefore not address the specific circumstances of each individual investor transaction.

Pricing adjustment rates are reviewed on at least a quarterly basis by the relevant investment management team and agreed with the local risk team. The swing threshold rates are reviewed on at least a yearly basis. Recommendations to adjust the pricing adjustment rates and thresholds are made through the respective Pricing/Valuation committee and submitted to the Management Company for consideration and review. In the event that the proposal is accepted, the Management Company will implement at the changes at the next available opportunity. Changes to the swing threshold rates require additional approval from the Board of Directors before implementation.

Until the threshold rate is triggered, no pricing adjustment is applied and the transaction costs will be borne by the Portfolio. This will result in a dilution (reduction in the Net Asset Value per Share) to existing shareholders.

**For the avoidance of doubt, it is clarified that fees will continue to be calculated on the basis of the unadjusted Net Asset Value.**

#### **4. Offer price**

The offer Price for shares of each Class is based on the Net Asset Value per share of the relevant Class, adjusted by the pricing adjustment (as described above) if applicable, and may include a sales charge up to 4.17% of the Net Asset Value per share (the "Offer Price"). Details of the sales charge are set out below.

The total may then be rounded upwards to the minimum unit of the currency concerned. Any rounding will be retained by the relevant distributor or sub-distributor.

Offer Prices are quoted to four decimal points.

#### **5. Redemption price**

The redemption Price of shares for each Class is based on the Net Asset Value per share of the relevant Class, adjusted by the pricing adjustment (as described above) if applicable (the "Redemption Price"). Redemption Prices are quoted to four decimal points. This may be rounded downwards to the minimum unit of currency concerned.

#### **6. Information on prices**

The prices of each Class are available at the registered office of the Company, at the distributors' offices and in various publications as determined from time to time by the Directors.

## **2.7. Dividends**

The Directors have resolved to issue distribution, pay-out and capital-accumulation shares in different Classes of the Portfolios.

### **1. Capital-Accumulation Shares**

Capital-accumulation shares are identifiable by a "C" following the Portfolio and Class names and do not pay any dividends.

### **2. Distribution Shares**

Distribution shares are identifiable by a "D" following the Portfolio and Class names (e.g. Class AD), with the exception of Monthly Distribution Shares identifiable by an "M" following the Portfolio and Class names (e.g. Class

AM), Semi-Annual Distribution Share identifiable by an "S" following the Portfolio and Class names (e.g. Class AS) and Quarterly Distribution Shares identifiable by a "Q" following the Portfolio and Class names (e.g.: Class AQ).

## **Declaration and Announcement of Dividends**

The distribution policy of the distribution shares can be summarised as follows:

Dividends may be declared separately in respect of each distribution Class of each Portfolio by a meeting of shareholders of the Company at the end of each financial year. The Board of Directors may declare interim dividends in respect of certain distribution shares. The Board of Directors will normally recommend that distributions are made from investment income. However, for Monthly Distribution, Quarterly Distribution and Semi-Annual Distribution Shares, if the investment income is not sufficient, the Board of Directors may determine if, and to what extent, the monthly or quarterly dividend may be paid out of capital gains and/or capital, or paid gross of expenses (which effectively means paying out of capital gains and/or capital). In addition, dividends for currency hedged Share Classes may include the interest rate differential between the Portfolio's Base Currency and the reference currency of the currency hedged Share Class. A negative interest rate differential will result in a reduction of the dividend payment and may result in no dividends being paid. The estimate of the interest rate carry does not represent income received by the Share Class. Therefore this may result in distribution of capital gains, if any, and could result in distribution of capital attributable to such Shares.

Investors should be aware of the following:

- ◆ The distribution of dividends out of capital gains and/or capital will result in a reduction of the Net Asset Value per Share and payments of capital results in a withdrawal of part of an investor's original investment.
- ◆ The distribution of dividends out of capital gains and/or capital will normally continue during periods of negative performance of a Portfolio, resulting in a more rapid fall in the value of a Share Class than would occur if dividends were not being paid.
- ◆ The distribution of dividends out of capital gains and/or capital may impact an investor's tax position and accordingly investors are encouraged to seek appropriate tax advice in relation to investment in the different distribution Share Classes.

Monthly Distribution Shares will pay a dividend normally on a monthly basis. Quarterly Distribution Shares will pay a dividend normally on a quarterly basis.

Dividends may be announced in the countries where the Portfolios are registered according to the regulations of those jurisdictions.

## **Payment and Reinvestment of Dividends**

Holders of registered shares may, by written request to the Registrar and Transfer Agent or by completion of the relevant section of the Application Form, elect to have dividends relating to any distribution Class of any Portfolio paid out to them. Otherwise dividends will be reinvested automatically in the acquisition of further shares relating to that Portfolio. Such shares will be purchased no later than on the next Dealing Day after the date of payment of the dividend. Shares allocated as a result of such reinvestment will not be subject to any sales charge.

Fractions of registered shares will be issued (as necessary) to three decimal points.

Dividends below USD 50, Euro 50 or GBP 30 will in any case be automatically reinvested in accordance with the provisions set out above.

### **3. Pay-Out Shares**

Pay-Out Shares may be offered as fixed pay-out Shares (the "Fixed Pay-Out Shares") and flexible pay-out Shares (the "Flexible Pay-Out Shares"). Each has a different dividend calculation methodology.

**Dividends which are composed of capital gains and/or capital may impact an investor's tax position and accordingly investors are encouraged to seek appropriate tax advice in relation to investment in the different Pay-Out Classes.**

## Fixed Pay-Out Shares

The dividend rate on Fixed Pay-Out Shares may either be (i) based upon a pre-determined fixed percentage of the Net Asset Value per Share (or where a Pricing Adjustment has been applied, the adjusted Net Asset Value per Share) or (ii) set at a pre-determined fixed dividend rate per share with the aim of paying a fixed monetary amount. However, the Board of Directors may decide, at its discretion, to make adjustments to the dividend rate at any time.

**Investments in Fixed Pay-Out Shares are not an alternative to a savings account or a fixed interest paying investment. The pre-determined fixed percentage or rate does not reflect either the actual or expected income or performance of the relevant Portfolio.**

**Fixed Pay-Out Shares are expected to pay out capital gains and/or capital and may do so over a prolonged or indefinite period. Paying-out of capital represents a withdrawal of investors' initial investment. This may result in a substantial erosion of an investor's initial investment over the long term. Over the very long term an investor's initial investment may be nearly, or even completely, exhausted.**

**Fixed Pay-Out Shares do not pay a fixed monetary amount and the constant percentage of payout results in higher monetary payout when the Net Asset Value per Share of the relevant Class is high, and a lower monetary payout when the Net Asset Value per Share of the relevant class is low.**

**A payout does not imply a positive return. Payments will continue even when a Portfolio has not earned income and experiences capital losses. This will result in a more rapid fall in the value of the Class than would occur if fixed payouts were not being paid. Under normal circumstances, the rate is pre-determined and is not subject to the Board of Director's ongoing discretion.**

In addition, dividends for currency hedged Share Classes may include the interest rate differential between the Portfolio's Base Currency and the reference currency of the currency hedged Share Class. A negative interest rate differential will result in a reduction of the dividend payment and may result in no dividends being paid. The estimate of the interest rate carry does not represent income received by the Share Class. Therefore this may result in distribution of capital gains, if any, and could result in distribution of capital attributable to such Shares.

Fixed Pay-Out Shares may be offered with the following dividend declaration/payment frequencies and are identifiable as follows.

| Frequency              | Annual (at least)                           | Semi-Annual                                 | Quarterly                                   | Bi-Monthly<br>(every two months)            | Monthly                                     |
|------------------------|---|---|---|---|---|
| Share Class Identifier | a "D" follows the Portfolio and Class names | a "S" follows the Portfolio and Class names | a "Q" follows the Portfolio and Class names | a "B" follows the Portfolio and Class names | a "M" follows the Portfolio and Class names |

The following Share Class identifiers will apply using Class A as an example:

- i. an A class with a quarterly 5% (per annum) fixed percentage of the Net Asset Value per Share (or where a pricing adjustment has been applied, the adjusted Net Asset Value per Share) pay-out and denominated in EUR will have the following Share Class Identifier:

Class AQFIX5EUR

- ◆ "A" denotes Class A.
- ◆ "Q" identifies that the Class pays quarterly dividends.
- ◆ "FIX5" identifies that the Class pays a fixed 5% dividend per annum. The 5% will be spread equally over the number of dividends per year and the dividend payment will be calculated on basis of the Net Asset Value per Share or adjusted Net Asset Value per Share.
- ◆ "EUR" identifies the class as EUR denominated.

- ii. an A class with a quarterly fixed dividend rate per share pay-out and denominated in EUR will have the following Share Class Identifier:

Class AQFIXAEUR

- ◆ "A" denotes Class A.
- ◆ "Q" identifies that the Class pays quarterly dividends.
- ◆ "FIXA" identifies that the Class pays a fixed dividend rate per share. The fixed dividend rate per share will be disclosed on website:  
[www.assetmanagement.hsbc.com/fundinfo](http://www.assetmanagement.hsbc.com/fundinfo)  
and in the Key Investor Information Document.
- ◆ "EUR" identifies the class as EUR denominated.

Fixed Pay-Out Shares do not offer a mechanism for reinvestment of dividends.

### **Flexible Pay-Out Shares**

The dividend rate on Flexible Pay-Out Shares is based upon the Portfolio's long-term expected income and net capital gains (both realised and unrealised) (the "Expected Return") which is attributable to the Flexible Pay-Out Share Class. Dividends will be paid gross of fees and expenses and may be paid gross of taxes. The Expected Return will vary over time and consequently the dividend rate will be adjusted. The Board of Directors may decide, at its discretion, to make adjustments to the dividend rate at any time.

**Flexible Pay-Out Shares deliberately pay out of net capital gains (both realised and unrealised). In addition, these Classes will pay out of capital (or effectively out of capital) to the extent that:**

- i. **Fees and expenses and taxes are charged to capital;**
- ii. **Short-medium term market cycles result in performance temporarily falling short of the Expected Return (which is a long-term forecast). In this regard, where an investor's investment horizon is shorter than the Expected Return's time horizon, it may lead to them realising their investment during such a period. This would result in the return of their investment suffering from both (a) the return falling short of the Expected Return; and (b) erosion of capital due to both (i) and (ii); and**
- iii. **The actual long term performance is less than the Expected Return.**

**These Classes may pay out of capital over a prolonged or indefinite period. Paying-out of capital represents a withdrawal of investors' initial investment. This may result in a substantial erosion of an investor's initial investment over the long term. Over the very long term an investor's initial investment may be nearly, or even completely, exhausted.**

**A payout does not imply a positive return. Payments will continue even when a Portfolio has not earned income and experiences capital losses. This will result in a more rapid fall in the value of the Share Class than would occur if flexible payouts were not being paid.**

In addition, dividends for currency hedged Share Classes may include the interest rate differential between the Portfolio's Base Currency and the reference currency of the currency hedged Share Class. A negative interest rate differential will result in a reduction of the dividend payment and may result in no dividends being paid. The estimate of the interest rate carry does not represent income received by the Share Class. Therefore this may result in distribution of capital gains, if any, and could result in distribution of capital attributable to such Shares.

Flexible Pay-Out Shares may be offered with the following dividend declaration/payment frequencies and are identifiable as follows.

| Frequency              | Annual (at least)                           | Semi-Annual                                 | Quarterly                                   | Bi-Monthly<br>(every two months)            | Monthly                                     |
|------------------------|---|---|---|---|---|
| Share Class Identifier | a "D" follows the Portfolio and Class names | a "S" follows the Portfolio and Class names | a "Q" follows the Portfolio and Class names | a "B" follows the Portfolio and Class names | a "M" follows the Portfolio and Class names |

As an example: an A class with a flexible pay-out and EUR denominated will have the following Share Class Identifier:

Class AQFLXEUR

- ◆ "A" denotes Class A.
- ◆ "Q" identifies that the Class pays quarterly dividends.
- ◆ "FLX" identifies that the Class pays a dividend based upon the Expected Return.
- ◆ "EUR" identifies the Class as EUR denominated.

Flexible Pay-Out Shares do not offer a mechanism for reinvestment of dividends.

## 2.8. Charges and expenses

Share Classes attract charges for their investment management, distribution and for operating services rendered to them. There are three types of charge: sales charge, ongoing charges and other charges.

### 1. Sales charge

A sales charge may be levied by and at the discretion of a Distributor or sub-distributor at the point of subscription in a Share Class. The maximum sales charge is 4.17% of the Net Asset Value per share and may either be (i) deducted directly from a subscription or (ii) included within the Offer Price, as detailed in Section 2.6. (4) "Offer price" above. The Distributors and sub-distributors reserve the right to waive the whole or part of the sales charge. The Management Company does not levy a sales charge.

### 2. Ongoing charges

Ongoing charges may be levied in respect of each Share Class. In payment of these fees, the Company will use interest income in the first instance and other income in the second instance. If the charges exceed the interest income and other income of that Share Class the excess will be taken from the capital assets of that Share Class.

The ongoing charges figure ('OCF') is defined as a percentage of the average net assets of a Share Class over a specified year. The OCF is disclosed for each Share Class in the Key Investor Information Document which is available at [www.assetmanagement.hsbc.com/fundinfo](http://www.assetmanagement.hsbc.com/fundinfo).

Ongoing charges consist of a management fee; operating, administrative and servicing expenses; costs of investing in units in other UCITS and/or other Eligible UCIs; operating currency hedged share class fees and extraordinary expenses:

#### a. Management fee

The Company pays to the Management Company an annual management fee calculated as a percentage of the net asset value of each Share Class. This covers all investment management, investment advisory and distribution services provided in relation to the relevant Portfolio. Different Share Classes may have different management fee levels.

The fee is accrued daily and payable monthly in arrears. The rates are indicated in Section 3.2. "Portfolios details". The maximum management fee that may be charged is 2.0%.

For all Portfolios, in certain circumstances, the Management Company may instruct the Company to pay a portion of the management fee directly out of the assets of the Company to any such service providers. In such case, the management fee due to the Management Company is reduced accordingly.

## **b. Operating, administrative and servicing expenses**

There are certain operating, administrative and servicing expenses ('the expenses') incurred throughout the lifetime of a Portfolio or Share Class. These expenses are associated with services rendered to a relevant Portfolio which are overseen by either the Management Company or the Company. Many of the services are delegated to other service providers who are paid directly by the Company.

The following list is indicative but not exhaustive of the types of services that the expenses cover:

- ◆ Management Company expenses
- ◆ Custody, depositary and safekeeping charges
- ◆ Transfer, registrar and payment agency fees
- ◆ Administration, domiciliary and fund accounting services
- ◆ Legal expenses for advice on behalf of the Company
- ◆ Audit fees
- ◆ Ongoing registration fees
- ◆ Taxe d'abonnement – an annual subscription tax in Luxembourg
- ◆ Listing fees (if applicable)
- ◆ Company Directors' fees
- ◆ Documentation costs – preparing, printing, translating and distributing documents including, but not limited to, the Prospectus, Key Investor Information Documents and annual reports.
- ◆ Formation expenses for current and new Portfolios including initial registration fees – these are amortised over a period not exceeding 5 years from the formation date of the Portfolio.

The Company will pay the expenses directly and as such the ongoing charge for each Share Class will vary. The above expenses paid by the Company will not exceed 0.25% of net assets per annum on a rolling basis of each Share Class. Where actual expenses exceed 0.25% per annum, the excess will be borne directly by the Management Company or by HSBC Global Asset Management distributors.

The expenses will be accrued daily and will be payable monthly in arrears. The accrual amount will be reviewed each quarter using the previous 12 months' expenses as an initial basis and amending when necessary.

The actual amount paid for operating, administrative and servicing expenses will be shown in the semi-annual and annual report of the Company.

## **c. Costs of investing in units in other UCITS and/or other Eligible UCIs**

These are the costs associated with holding units in other UCITS and/or other Eligible UCIs – including their ongoing charges and any one-off costs (e.g. subscription and/or redemption fees). The payment of these will be taken in accordance with each specific UCITS and/or other Eligible UCI's payment schedule as articulated in their prospectus

If the Company invests in shares or units of UCITS and/or other Eligible UCIs that are managed directly or indirectly by the Management Company itself or a company with which it is linked by way of common management or control or by way of a direct or indirect stake of more than 10% of the capital or votes, then there will be no duplication of management, subscription or repurchase fees between the Company and the UCITS and/or other Eligible UCIs into which the Company invests. In derogation of this, if the Company invests in shares of HSBC ETFs PLC then there will be duplication of management fees for any Portfolios. The maximum total management fees charged both to the relevant Portfolio and to HSBC ETFs PLC will be disclosed in the annual report of the Company.

If any Portfolio's investments in UCITS and other Eligible UCIs constitute a substantial proportion of the Portfolio's assets, the total management fee charged both to such Portfolio itself and the other UCITS and/or other Eligible UCIs concerned shall not exceed 2.5% of the relevant assets. The Directors will endeavour to reduce duplication of management charges by negotiating rebates, where applicable, in favour of the Company. The Company will indicate the value of the rebate in its annual report.



#### **d. Extraordinary expenses**

Any extraordinary expenses including litigation expenses and the full amount of any tax, levy, duty or similar charge and any unforeseen charges imposed on the Company or its assets will be borne by the Company without limitation.

#### **e. Operating Currency Hedged Share Class Fee**

The Management Company is also entitled to receive a fee from the Company to cover the cost of administration of the share class currency hedging (e.g. monitoring inflows/outflows and movements in the Net Asset Value and then adjusting the hedge accordingly).

The Management Company pays the operating currency hedged share class fee to the Administration Agent or other parties appointed to carry out the administration of the currency hedging policy for the currency hedged Share Class of the Portfolio.

The rate for fees relating to cost of administering the share class currency hedging is up to 0.025% per annum of the net asset value of the currency hedged Share Class.

The operating currency hedged share class fee is payable in addition to the operating, administrative and servicing expenses mentioned in the section above.

The maximum rate for operating, administrative and servicing expenses and operating share class currency hedging fees together for Class A, B, E, S, X, Z Shares is 0.275%. However, the Board of Directors reserves the right to amend the levels of the above fees applicable to each Class of Shares.

In the event of an increase of such expenses, the shareholders impacted by the change will be given at least one month's prior notice.

During any such notice period, shareholders impacted by the change may request the redemption of their Shares, free of charge.

The Management Company may instruct the Company to pay a portion of the aforesaid fees directly out of the assets of the Company to any of the aforementioned service providers. In such case the fee due to the Management Company is reduced accordingly.

### **3. Other charges**

Other charges are the remaining charges incurred by the Portfolios. They are paid by the Company depending on the services rendered to the Share Class. Other charges are not included in the OCF in the Key Investor Information Documents. They consist of, but are not limited to, the following:

- ◆ Duties, taxes and transaction costs associated with buying and selling the underlying assets of the Company
- ◆ Brokerage fees and commissions\*
- ◆ Interest on borrowing and bank charges incurred in negotiating borrowing
- ◆ Payments incurred for the holding of financial derivative instruments for the purposes of investment, efficient portfolio management and hedging. Hedging includes currency hedging for the underlying assets of the fund or for the currency hedging of share classes denominated in a currency other than the base currency.

\*All transactions are executed in compliance with applicable regulatory requirements and in accordance with the best execution policy of the Company. Transactions of the Company may be executed by the Management Company, Investment Adviser, or their Connected Persons. The Management Company, Investment Advisers

and their Connected Persons will not receive cash or other rebates from brokers or dealers but may enter into soft commission arrangements or commission sharing agreements for the provision of services which are of demonstrable benefit to the Company (e.g. research) as long as transactions generating such commission are made in good faith and in strict compliance with applicable laws and regulations.

## **2.9. Management company and investment advice**

The Directors are responsible for the overall investment policy, objectives and management of the Company, and for its Portfolios.

The Directors have appointed HSBC Investment Funds (Luxembourg) S.A. as the Management Company to be responsible on a day to day basis, under the supervision of the Directors, for providing administration, marketing, investment management and advice services in respect of all Portfolios.



The Management Company has delegated the administration functions to the Administration Agent and registrar and transfer functions to the Registrar and Transfer Agent. The Management Company has delegated the marketing functions to the distributors and the investment management and advisory functions to the Investment Advisers.

The name of the Investment Adviser managing a particular Portfolio is available on the website: [www.assetmanagement.hsbc.com/fundinfo](http://www.assetmanagement.hsbc.com/fundinfo).

The Management Company was incorporated on 26 September 1988 as a **société anonyme** under the laws of the Grand Duchy of Luxembourg and its Articles of Incorporation are deposited with the Luxembourg **Registre de Commerce et des Sociétés**. The Management Company is approved as management company regulated by chapter 15 of the 2010 Law.

As of date of the Prospectus, the share capital of the Management Company is GBP 1,675,000.00 and will be increased to comply at all times with article 102 of the 2010 Law.

As of the date of the Prospectus, the Management Company has also been appointed to act as management company for other investments funds which will be mentioned in the financial reports of the Company.

The Management Company and the Investment Adviser are members of the HSBC Group, which serves customers worldwide from around 6,100 offices in 73 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa.

The Management Company shall ensure compliance of the Company with the investment instructions and oversee the implementation of the Company's strategies and investment policy. The Management Company shall send reports to the Directors on a quarterly basis which will include any non-compliance of the Company with the investment restrictions.

The Management Company will receive periodic reports from the Investment Advisers detailing the Portfolios' performance and analysing their investment. The Management Company will receive similar reports from the other services providers in relation to the services which they provide.

The Investment Advisers, in accordance with the investment objectives and investment and borrowing restrictions of the Company, makes and implements asset management and portfolio selection recommendations in connection with the investment and reinvestment of the assets of the Company in the relevant Portfolios.

The Investment Advisory Agreements may be terminated by the Management Company or the relevant Investment Adviser upon three months' prior written notice. The Investment Advisory Agreements contain provisions whereby the Management Company undertakes to exempt the relevant Investment Adviser from liability not due to the negligence of, or willful breach of its duties by, the relevant Investment Adviser.

## 2.10. Depositary Bank and Paying Agent

Pursuant to an agreement between the Company, the Management Company and the Depositary Bank (the "Depositary Services Agreement") and for the purposes of and in compliance with the 2010 Law and applicable regulations, the Depositary Bank has been appointed as depositary of the Company.

The Depositary Bank is the Luxembourg branch of HSBC France, a public limited company incorporated pursuant to the laws of France with company registration number 775 670 284 RCS Paris. HSBC France is a wholly owned subsidiary of HSBC Holdings plc. The Depositary Bank's registered office is located at 16, boulevard d'Avranches, L-1160 Luxembourg and the principal business activity of the Depositary Bank is the provision of financial services, including depositary services. HSBC France is supervised by the European Central Bank, as part of the Single Supervisory Mechanism, the French Prudential Supervisory and Resolution Authority (l'Autorité de Contrôle Prudentiel et de Résolution) as the French national competent authority and the French Financial Markets Authority (l'Autorité des Marchés Financiers) for the activities carried out over financial instruments or in financial markets. When providing services to Luxembourg undertakings for collective investment, the Depositary Bank is subject to the supervision of the CSSF.

The Depositary Bank provides services to the Company as set out in the Depositary Services Agreement and, in doing so, shall comply with the 2010 Law, and any other applicable laws and regulations with regard to the obligations of depositaries.

## **Duties of the Depositary Bank**

The Depositary Bank's key duties include the following:

- i. Ensuring that the Company's cash flows are properly monitored and that all payments made by or on behalf of investors upon the subscription of Shares have been received and that all cash received has been booked in the correct cash accounts in accordance with the 2010 Law.
- ii. Safekeeping the assets of the Company, which includes (i) holding in custody all financial instruments that may be held in custody; and (ii) verifying the ownership of other assets and maintaining records accordingly.
- iii. Ensuring that sales, issues, repurchases, redemptions and cancellations of the Shares are carried out in accordance with applicable Luxembourg law and the Articles of Incorporation.
- iv. Ensuring that the value of the Shares is calculated in accordance with applicable Luxembourg law and the Articles of Incorporation.
- v. Carrying out the instructions of the Company and/or the Management Company, unless they conflict with applicable Luxembourg law or the Articles of Incorporation.
- vi. Ensuring that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits.
- vii. Ensuring that the Company's income is applied in accordance with applicable Luxembourg law and the Articles of Incorporation.

## **Delegation of functions**

The Depositary may delegate to one or more global sub-custodians (each a "Global Sub-Custodian") the safekeeping of certain of the assets of the Company in accordance with the terms of a written agreement between the Depositary and the Global Sub-Custodian. The Global Sub-Custodian may also use sub-delegates appointed in accordance with the terms of written agreements for the safekeeping of certain of the assets of the Company.

An up-to-date list of the appointed Global Sub-Custodians and sub-delegates is available on the following website: [www.assetmanagement.hsbc.com/gam/attachments/kiid/custody\\_network\\_via\\_hsbc\\_bank\\_plc.pdf](http://www.assetmanagement.hsbc.com/gam/attachments/kiid/custody_network_via_hsbc_bank_plc.pdf)

Under the terms of the Depositary Services Agreement, the Depositary Bank is liable for losses suffered by the Company as a result of its negligence or willful default to properly fulfil its obligations. Subject to the paragraph below, and pursuant to the Depositary Services Agreement, the Depositary Bank will be liable to the Company for the loss of financial instruments of the Company which are held in its custody.

The liability of the Depositary Bank will not be affected by the fact that it has delegated the safekeeping of the Company's assets to a third party.

The Depositary Bank will not be liable where the loss of financial instruments arises as a result of an external event beyond the reasonable control of the Depositary Bank, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary Bank shall not be liable for any indirect, special or consequential loss.

## **Conflicts of interest**

From time to time, actual or potential conflicts of interest may arise between the Depositary Bank and its delegates, for example, where a delegate is an affiliate of the Depositary Bank, the Depositary Bank may have a financial or business interest in that delegate and these interconnections could give rise to potential conflicts of interest resulting in selection bias (choice of the delegate not based on quality and price), insolvency risk (lower standards in asset segregation or attention to the delegate's solvency) or single group exposure risk.

Actual or potential conflicts of interest may arise between the Company, the Company's shareholders or the Management Company on the one hand and the Depositary Bank on the other hand. The Management Company and the Depositary Bank are part of HSBC Holdings plc, which is a multi-service banking group, providing its clients all forms of banking and investment services. As a result, there may be conflicts of interest between the various activities of these companies and their duties and obligations to the Company. For example such actual or potential conflict of interest may arise because the Depositary Bank is part of a legal entity or is related to a legal entity

which provides other products or services to the Company. The Depositary Bank may have a financial or business interest in the provision of such products or services, or may receive remuneration for related products or services provided to the Company, or may have other clients whose interests may conflict with those of the Company, the Company's shareholders or the Management Company.

The Depositary Bank and any of its affiliates may effect, and make a profit from, transactions in which the Depositary Bank (or its affiliates, or another client of the Depositary Bank or its affiliates) has (directly or indirectly) a material interest or a relationship of any description and which involves or may involve a potential conflict of interest with the Depositary Bank's duty to the Company. This includes for example circumstances in which the same entity to which the Depositary Bank or any of its affiliates or connected persons belong, acts as administration agent of the Company; provides stock lending services and foreign exchange facilities to the Company and/or a Portfolio and/or to other funds or companies; acts as prime broker, banker, derivatives counterparty of the Company and/or a Portfolio; acts in the same transaction as agent for more than one client; or earns profits from or has a financial or business interest in any of these activities.

The Depositary Bank has a conflicts of interest policy in place to identify, manage and monitor on an on-going basis any potential conflict of interest. As per such policy where a potential conflict of interest is identified by an employee it should immediately be escalated to the line manager/senior management and/or HSBC's Compliance department. The situation will be analysed, recorded and managed promptly in the best interests of the Company's shareholders. A Conflict of Interest Register is maintained and monitored by HSBC's Compliance department.

### **Miscellaneous**

Up to date information regarding the name of the Depositary Bank, any conflicts of interest and delegations of the Depositary Bank's safekeeping functions will be made available to shareholders on request and free of charge at the registered office of the Depositary Bank.

The appointment of the Depositary Bank under the Depositary Services Agreement may be terminated without cause by not less than (90) days written notice provided that the Depositary Services Agreement does not terminate until a replacement depositary has been appointed which must happen within two months.

## **2.11. Administration**

### **1. Administration Agent**

HSBC France, Luxembourg Branch has also been appointed to act, subject to the overall supervision of the Directors, as administration agent for the Company pursuant to an agreement with the Management Company and the Company which may be terminated by either party in writing, giving not less than 90 days prior notice to the other party. In such capacity the Administration Agent provides the Company with certain administrative and clerical services.

The Administration Agent may, under its responsibility, delegate part or all of its functions to a third party service provider.

The Company has agreed to indemnify the Administration Agent as provided for in the Fund Accounting, Corporate and Domiciliary Agent and Listing Agent Agreement.

- 2.** The Administration Agent has no decision-making discretion relating to the Company's investments. The Administration Agent is a service provider to the Company and is not responsible for the preparation of the Prospectus or the activities, the structure and the investments of the Company and therefore accepts no responsibility for the accuracy of any information contained in the Prospectus.

### **3. Registrar and Transfer Agent**

HSBC France, Luxembourg Branch has been appointed as registrar and transfer agent of the Company pursuant to an agreement, which may be terminated by a notice given not less than 90 days in advance by either party to the other.

#### **4. Corporate Agent and Domiciliary Agent**

HSBC France, Luxembourg Branch has been appointed by the Company as corporate agent and domiciliary agent of the Company.

### **2.12. Conflicts of interest**

The Management Company and any specific Portfolio Investment Adviser, the sales agents, the Administration Agent, the Registrar and Transfer Agent and the Depositary Bank may from time to time act as management company, investment manager or adviser, sales agent, administrator, registrar and transfer or depositary bank in relation to, or be otherwise involved in, other funds or collective investment schemes which have similar investment objectives to those of the Company or any Portfolio. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interest with the Company or any Portfolio. In such event, each will at all times have regard to its obligations under any agreements to which it is party or by which it is bound in relation to the Company or any Portfolio. In particular, but without limitation to its obligations to act in the best interests of the shareholders when undertaking any dealings or investments where conflicts of interest may arise, each will respectively endeavour to ensure that such conflicts are resolved fairly.

There is no prohibition on the Company entering into any transactions with the Management Company or any specific Portfolio Investment Adviser, the sales agents, the Administration Agent, the Registrar and Transfer Agent or the Depositary Bank or with any of their affiliates, or investing the assets of or reinvesting the cash collateral received by any Portfolio in any investment products or funds managed, launched or offered by any of the above-mentioned entities, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length. The Investment Advisers or any affiliates acting in a fiduciary capacity with respect to client accounts may recommend to or direct clients to buy and sell shares of the Company. If a client defaults on its obligation to repay indebtedness to the HSBC Group that is secured by shares in the Company, and the HSBC Group forecloses on such interest, the HSBC Group would become a shareholder of the Company. As a consequence, the HSBC Group and its affiliates could hold a relatively large proportion of shares and voting rights in the Company.

Affiliates of the HSBC Group act as counterparties for certain forward foreign exchange and financial futures contracts.

### **2.13. Distribution of shares**

The Management Company, as Distributor has appointed different distributors, the names of which are listed in Appendix 6. The distributors are entitled to receive any applicable sales charges and conversion charges on all shares handled by it. The distributors may reallocate such charges at their absolute discretion.

#### **United Kingdom Representative**

HSBC Global Asset Management (UK) Limited acts as the representative of the Company in the United Kingdom.

The UK representative is required to maintain certain facilities in the United Kingdom on behalf of the Company, as provided by Chapter 9 of the COLL Sourcebook of the FCA Handbook, whereby certain documents and information may be made available in English. The following documents may be obtained or inspected, free of charge from the offices of the UK representative: Copies of the Articles of Incorporation and any amending resolutions, the latest Prospectus, and the Key Investor Information Documents and the latest annual and half-yearly reports.

The UK representative also provides information about the price of Share Classes. Requests for purchases, redemptions and conversions of shares by UK residents may be made through the UK Representative who will send to the Company forthwith such requests and any complaints in connection with matters arising from dealings in the Company's Share Classes.

HSBC Global Asset Management (UK) Limited is authorised and regulated in the United Kingdom by the FCA.

## 2.14. Meetings and reports

The annual general meeting of shareholders of the Company (the "Annual General Meeting") is held at the registered office of the Company or such other place as may be specified in the notice of meeting in Luxembourg at 11 a.m. (Luxembourg time) on the last Friday in November in each year (or, if such day is not a Business Day, on the next following Business Day in Luxembourg).

If permitted by and under the conditions set forth in Luxembourg laws and regulations, the Annual General Meeting may be held at a date, time or place other than those set forth in the preceding paragraph, that date, time or place to be decided by the Board of Directors.

Other general meetings of shareholders will be held at such time and place as are indicated in the notices of such meetings.

Notices of general meetings are given in accordance with Luxembourg law (if required) by publication in a Luxembourg newspaper and in such other newspapers as the Board of Directors may determine. Notices will specify the place and time of the meetings, the conditions of admission, the agenda, the quorum and the voting requirements. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in the Articles of Incorporation.

Under the conditions set forth in Luxembourg laws and regulations, the notice of any general meeting of shareholders may provide that the quorum and the majority at this general meeting shall be determined according to shares issued and outstanding at a certain date and time preceding the general meeting (the "Record Date"), whereas the right of a shareholder to attend a general meeting of shareholders and to exercise the voting rights attaching to his/its/her shares shall be determined by reference to the shares held by this shareholder as at the Record Date.

Financial periods of the Company end on 31 July in each year. The annual report containing the audited consolidated financial accounts of the Company expressed in USD in respect of the preceding financial period and with details of each Portfolio in the relevant Base Currency is made available at the Company's registered office, at least 8 days before the Annual General Meeting.

Copies of all reports are available at the registered offices of the Company and/or of the distributors.

## 2.15. Taxation

### 1. Taxation of the Company

The following summaries are based on the Company's understanding of the law and practice in force in Luxembourg at the date of this document. As shareholders will be resident for tax purposes in various jurisdictions, no attempt has been made in this Prospectus to summarise the tax consequences for every jurisdiction which may be applicable to investors subscribing for, purchasing, holding, exchanging, selling or redeeming shares. These consequences will vary in accordance with the law and practice in force in the relevant shareholder's country of citizenship, residence, domicile or incorporation and with his or her personal circumstances. Hence no shareholder should solely rely on the following guidance when determining the tax consequences of investing in the Company's shares.

It is the responsibility of shareholders or prospective shareholders to inform themselves of the possible tax consequences of subscribing for, purchasing, holding, exchanging, selling or redeeming shares in the light of the laws of the country relevant to their citizenship, residence or domicile and of their personal circumstances and to take appropriate professional advice regarding exchange control or other legal restrictions relating thereto. Shareholders and prospective investors also should bear in mind that levels and bases of taxation, as well as tax authority practices, may change and that such changes may have, depending on the countries, retrospective effect.

### **Luxembourg**

The Company is not subject to taxation in Luxembourg on its income, profits or gains.

The Company is not subject to net wealth tax in Luxembourg. No stamp duty, capital duty or other tax will be payable in Luxembourg upon the issue of the Shares of the Company.

The Portfolios are nevertheless, in principle, subject to a subscription tax (taxe d'abonnement) levied at the rate of 0.05% per annum based on its NAV at the end of the relevant quarter, calculated and paid quarterly. A reduced subscription tax rate of 0.01% per annum is however applicable to any Portfolio whose exclusive object is the collective investment in money market instruments, the placing of deposits with credit institutions, or both. A reduced subscription tax rate of 0.01% per annum is also applicable to any Portfolio or Share Class provided that their shares are only held by one or more institutional investors within the meaning of article 174 of the 2010 Law (an "Institutional Investor").

A subscription tax exemption applies to:

- ◆ The portion of any Portfolio's assets (prorata) invested in a Luxembourg investment fund or any of its Portfolios to the extent it is subject to the subscription tax;
- ◆ Any Portfolio (i) whose securities are only held by Institutional Investor(s), and (ii) whose sole object is the collective investment in money market instruments and the placing of deposits with credit institutions, and (iii) whose weighted residual portfolio maturity does not exceed 90 days, and (iv) that have obtained the highest possible rating from a recognised rating agency. If several Share Classes are in issue in the relevant Portfolio meeting (ii) to (iv) above, only those Share Classes meeting (i) above will benefit from this exemption;
- ◆ Any Portfolio, whose main objective is the investment in microfinance institutions; and
- ◆ Any Portfolio, (i) whose securities are listed or traded on a stock exchange and (ii) whose exclusive object is to replicate the performance of one or more indices. If several Share Classes are in issue in the relevant Portfolio meeting (ii) above, only those Share Classes meeting (i) above will benefit from this exemption.
- ◆ Any Portfolio only held by pension funds and assimilated vehicles.

### Withholding tax

Interest and dividend income received by the Company may be subject to non-recoverable withholding tax in the source countries. The Company may further be subject to tax on the realised or unrealised capital appreciation of its assets in the countries of origin. The Company may benefit from double tax treaties entered into by Luxembourg, which may provide for exemption from withholding tax or reduction of withholding tax rate.

Distributions made by the Company as well as liquidation proceeds and capital gains derived therefrom are not subject to withholding tax in Luxembourg.

### Germany

The Management Company aims to manage the Portfolios listed below in accordance with the so-called partial exemption regime for equity funds under Sec. 20 para. 1 of the German Investment Tax Act (as in effect since 1 January 2018).

Accordingly, the Portfolios listed below will seek to continuously invest a minimum percentage of their net assets in equity assets as defined in sec. 2 para 8 German Investment Tax Act (2018)

| % of Portfolios' Net Assets | Portfolios                            |
|-----------------------------|---------------------------------------|
| At least 51%                | ◆ HSBC Portfolios – World Selection 5 |
| At least 25%                | ◆ HSBC Portfolios – World Selection 4 |
|                             | ◆ HSBC Portfolios – World Selection 3 |

### United Kingdom

The Company is not resident in the United Kingdom for tax purposes. Accordingly, the Company should not be subject to United Kingdom corporation tax on its income and capital gains.

### General

In many markets the Company, as a foreign investment fund, may be subject to non-recoverable tax on income and gains (either by withholding or direct assessment) in relation to the investment returns it realises from its

holdings of shares and securities in those markets. Where practicable the Company will make claims under the relevant double tax treaties and the domestic law of the countries concerned in order to minimise the impact of local taxation on the investment return and to obtain the best return for its shareholders. Those claims will be made on the basis of the Company's understanding of the validity of such claims given the information available from the Company's depositaries, external advisers and other sources as to the interpretation and application of the relevant legal provisions by the tax authorities in the country concerned.

The Company will seek to provide for tax on capital gains where it considers that it is more likely than not that the tax will be payable, given the advice and information available to the Company at the date concerned. However, any provision held may be insufficient to cover, or be in excess of, any final liability.

The Company will seek to claim concessionary tax treatment and account for tax on a reasonable efforts basis, given the tax law and practice at that date. Any change in tax law or practice in any country where the Company is registered, marketed or invested could affect the value of the Company's investments in the affected country. In particular, where retrospective changes to tax law or practice are applied by the legislature or tax authorities in a particular country these may result in a loss for current shareholders in the affected Portfolio. The Company does not offer any warranty as to the tax position of returns from investments held in a particular market nor of the risk of a retrospective assessment to tax in a particular market of country.

Investors and potential investors should note the comments on Emerging Markets disclosed in Section 1.3. "Risk considerations". Please also refer to the FATCA comments in Section 2.15.(2) 'Taxation of Shareholders'.

## **2. Taxation of shareholders**

Prospective investors should ascertain from their professional advisers the consequences to them of acquiring, holding, redeeming, transferring, selling or converting Shares under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements. These consequences will vary with the law and practice of a shareholder's country of citizenship, residence, domicile or incorporation and with his personal circumstances. Prospective investors also should bear in mind that levels and bases of taxation may change.

### **Automatic Exchange of Information**

The OECD has developed a common reporting standard ("CRS") to achieve a comprehensive and multilateral automatic exchange of information (AEOI) on a global basis. On 9 December 2014, Council Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (the "Euro-CRS Directive") was adopted in order to implement the CRS among the Member States. For Austria, the Euro-CRS Directive will apply for the first time by 30 September 2018 for the calendar year 2017, i.e. the Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments of 3 June 2003, as amended (the "Savings Directive"), will apply for one year longer.

The Euro-CRS Directive was implemented into Luxembourg law by the Law of 18 December 2015 on the automatic exchange of financial account information in the field of taxation ("CRS Law").

The CRS Law requires Luxembourg financial institutions to identify financial asset holders and establish if they are fiscally resident in countries with which Luxembourg has a tax information sharing agreement. Accordingly, the Company may require its investors to provide information in relation to the identity and fiscal residence of financial account holders (including certain entities and their controlling persons) in order to ascertain their CRS status. Responding to CRS-related questions is mandatory. The personal data obtained will be used for the purpose of the CRS Law or such other purposes indicated by the Company in the data protection section of the Prospectus in compliance with Luxembourg data protection law. Information regarding an investor and his/her/its account will be reported to the Luxembourg tax authorities (Administration des Contributions Directes), which will thereafter automatically transfer this information to the competent foreign tax authorities on a yearly basis, if such account is deemed a CRS reportable account under the CRS Law.

In addition, Luxembourg signed the OECD's multilateral competent authority agreement ("Multilateral Agreement") to exchange information automatically under the CRS. The Multilateral Agreement aims to implement the CRS among non-Member States; it requires agreements on a country-by-country basis.

The Company reserves the right to refuse any application for Shares if the information provided or not provided does not satisfy the requirements under the CRS Law.

**Investors should consult their professional advisers on the possible tax and other consequences with respect to the implementation of the CRS.**

### **Foreign Account Tax Compliance Act ("FATCA")**

Sections 1471 through 1474 of the US Internal Revenue Code ("FATCA") impose a 30% withholding tax on certain payments to a foreign financial institution ("FFI") if that FFI is not compliant with FATCA. The Company is a FFI and thus, subject to FATCA.

This withholding tax applies to payments to the Company that constitute interest, dividends and other types of income from US sources (such as dividends paid by a US corporation) and beginning on 1 January 2017, this withholding tax is extended to the proceeds received from the sale or disposition of assets that give rise to US source dividend or interest payments.

Luxembourg has entered into an Intergovernmental Agreement ("IGA") with the US to facilitate FATCA compliance and reporting. Under the terms of the IGA, the Company will be required to report to the Luxembourg tax authorities certain information about US investors (including indirect investments held through certain passive investment entities) as well as non-US financial institutions that do not comply with FATCA. Such information will be onward reported by the Luxembourg tax authorities to the US Internal Revenue Service.

The Company intends to comply with the terms of the IGA and the Luxembourg law of 24 July 2015 implementing the IGA into Luxembourg law. Therefore the Company expects to be treated as a compliant financial institution and does not expect any FATCA withholding to apply on payments made to it.

If an investor or an intermediary through which the investor holds its interest in the Company fails to provide the Company, its agents or authorised representatives with any correct, complete and accurate information that may be required for the Company to comply with FATCA, the investor may be subject to withholding on amounts otherwise distributable to them or they, may be compelled to sell their Shares or, in certain situations, the investor's Shares may be sold involuntarily (if legally permitted). The Company may at its discretion enter into any supplemental agreement without the consent of investors to provide for any measures that the Company deems appropriate or necessary to comply with FATCA.

Shareholders in the Company should consult their own tax advisors regarding the FATCA requirements with respect to their own particular circumstances. In particular, Shareholders who hold their Shares through intermediaries should check the intermediaries' intention to comply with FATCA.

Although the Company will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax as a result of the FATCA regime, the value of the Shares held by Shareholders may suffer material losses.

### **United Kingdom**

Shareholders who are resident in the United Kingdom or carrying on a trade in the United Kingdom will, depending on their individual circumstances, be liable to United Kingdom income tax or corporation tax in respect of any income allocated or dividends paid to them whether directly or by way of reinvestment of income and on capital gains and such holders should include details of this income on an appropriate return to their local Inspector of Taxes.

Shareholders, who are companies, tax resident in the United Kingdom and whose investment in the Portfolios is not made in connection with or incidental to a trade (for UK tax purposes), will not be liable to corporation tax in relation to any dividends paid to them provided that the investment in the Portfolio concerned is not taxed under the loan relationship provisions mentioned below.

Shareholders, who are companies, that are resident in the United Kingdom or one which carries on a trade in the United Kingdom may be subject to tax under the loan relationship provisions of United Kingdom tax legislation during any accounting period of that shareholder when more than 60% of the investments of the Portfolios (in which the Shares are held) broadly comprise of interest bearing investments (including interests in collective



investment schemes which themselves have more than 60% of their investments as interest bearing assets and financial derivative instruments whose subject matter is broadly linked to interest bearing investments, creditworthiness or currency). Under these provisions the change in value of the Shares in that Portfolio during the corporate's accounting period will be taxed as part of the corporate's income for that accounting period the change in value being assessed on a fair value basis.

Shareholders should note that dividends paid by the Company comprise foreign dividends for UK tax purposes. For individuals the dividends will also carry a tax credit equivalent to one ninth of the gross dividend payment by the Company, unless the dividends are taxed as interest for UK tax purposes as described below.

Generally, where at any time in the accounting period in which the dividend is paid (or the prior accounting period or twelve months prior to the start of the accounting period in which the dividend is paid if longer) more than 60% of the investments of the Portfolio (in which the Shares are held) comprise of broadly interest bearing investments (including interests in collective investment schemes which themselves have more than 60% of their investments as interest bearing assets and financial derivative instruments whose subject matter is broadly linked to interest bearing investments, creditworthiness or currency) then the dividend will be treated as a payment of interest to the shareholder for UK income tax purposes and will carry no tax credit.

**Any United Kingdom resident investor who realises a gain on the disposal of their investment in an offshore fund (which is not certified as a distributing offshore fund or a reporting status fund, during the investor's entire period of ownership) will normally be charged to United Kingdom Income Tax (or Corporation Tax) on the gain, rather than to United Kingdom Capital Gains Tax (Corporation Tax on chargeable gains in the case of corporate investors).**

Shareholders holding Shares in a non-reporting offshore fund which subsequently becomes a UK "reporting fund" can elect to make a deemed disposal on the date that the offshore fund becomes a "reporting fund". Such an election would crystallise any gains accrued to that date and would be subject to income tax. Gains which then accrue after the deemed disposal date would be treated as capital gains. The election must be made by the shareholder on their UK tax return for the year in which the deemed disposal occurs. If an election is not made, the entire gain will be taxed as income on the eventual disposal of their investment.

The Company intends to obtain UK reporting fund status for certain distribution and capital-accumulation Classes from the period beginning 1 August 2015.

The Company intends to meet the reporting requirements by making available to shareholders the information required in The Offshore Funds (Tax) Regulations 2009 by 31 January each year. However, shareholders and potential shareholders should note that whether UK reporting fund status is obtained and retained for a particular Class may be subject to changes in HM Revenue and Customs' practice or other matters outside of the Company's control. In addition, if a Portfolio invests in other funds, UK reporting fund status will only be effective to the extent that those funds are registered for UK reporting fund status.

Details of which Classes have UK reporting fund status can be found on the HM Revenue & Customs' website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk). At the date of this Prospectus the exact location of this list is [www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds](http://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds). Shareholders in reporting status funds may be taxed on the reportable income arising in an accounting period whether or not that income is distributed to them. The amount taxable per Share will be the total reportable income (adjusted by any qualifying equalisation) for the period, divided by the relevant Shares in issue at the end of that period.

Shareholders resident or ordinary resident in the United Kingdom should note the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are directed at the prevention of avoidance of income tax through transactions resulting in the transfer of assets or incomes to persons (including companies) abroad and may render them liable to income received by those persons on their behalf.

Shares in the Company will be classified as foreign assets for the purposes of United Kingdom inheritance tax.

## 2.16. Liquidation of the Company / Termination and amalgamation of Portfolios

### 1. Liquidation of the Company

With the consent of the shareholders expressed in the manner provided for by articles 450-3 and 1100-2 of the 1915 Law, the Company may be liquidated. Upon a decision taken by the shareholders of the Company or by the liquidator duly authorised and subject to a one month's prior notice to the shareholders, all assets and liabilities of the Company may be transferred to another undertaking for collective investment having substantially the same characteristics as the Company in exchange for the issue to shareholders in the Company of shares of such corporation or fund proportionate to their shareholdings in the Company.

If at any time the value at their respective Net Asset Values of all outstanding shares falls below two thirds of the minimum capital for the time being prescribed by Luxembourg law, the Board of Directors must submit the question of dissolution of the Company to a general meeting of shareholders acting, without minimum quorum requirements, by a simple majority decision of the shares represented at the meeting.

If at any time the value at their respective Net Asset Values of all outstanding shares is less than one quarter of the minimum capital for the time being required by Luxembourg law, the Directors must submit the question of dissolution of the Company to a general meeting, acting without minimum quorum requirements and a decision to dissolve the Company may be taken by the shareholders owning one quarter of the shares represented at the meeting.

### 2. Liquidation, merger, split or consolidation of Portfolios/Classes

The Directors may decide to liquidate one Portfolio if the net assets of such Portfolio fall below USD 50 million (or its equivalent) or one Portfolio/Class of shares if a change in the economical or political situation relating to the Portfolio or Class of Shares concerned would justify such liquidation or if the interests of the shareholders would justify it. The decision of the liquidation will be published or notified to the shareholders by the Company as decided from time to time by the Directors, prior to the effective date of the liquidation and the publication/notification will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Board of Directors otherwise decides in the interests of, or to keep equal treatment between the shareholders, the shareholders of the Portfolio or Class of Shares concerned may continue to request redemption or conversion of their shares. Assets which could not be distributed to their beneficiaries upon the close of the liquidation of the Portfolio or Class of Shares concerned will be deposited with the **Caisse de Consignation** on behalf of their beneficiaries. If it is not possible to return the liquidation proceeds to investors because their whereabouts are unknown or they do not respond to attempts to contact them, the Board of Directors will endeavour to contact the investors concerned for a period of not less than nine months before deciding to close the liquidation and to transfer the unclaimed liquidation proceeds to the **Caisse de Consignation**.

Where the Board of Directors does not have the authority to do so or where the Board of Directors determines that the decision should be put for shareholders' approval, the decision to liquidate a Portfolio or Class of Shares may be taken at a meeting of shareholders of the Portfolio or Class of Shares to be liquidated instead of being taken by the Board of Directors. At such Class/Portfolio meeting, no quorum shall be required and the decision to liquidate must be approved by shareholders with a simple majority of the votes cast. The decision of the meeting will be notified to the shareholders and/or published by the Company.

Any merger or split of a Portfolio shall be decided by the Board of Directors unless the Board of Directors decides to submit the decision for a merger/split to a meeting of shareholders of the Portfolio concerned. No quorum is required for this meeting and decisions are taken by the simple majority of the votes cast.

In case of a merger of one or more Portfolios where, as a result, the Company ceases to exist, the merger shall be decided by a meeting of shareholders resolving in accordance with the quorum and majority requirements for changing the Articles of Incorporation.

## 2.17. Remuneration Policy

The Management Company has established a remuneration policy for those categories of staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into

the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Management Company or the Company.

The main features of the remuneration policy are as follows:

- ◆ It is compliant with and promotes a sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the Company or the Articles of Incorporation and which does not interfere with the obligation of the Management Company to act in the best interests of the Company.
- ◆ It takes into account the business strategy, objectives, values and interests of the Management Company, the Company and its shareholders, and includes measures to avoid conflicts of interest.
- ◆ It ensures that fixed and variable components of the total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.
- ◆ It provides for remuneration decisions to be based on a combination of business results and performance against objectives and is consistent with a medium to long-term strategy, shareholders' interests and adherence to HSBC values. A portion of the variable component of the total remuneration may be deferred for a period of time as disclosed in the remuneration policy.

The up-to-date remuneration policy of the Management Company, including, but not limited to, a description of how remuneration and benefits are determined, the governance arrangements for determining remuneration and benefits are available on the website [www.global.assetmanagement.hsbc.com/about-us/governance-structure](http://www.global.assetmanagement.hsbc.com/about-us/governance-structure). A paper copy is available free of charge upon request at the Management Company's registered office.

## **Section 3. Portfolio information**

### **3.1. List of the Portfolios available**

HSBC Portfolios – World Selection 1

HSBC Portfolios – World Selection 2

HSBC Portfolios – World Selection 3

HSBC Portfolios – World Selection 4

HSBC Portfolios – World Selection 5

### **3.2. Portfolios details**

The aim of each Portfolio is to provide long term total return by investing in a diversified portfolio across a broad range of assets with a defined degree of risk.

The asset allocation of the Portfolios is actively managed. Assets of the Portfolios are invested in a dynamic mix of investments to balance opportunities and downside risks through the economic cycle.

The Portfolios invest in the full spectrum of instruments available across geographic regions, investment sectors and investment styles to build the optimal portfolio.

The Portfolios may invest in fixed income and equity securities as well as in specialist asset classes including, but not limited to, real estate, private equity, hedge fund strategies and commodities.

Exposure to these assets classes may be achieved through investments directly into markets and/or investments in active and passive collective investment schemes (such as ETFs) including funds managed by the Investment Adviser and other HSBC entities.

The Portfolios may use financial derivative instruments for hedging purposes, cash flow management and tactical asset allocation as well as efficient portfolios management.

No Portfolio currently uses securities financing transactions or total return swaps as defined in Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (the "SFT Regulation"). In case a Portfolio would subsequently be permitted to use securities financing transactions or total return swaps, this prospectus will be updated.

The Investment Adviser will actively manage the risk exposure of the Portfolios.

In respect of each Portfolio, the Investment Adviser may invest up to a maximum of 10% of the Net Asset Value of the Portfolios into Hong Kong domiciled funds or underlying funds which are managed out of Hong Kong.

## HSBC Portfolios – World Selection 1

### Base currency

USD

### Investment objective

Aims to provide long term total return by investing in a portfolio of fixed income and equity securities consistent with a low risk investment strategy.

### Investment policy

The Portfolio invests (normally a minimum of 90% of its net assets) in or gains exposure to:

- ◆ fixed income and equity securities directly into markets and/or through investments in UCITS and/or other Eligible UCIs.
- ◆ other asset classes including, but not limited to, real estate, private equity, hedge fund strategies and commodities through investments in equities securities issued by companies based or operating in developed or Emerging Markets, UCITS and/or other Eligible UCIs.

The Portfolio invests in Investment Grade and Non-Investment Grade rated fixed income and other similar securities issued or guaranteed by governments, government agencies or supranational bodies of developed markets, such as OECD countries, and/or Emerging Markets or by companies which are based in or carry out the larger part of their business activities in a developed or Emerging Market. These securities are denominated either in US dollar, in other developed markets currencies hedged into US dollar, or in local Emerging Markets currencies. The Portfolio may also invest in unrated fixed income securities.

The aggregate investment in securities that are (i) unrated; or (ii) Non-Investment Grade will not exceed 20% of the Portfolio's net assets.

The Portfolio invests in equities and equity equivalent securities issued by companies which are based or operating in developed and/or Emerging Markets. The Portfolio normally invests across a range of market capitalisations.

The Portfolio may invest up to 100% of its assets in units or shares of UCITS and/or other Eligible UCIs. The Portfolios' exposure to such holdings will normally be between 25% and 75%. The Portfolio will invest in HSBC sponsored and/or managed UCITS and/or other Eligible UCIs unless an appropriate fund is not available. The Portfolio will not invest more than 10% of its net assets in securities issued by or guaranteed by any single sovereign issuer with a credit rating below Investment Grade.

The Portfolio is actively managed and is not constrained by a benchmark.

The Portfolio's primary currency exposure is to the US dollar.

### Asset class exposure limits

For the specific groups of asset class described in the table below, the Portfolio has a total maximum exposure limit as follows:

| Asset class             | Maximum exposure |
|-------------------------|------------------|
| Equity                  | 25%              |
| Fixed income            | 100%             |
| Total of the following: | 25%              |
| ◆ Real estate*          | 15%              |
| ◆ Private equity        | 10%              |
| ◆ Commodity             | 10%              |

| Asset class       | Maximum exposure |
|-------------------|------------------|
| ◆ Hedge fund      | 10%              |
| ◆ Absolute return | 10%              |

\* The Portfolio will not invest in direct real estate.

### Use of financial derivative instruments

The Portfolio may achieve its investment policy by investing in financial derivative instruments. However, the Portfolio does not intend to invest in financial derivative instruments extensively and their primary use will be for hedging purposes, cash flow management and tactical asset allocation. Financial derivative instruments may also be used for efficient portfolio management.

Financial derivative instruments that the Portfolio may use include, but are not limited to:

- ◆ foreign exchange forwards (including non-deliverable forwards),
- ◆ exchange-traded future options, fx options and swaptions.
- ◆ on and off-exchange traded futures, and
- ◆ swaps (interest rate, credit default, inflation, total return and currency).

Financial derivative instruments may also be embedded in other instruments used by the Portfolio (for example, participation notes and convertibles).

The Portfolio may be leveraged through the use of financial derivative instruments.

### Risk profile

The Portfolio invests in a range of asset classes, markets and currencies. These are subject to different types and levels of risk. This means the Portfolio is exposed to a spread of risk but each to a lesser extent than if invested into a single asset class, market or currency. The main risks the Portfolio is exposed to are as follows:

- ◆ Fixed income securities (e.g. bonds) carry a risk of downgrade and/or default. Bond prices may vary significantly depending on not only the global economic and interest rate conditions but also the general credit market environment and the credit worthiness of the issuer.
- ◆ Equities prices are exposed to stock market fluctuations and the financial performance of the companies who issue such equities. Therefore, the Portfolio's value may fall or rise on a daily basis and investors may not get back their initial investment.
- ◆ Emerging Markets carry higher risks and volatility due to greater political and economic risks. Emerging Markets securities can be impacted by high volatility, low liquidity, lower transparency and greater financial risks. Emerging Markets bonds carry higher risks than developed market bonds.
- ◆ Investments in or exposure to real estate, private equity, commodities as well as hedge and absolute return funds carry higher risks and can be impacted by higher volatility, lower liquidity, lower transparency and greater financial risks than investments in traditional securities such as stocks and bonds.
- ◆ The Portfolio's Base Currency is USD; however the Portfolio will have non-USD exposure and may therefore be subject to currency risk.

Further information is provided in the Section 1.3. "Risk considerations" of this prospectus.

### Risk Management

The commitment approach is used to measure and monitor the global exposure for this Portfolio.

## Investor profile

The Portfolio may be suitable for investors looking for a diversified investment solution offering exposure to both bonds and equities and seeking for a reasonable level of capital growth while willing to accept a low degree of risk. Investors should have a medium to long term investment horizon and understand the volatility associated with investments in bonds and equities around the world.

## Fees and expenses

| Class of Shares     | A    | B    | E    | S <sub>1</sub> | X    | Z    |
|---------------------|------|------|------|----------------|------|------|
| Management fee (%)* | 1.00 | 0.50 | 1.30 | 0.25           | 0.50 | 0.00 |

\* of the net asset value.

Additional fees apply to cover operating, administrative and servicing expenses; costs of investing in units in other UCITS and/or other Eligible UCIs; and extraordinary expenses. Further information is disclosed in Section 2.8. "Charges and expenses" of this prospectus.

## Dealing and Valuation Cut-Off Times

| Cut-off times | Rest of the world                             | Hong Kong                                   | Jersey   |
|---------------|---|---|--|
| Dealing time  | 10.00 a.m. Luxembourg time on any Dealing Day | 4.00 p.m. Hong Kong time on any Dealing Day | 5.00 p.m. Jersey time on the business day prior to the Dealing Day |
| Valuation     | On the Dealing Day                            |   |  |

Applications to buy, sell or convert shares made to the Company on any Dealing Day before the times stated above (the "Specified Times") will be allocated on that Dealing Day.

Shares are allocated at the Offer Price per share calculated on the Dealing Day using the latest available prices of assets.

Applications received after the Specified Times will normally be dealt on the next Dealing Day. Shares are normally dealt on each Business Day (other than days during a period of suspension of dealing in shares and other than a Business Day immediately following the end of a period of such suspension) and which is also for the Portfolio, a day where stock exchanges and regulated markets in countries where the Portfolio is materially invested are open for normal trading.

## Settlement

|                       |   |
|-----------------------|---|
| <b>Operation</b>      | Due date for receipt of cleared monies  |
| <b>Buying shares</b>  | Payment for shares has to be made within four Business Days after the Dealing Day to the relevant correspondent bank(s) quoting the applicant's name and stating the appropriate Portfolio into which settlement monies are paid.   |
| <b>Selling shares</b> | On receipt of the relevant documents the Registrar and Transfer Agent will dispatch the redemption proceeds normally in the designated currency of the Portfolio to which the shares relate, within four Business Days after the day on which the Redemption Price is determined. |

## Investment Minima

| Class of Shares | A, B and E* |     |     | S <sub>1</sub> * |     |     | X and Z* |     |     |
|-----------------|-------------|-----|-----|------------------|-----|-----|----------|-----|-----|
| Currency        | USD         | EUR | GBP | USD              | EUR | GBP | USD      | EUR | GBP |

| Class of Shares                                | A, B and E* |       |       |            | S <sub>1</sub> * |            | X and Z*  |           |           |
|--|-------------|-------|-------|------------|------------------|------------|-----------|-----------|-----------|
| Minimum initial investment and minimum holding | 5,000       | 5,000 | 5,000 | 10,000,000 | 10,000,000       | 10,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Minimum subsequent investment                  | 1,000       | 1,000 | 1,000 | 1,000,000  | 1,000,000        | 1,000,000  | 100,000   | 100,000   | 100,000   |

\* or equivalent to USD amount in any other Dealing Currencies or Share Class Reference Currencies.



## HSBC Portfolios – World Selection 2

### Base Currency

USD

### Investment objective

Aims to provide long term total return by investing in a portfolio of fixed income and equity securities consistent with a low to medium risk investment strategy.

### Investment policy

The Portfolio invests (normally a minimum of 90% of its net assets) in or gains exposure to:

- ◆ fixed income and equity securities directly into markets and/or through investments in UCITS and/or other Eligible UCIs.
- ◆ other asset classes including, but not limited to, real estate, private equity, hedge fund strategies and commodities through investments in equities securities issued by companies based or operating in developed or Emerging Markets, UCITS and/or other Eligible UCIs.

The Portfolio invests in Investment Grade and Non-Investment Grade rated fixed income and other similar securities issued or guaranteed by governments, government agencies or supranational bodies of developed markets, such as OECD countries, and/or Emerging Markets or by companies which are based in or carry out the larger part of their business activities in a developed or Emerging Market. These securities are denominated either in US dollar, in other developed markets currencies hedged into US dollar, or in local Emerging Markets currencies. The Portfolio may also invest in unrated fixed income securities.

The aggregate investment in securities that are (i) unrated; or (ii) Non-Investment Grade will not exceed 20% of the Portfolio's net assets.

The Portfolio invests in equities and equity equivalent securities issued by companies which are based or operating in both developed and/or Emerging Markets. The Portfolio normally invests across a range of market capitalisations.

The Portfolio may invest up to 100% of its assets in units or shares of UCITS and/or other Eligible UCIs. The Portfolios' exposure to such holdings will normally be between 25% and 75%. The Portfolio will invest in HSBC sponsored and/or managed UCITS and/or other Eligible UCIs unless an appropriate fund is not available. The Portfolio will not invest more than 10% of its net assets in securities issued by or guaranteed by any single sovereign issuer with a credit rating below Investment Grade.

The Portfolio is actively managed and is not constrained by a benchmark.

The Portfolio's primary currency exposure is to the US dollar.

### Asset class exposure limits

For the specific groups of asset class described in the table below, the Portfolio has a total maximum exposure limit as follows:

| Securities*             | Maximum exposure |
|-------------------------|------------------|
| Equity                  | 50%              |
| Fixed income            | 100%             |
| Total of the following: | 25%              |
| ◆ Real estate*          | 15%              |
| ◆ Private equity        | 10%              |
| ◆ Commodity             | 10%              |

| Securities*       | Maximum exposure |
|-------------------|------------------|
| ◆ Hedge fund      | 10%              |
| ◆ Absolute return | 10%              |

\* The Portfolio will not invest in direct real estate.

### Use of financial derivative instruments

The Portfolio may achieve its investment policy by investing in financial derivative instruments. However, the Portfolio does not intend to invest in financial derivative instruments extensively and their primary use will be for hedging purposes, cash flow management and tactical asset allocation. Financial derivative instruments may also be used for efficient portfolio management.

Financial derivative instruments that the Portfolio may use include, but are not limited to:

- ◆ foreign exchange forwards (including non-deliverable forwards),
- ◆ exchange-traded future options, fx options and swaptions.
- ◆ on and off-exchange traded futures, and
- ◆ swaps (interest rate, credit default, inflation, total return and currency).

Financial derivative instruments may also be embedded in other instruments used by the Portfolio (for example, participation notes and convertibles).

The Portfolio may be leveraged through the use of financial derivative instruments.

### Risk profile

The Portfolio invests in a range of asset classes, markets and currencies. These are subject to different types and levels of risk. This means the Portfolio is exposed to a spread of risk but each to a lesser extent than if invested into a single asset class, market or currency. The main risks the Portfolio is exposed to are as follows:

- ◆ Fixed income securities (e.g. bonds) carry a risk of downgrade and/or default. Bond prices may vary significantly depending on not only the global economic and interest rate conditions but also the general credit market environment and the credit worthiness of the issuer.
- ◆ Equities prices are exposed to stock market fluctuations and the financial performance of the companies who issue such equities. Therefore, the Portfolio's value may fall or rise on a daily basis and investors may not get back their initial investment.
- ◆ Emerging Markets carry higher risks and volatility due to greater political and economic risks. Emerging Markets securities can be impacted by high volatility, low liquidity, lower transparency and greater financial risks. Emerging Markets bonds carry higher risks than developed market bonds.
- ◆ Investments in or exposure to real estate, private equity, commodities as well as hedge and absolute return funds carry higher risks and can be impacted by higher volatility, lower liquidity, lower transparency and greater financial risks than investments in traditional securities such as stocks and bonds.
- ◆ The Portfolio's Base Currency is US dollar; however the Portfolio will have non-US dollar exposure and may therefore be subject to currency risk.

Further information is provided in the Section 1.3. "Risk considerations" of this prospectus.

### Risk Management

The commitment approach is used to measure and monitor the global exposure for this Portfolio.

## Investor profile

The Portfolio may be suitable for investors looking for a diversified investment solution offering exposure to both bonds and equities and seeking for a reasonable level of capital growth while willing to accept a low to medium degree of risk. Investors should have a medium to long term investment horizon and understand the volatility associated with investments in bonds and equities around the world.

## Fees and Expenses

| Class of Shares     | A    | B    | E    | S <sub>1</sub> | X    | Z    |
|---------------------|------|------|------|----------------|------|------|
| Management fee (%)* | 1.00 | 0.50 | 1.30 | 0.25           | 0.50 | 0.00 |

\* of the net asset value.

Additional fees apply to cover operating, administrative and servicing expenses; costs of investing in units in other UCITS and/or other Eligible UCIs; and extraordinary expenses. Further information is disclosed in Section 2.8. "Charges and expenses" of this prospectus.

## Dealing and Valuation Cut-Off Times

| Cut-off times | Rest of the world                             | Hong Kong                                   | Jersey   |
|---------------|---|---|--|
| Dealing time  | 10.00 a.m. Luxembourg time on any Dealing Day | 4.00 p.m. Hong Kong time on any Dealing Day | 5.00 p.m. Jersey time on the business day prior to the Dealing Day |
| Valuation     | On the Dealing Day                            |   |  |

Applications to buy, sell or convert shares made to the Company on any Dealing Day before the times stated above (the "Specified Times") will be allocated on that Dealing Day.

Shares are allocated at the Offer Price per share calculated on the Dealing Day using the latest available prices of assets.

Applications received after the Specified Times will normally be dealt on the next Dealing Day. Shares are normally dealt on each Business Day (other than days during a period of suspension of dealing in shares and other than a Business Day immediately following the end of a period of such suspension) and which is also for the Portfolio, a day where stock exchanges and regulated markets in countries where the Portfolio is materially invested are open for normal trading.

## Settlement

|                       |   |
|-----------------------|---|
| <b>Operation</b>      | Due date for receipt of cleared monies  |
| <b>Buying shares</b>  | Payment for shares has to be made within four Business Days after the Dealing Day to the relevant correspondent bank(s) quoting the applicant's name and stating the appropriate Portfolio into which settlement monies are paid.   |
| <b>Selling shares</b> | On receipt of the relevant documents the Registrar and Transfer Agent will dispatch the redemption proceeds normally in the designated currency of the Portfolio to which the shares relate, within four Business Days after the day on which the Redemption Price is determined. |

## Investment Minima

| Class of Shares | A, B and E* |     |     | S <sub>1</sub> * |     |     | X and Z* |     |     |
|-----------------|-------------|-----|-----|------------------|-----|-----|----------|-----|-----|
| Currency        | USD         | EUR | GBP | USD              | EUR | GBP | USD      | EUR | GBP |

| Class of Shares                                | A, B and E* |       |       |            | S <sub>1</sub> * |            | X and Z*  |           |           |
|--|-------------|-------|-------|------------|------------------|------------|-----------|-----------|-----------|
| Minimum initial investment and minimum holding | 5,000       | 5,000 | 5,000 | 10,000,000 | 10,000,000       | 10,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Minimum subsequent investment                  | 1,000       | 1,000 | 1,000 | 1,000,000  | 1,000,000        | 1,000,000  | 100,000   | 100,000   | 100,000   |

\* or equivalent to USD amount in any other Dealing Currencies or Share Class Reference Currencies.

## HSBC Portfolios – World Selection 3

### Base Currency

USD

### Investment objective

Aims to provide long term total return by investing in a portfolio of equity and fixed income securities consistent with a medium risk investment strategy.

### Investment policy

The Portfolio invests (normally a minimum of 90% of its net assets) in or gains exposure to:

- ◆ fixed income and equity securities directly into markets and/or through investments in UCITS and/or other Eligible UCIs.
- ◆ other asset classes including, but not limited to, real estate, private equity, hedge fund strategies and commodities through investments in equities securities issued by companies based or operating in developed or Emerging Markets, UCITS and/or other Eligible UCIs.

The Portfolio invests in Investment Grade and Non-Investment Grade rated fixed income and other similar securities issued or guaranteed by governments, government agencies or supranational bodies of developed markets, such as OECD countries, and/or Emerging Markets or by companies which are based in or carry out the larger part of their business activities in a developed or Emerging Market. These securities are denominated either in US dollar, in other developed markets currencies hedged into US dollar, or in local Emerging Markets currencies. The Portfolio may also invest in unrated fixed income securities.

The aggregate investment in securities that are (i) unrated; or (ii) Non-Investment Grade will not exceed 20% of the Portfolio's net assets.

The Portfolio invests in equities and equity equivalent securities issued by companies which are based or operating in both developed and/or Emerging Markets. The Portfolio normally invests across a range of market capitalisations.

The Portfolio may invest up to 100% of its assets in units or shares of UCITS and/or other Eligible UCIs. The Portfolios' exposure to such holdings will normally be between 40% and 90%. The Portfolio will invest in HSBC sponsored and/or managed UCITS and/or other Eligible UCIs unless an appropriate fund is not available. The Portfolio will not invest more than 10% of its net assets in securities issued by or guaranteed by any single sovereign issuer with a credit rating below Investment Grade.

The Portfolio is actively managed and is not constrained by a benchmark.

The Portfolio's primary currency exposure is to the US dollar.

### Asset class exposure limits

For the specific groups of asset class described in the table below, the Portfolio has a total maximum exposure limit as follows:

| Securities*             | Maximum exposure |
|-------------------------|------------------|
| Equity                  | 85%              |
| Fixed income            | 80%              |
| Total of the following: | 30%              |
| ◆ Real estate*          | 15%              |
| ◆ Private equity        | 10%              |
| ◆ Commodity             | 10%              |

| Securities*       | Maximum exposure |
|-------------------|------------------|
| ◆ Hedge fund      | 15%              |
| ◆ Absolute return | 10%              |

\* The Portfolio will not invest in direct real estate.

### Use of financial derivative instruments

The Portfolio may achieve its investment policy by investing in financial derivative instruments. However, the Portfolio does not intend to invest in financial derivative instruments extensively and their primary use will be for hedging purposes, cash flow management and tactical asset allocation. Financial derivative instruments may also be used for efficient portfolio management.

Financial derivative instruments that the Portfolio may use include, but are not limited to:

- ◆ foreign exchange forwards (including non-deliverable forwards),
- ◆ exchange-traded future options, fx options and swaptions.
- ◆ on and off-exchange traded futures, and
- ◆ swaps (interest rate, credit default, inflation, total return and currency).

Financial derivative instruments may also be embedded in other instruments used by the Portfolio (for example, participation notes and convertibles).

The Portfolio may be leveraged through the use of financial derivative instruments.

### Risk profile

The Portfolio invests in a range of asset classes, markets and currencies. These are subject to different types and levels of risk. This means the Portfolio is exposed to a spread of risk but each to a lesser extent than if invested into a single asset class, market or currency. The main risks the Portfolio is exposed to are as follows:

- ◆ Equities prices are exposed to stock market fluctuations and the financial performance of the companies who issue such equities. Therefore, the Portfolio's value may fall or rise on a daily basis and investors may not get back their initial investment.
- ◆ Fixed income securities (e.g. bonds) carry a risk of downgrade and/or default. Bond prices may vary significantly depending on not only the global economic and interest rate conditions but also the general credit market environment and the credit worthiness of the issuer.
- ◆ Emerging Markets carry higher risks and volatility due to greater political and economic risks. Emerging Markets securities can be impacted by high volatility, low liquidity, lower transparency and greater financial risks. Emerging Markets bonds carry higher risks than developed market bonds.
- ◆ Investments in or exposure to real estate, private equity, commodities as well as hedge and absolute return funds carry higher risks and can be impacted by higher volatility, lower liquidity, lower transparency and greater financial risks than investments in traditional securities such as stocks and bonds.
- ◆ The Portfolio's Base Currency is USD; however the Portfolio will have non-USD exposure and may therefore be subject to currency risk.

Further information is provided in the Section 1.3. "Risk considerations" of this prospectus.

### Risk Management

The commitment approach is used to measure and monitor the global exposure for this Portfolio.

## Investor profile

The Portfolio may be suitable for investors looking for a diversified investment solution offering exposure to both equities and bonds and seeking for a reasonable level of capital growth while willing to accept a medium degree of risk. Investors should have a medium to long term investment horizon and understand the volatility associated with investments in equities and bonds around the world.

## Fees and Expenses

| Class of Shares     | A    | B    | E    | S <sub>1</sub> | X    | Z    |
|---------------------|------|------|------|----------------|------|------|
| Management fee (%)* | 1.20 | 0.60 | 1.30 | 0.30           | 0.60 | 0.00 |

\* of the net asset value.

Additional fees apply to cover operating, administrative and servicing expenses; costs of investing in units in other UCITS and/or other Eligible UCIs; and extraordinary expenses. Further information is disclosed in Section 2.8. "Charges and expenses" of this prospectus.

## Dealing and Valuation Cut-Off Times

| Cut-off times | Rest of the world                             | Hong Kong                                   | Jersey   |
|---------------|---|---|--|
| Dealing time  | 10.00 a.m. Luxembourg time on any Dealing Day | 4.00 p.m. Hong Kong time on any Dealing Day | 5.00 p.m. Jersey time on the business day prior to the Dealing Day |
| Valuation     | On the Dealing Day                            |   |  |

Applications to buy, sell or convert shares made to the Company on any Dealing Day before the times stated above (the "Specified Times") will be allocated on that Dealing Day.

Shares are allocated at the Offer Price per share calculated on the Dealing Day using the latest available prices of assets.

Applications received after the Specified Times will normally be dealt on the next Dealing Day. Shares are normally dealt on each Business Day (other than days during a period of suspension of dealing in shares and other than a Business Day immediately following the end of a period of such suspension) and which is also for the Portfolio, a day where stock exchanges and regulated markets in countries where the Portfolio is materially invested are open for normal trading.

## Settlement

|                |   |
|----------------|---|
| Operation      | Due date for receipt of cleared monies  |
| Buying shares  | Payment for shares has to be made within four Business Days after the Dealing Day to the relevant correspondent bank(s) quoting the applicant's name and stating the appropriate Portfolio into which settlement monies are paid.   |
| Selling shares | On receipt of the relevant documents the Registrar and Transfer Agent will dispatch the redemption proceeds normally in the designated currency of the Portfolio to which the shares relate, within four Business Days after the day on which the Redemption Price is determined. |

## Investment Minima

| Class of Shares | A, B and E* |     |     |     | S <sub>1</sub> * |     | X and Z* |     |     |
|-----------------|-------------|-----|-----|-----|------------------|-----|----------|-----|-----|
| Currency        | USD         | EUR | GBP | USD | EUR              | GBP | USD      | EUR | GBP |

| Class of Shares                                | A, B and E* |       |       |            | S <sub>1</sub> * |            | X and Z*  |           |           |
|--|-------------|-------|-------|------------|------------------|------------|-----------|-----------|-----------|
| Minimum initial investment and minimum holding | 5,000       | 5,000 | 5,000 | 10,000,000 | 10,000,000       | 10,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Minimum subsequent investment                  | 1,000       | 1,000 | 1,000 | 1,000,000  | 1,000,000        | 1,000,000  | 100,000   | 100,000   | 100,000   |

\* or equivalent to USD amount in any other Dealing Currencies or Share Class Reference Currencies.



## HSBC Portfolios – World Selection 4

### Base Currency

USD

### Investment objective

Aims to provide long term total return by investing in a portfolio of equity and fixed income securities consistent with a medium to high risk investment strategy.

### Investment policy

The Portfolio invests (normally a minimum of 90% of its net assets) in or gains exposure to:

- ◆ fixed income and equity securities directly into markets and/or through investments in UCITS and/or other Eligible UCIs.
- ◆ other asset classes including, but not limited to, real estate, private equity, hedge fund strategies and commodities through investments in equities securities issued by companies based or operating in developed or Emerging Markets, UCITS and/or other Eligible UCIs.

The Portfolio invests in Investment Grade and Non-Investment Grade rated fixed income and other similar securities issued or guaranteed by governments, government agencies or supranational bodies of developed markets, such as OECD countries, and/or Emerging Markets or by companies which are based in or carry out the larger part of their business activities in a developed or Emerging Market. These securities are denominated either in US dollar, in other developed markets currencies hedged into US dollar, or in local Emerging Markets currencies. The Portfolio may also invest in unrated fixed income securities.

The aggregate investment in securities that are (i) unrated; or (ii) Non-Investment Grade will not exceed 20% of the Portfolio's net assets.

The Portfolio invests in equities and equity equivalent securities issued by companies which are based or operating in developed and Emerging Markets. The Portfolio normally invests across a range of market capitalisations.

The Portfolio may invest up to 100% of its assets in units or shares of UCITS and/or other Eligible UCIs. The Portfolios' exposure to such holdings will normally be between 50% and 100%. The Portfolio will invest in HSBC sponsored and/or managed UCITS and/or other Eligible UCIs unless an appropriate fund is not available. The Portfolio will not invest more than 10% of its net assets in securities issued by or guaranteed by any single sovereign issuer with a credit rating below Investment Grade.

The Portfolio is actively managed and is not constrained by a benchmark.

The Portfolio's primary currency exposure is to the US dollar.

### Asset class exposure limits

For the specific groups of asset class described in the table below, the Portfolio has a total maximum exposure limit as follows:

| Securities*             | Maximum exposure |
|-------------------------|------------------|
| Equity                  | 100%             |
| Fixed income            | 50%              |
| Total of the following: | 35%              |
| ◆ Real estate*          | 15%              |
| ◆ Private equity        | 10%              |
| ◆ Commodity             | 10%              |

| Securities*       | Maximum exposure |
|-------------------|------------------|
| ◆ Hedge fund      | 20%              |
| ◆ Absolute return | 10%              |

\* The Portfolio will not invest in direct real estate.

### Use of financial derivative instruments

The Portfolio may achieve its investment policy by investing in financial derivative instruments. However, the Portfolio does not intend to invest in financial derivative instruments extensively and their primary use will be for hedging purposes, cash flow management and tactical asset allocation. Financial derivative instruments may also be used for efficient portfolio management.

Financial derivative instruments that the Portfolio may use include, but are not limited to:

- ◆ foreign exchange forwards (including non-deliverable forwards),
- ◆ exchange-traded future options, fx options and swaptions.
- ◆ on and off-exchange traded futures, and
- ◆ swaps (interest rate, credit default, inflation, total return and currency).

Financial derivative instruments may also be embedded in other instruments used by the Portfolio (for example, participation notes and convertibles).

The Portfolio may be leveraged through the use of financial derivative instruments.

### Risk profile

The Portfolio invests in a range of asset classes, markets and currencies. These are subject to different types and levels of risk. This means the Portfolio is exposed to a spread of risk but each to a lesser extent than if invested into a single asset class, market or currency. The main risks the Portfolio is exposed to are as follows:

- ◆ Equities prices are exposed to stock market fluctuations and the financial performance of the companies who issue such equities. Therefore, the Portfolio's value may fall or rise on a daily basis and investors may not get back their initial investment.
- ◆ Fixed income securities (e.g. bonds) carry a risk of downgrade and/or default. Bond prices may vary significantly depending on not only the global economic and interest rate conditions but also the general credit market environment and the credit worthiness of the issuer.
- ◆ Emerging Markets carry higher risks and volatility due to greater political and economic risks. Emerging Markets securities can be impacted by high volatility, low liquidity, lower transparency and greater financial risks. Emerging Markets bonds carry higher risks than developed market bonds.
- ◆ Investments in or exposure to real estate, private equity, commodities as well as hedge and absolute return funds carry higher risks and can be impacted by higher volatility, lower liquidity, lower transparency and greater financial risks than investments in traditional securities such as stocks and bonds.
- ◆ The Portfolio's Base Currency is USD; however the Portfolio will have non-USD exposure and may therefore be subject to currency risk.

Further information is provided in the Section 1.3. "Risk considerations" of this prospectus.

### Risk Management

The commitment approach is used to measure and monitor the global exposure for this Portfolio.

## Investor profile

The Portfolio may be suitable for investors looking for a diversified investment solution offering exposure to both equities and bonds and seeking for a reasonable level of capital growth while willing to accept a medium to high degree of risk. Investors should have a medium to long term investment horizon and understand the volatility associated with investments in equities and bonds around the world.

## Fees and Expenses

| Class of Shares     | A    | B    | E    | S <sub>1</sub> | X    | Z    |
|---------------------|------|------|------|----------------|------|------|
| Management fee (%)* | 1.20 | 0.60 | 1.30 | 0.30           | 0.60 | 0.00 |

\* of the net asset value.

Additional fees apply to cover operating, administrative and servicing expenses; costs of investing in units in other UCITS and/or other Eligible UCIs; and extraordinary expenses. Further information is disclosed in Section 2.8. "Charges and expenses" of this prospectus.

## Dealing and Valuation Cut-Off Times

| Cut-off times | Rest of the world                             | Hong Kong                                   | Jersey   |
|---------------|---|---|--|
| Dealing time  | 10.00 a.m. Luxembourg time on any Dealing Day | 4.00 p.m. Hong Kong time on any Dealing Day | 5.00 p.m. Jersey time on the business day prior to the Dealing Day |
| Valuation     | On the Dealing Day                            |   |  |

Applications to buy, sell or convert shares made to the Company on any Dealing Day before the times stated above (the "Specified Times") will be allocated on that Dealing Day.

Shares are allocated at the Offer Price per share calculated on the Dealing Day using the latest available prices of assets.

Applications received after the Specified Times will normally be dealt on the next Dealing Day. Shares are normally dealt on each Business Day (other than days during a period of suspension of dealing in shares and other than a Business Day immediately following the end of a period of such suspension) and which is also for the Portfolio, a day where stock exchanges and regulated markets in countries where the Portfolio is materially invested are open for normal trading.

## Settlement

|                       |   |
|-----------------------|---|
| <b>Operation</b>      | Due date for receipt of cleared monies  |
| <b>Buying shares</b>  | Payment for shares has to be made within four Business Days after the Dealing Day to the relevant correspondent bank(s) quoting the applicant's name and stating the appropriate Portfolio into which settlement monies are paid.   |
| <b>Selling shares</b> | On receipt of the relevant documents the Registrar and Transfer Agent will dispatch the redemption proceeds normally in the designated currency of the Portfolio to which the shares relate, within four Business Days after the day on which the Redemption Price is determined. |

## Investment Minima

| Class of Shares | A, B and E* |     |     | S <sub>1</sub> * |     |     | X and Z* |     |     |
|-----------------|-------------|-----|-----|------------------|-----|-----|----------|-----|-----|
| Currency        | USD         | EUR | GBP | USD              | EUR | GBP | USD      | EUR | GBP |

| Class of Shares                                | A, B and E* |       |       |            | S <sub>1</sub> * |            | X and Z*  |           |           |
|--|-------------|-------|-------|------------|------------------|------------|-----------|-----------|-----------|
| Minimum initial investment and minimum holding | 5,000       | 5,000 | 5,000 | 10,000,000 | 10,000,000       | 10,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Minimum subsequent investment                  | 1,000       | 1,000 | 1,000 | 1,000,000  | 1,000,000        | 1,000,000  | 100,000   | 100,000   | 100,000   |

\* or equivalent to USD amount in any other Dealing Currencies or Share Class Reference Currencies.

## HSBC Portfolios – World Selection 5

### Base Currency

USD

### Investment objective

Aims to provide long term total return by investing in a portfolio of equity and fixed income securities consistent with a high risk investment strategy.

### Investment policy

The Portfolio invests (normally a minimum of 90% of its net assets) in or gains exposure to:

- ◆ fixed income and equity securities directly into markets and/or through investments in UCITS and/or other Eligible UCIs.
- ◆ other asset classes including, but not limited to, real estate, private equity, hedge fund strategies and commodities through investments in equities securities issued by companies based or operating in developed or Emerging Markets, UCITS and/or other Eligible UCIs.

The Portfolio invests in Investment Grade and Non-Investment Grade rated fixed income and other similar securities issued or guaranteed by governments, government agencies or supranational bodies of developed markets, such as OECD countries, and/or Emerging Markets or by companies which are based in or carry out the larger part of their business activities in a developed or Emerging Market. These securities are denominated either in US dollar, in other developed markets currencies hedged into US dollar, or in local Emerging Markets currencies. The Portfolio may also invest in unrated fixed income securities.

The aggregate investment in securities that are (i) unrated; or (ii) Non-Investment Grade will not exceed 20% of the Portfolio's net assets.

The Portfolio invests in equities and equity equivalent securities issued by companies which are based or operating in both developed and/or Emerging Markets. The Portfolio normally invests across a range of market capitalisations.

The Portfolio may invest up to 100% of its assets in units or shares of UCITS and/or other Eligible UCIs. The Portfolios' exposure to such holdings will normally be between 50% and 100%. The Portfolio will invest in HSBC sponsored and/or managed UCITS and/or other Eligible UCIs unless an appropriate fund is not available. The Portfolio will not invest more than 10% of its net assets in securities issued by or guaranteed by any single sovereign issuer with a credit rating below Investment Grade.

The Portfolio is actively managed and is not constrained by a benchmark.

The Portfolio's primary currency exposure is to the US dollar.

### Asset class exposure limits

For the specific groups of asset class described in the table below, the Portfolio has a total maximum exposure limit as follows:

| Securities*             | Maximum exposure |
|-------------------------|------------------|
| Equity                  | 100%             |
| Fixed income            | 20%              |
| Total of the following: | 45%              |
| ◆ Real estate*          | 15%              |
| ◆ Private equity        | 10%              |
| ◆ Commodity             | 10%              |

| Securities*       | Maximum exposure |
|-------------------|------------------|
| ◆ Hedge fund      | 20%              |
| ◆ Absolute return | 10%              |

\* The Portfolio will not invest in direct real estate.

### Use of financial derivative instruments

The Portfolio may achieve its investment policy by investing in financial derivative instruments. However, the Portfolio does not intend to invest in financial derivative instruments extensively and their primary use will be for hedging purposes, cash flow management and tactical asset allocation. Financial derivative instruments may also be used for efficient portfolio management.

Financial derivative instruments that the Portfolio may use include, but are not limited to:

- ◆ foreign exchange forwards (including non-deliverable forwards),
- ◆ exchange-traded future options, fx options and swaptions.
- ◆ on and off-exchange traded futures, and
- ◆ swaps (interest rate, credit default, inflation, total return and currency).

Financial derivative instruments may also be embedded in other instruments used by the Portfolio (for example, participation notes and convertibles).

The Portfolio may be leveraged through the use of financial derivative instruments.

### Risk profile

The Portfolio invests in a range of asset classes, markets and currencies. These are subject to different types and levels of risk. This means the Portfolio is exposed to a spread of risk but each to a lesser extent than if invested into a single asset class, market or currency. The main risks the Portfolio is exposed to are as follows:

- ◆ Equities prices are exposed to stock market fluctuations and the financial performance of the companies who issue such equities. Therefore, the Portfolio's value may fall or rise on a daily basis and investors may not get back their initial investment.
- ◆ Fixed income securities (e.g. bonds) carry a risk of downgrade and/or default. Bond prices may vary significantly depending on not only the global economic and interest rate conditions but also the general credit market environment and the credit worthiness of the issuer.
- ◆ Emerging Markets carry higher risks and volatility due to greater political and economic risks. Emerging Markets securities can be impacted by high volatility, low liquidity, lower transparency and greater financial risks. Emerging Markets bonds carry higher risks than developed market bonds.
- ◆ Investments in or exposure to real estate, private equity, commodities as well as hedge and absolute return funds carry higher risks and can be impacted by higher volatility, lower liquidity, lower transparency and greater financial risks than investments in traditional securities such as stocks and bonds.
- ◆ The Portfolio's Base Currency is USD; however the Portfolio will have non-USD exposure and may therefore be subject to currency risk.

Further information is provided in the Section 1.3. "Risk considerations" of this prospectus.

### Risk Management

The commitment approach is used to measure and monitor the global exposure for this Portfolio.

## Investor profile

The Portfolio may be suitable for investors looking for a diversified investment solution offering exposure to both equities and bonds and seeking for a reasonable level of capital growth while willing to accept a high degree of risk. Investors should have a medium to long term investment horizon and understand the volatility associated with investments in equities and bonds around the world.

## Fees and Expenses

| Class of Shares     | A    | B    | E    | S <sub>1</sub> | X    | Z    |
|---------------------|------|------|------|----------------|------|------|
| Management fee (%)* | 1.30 | 0.65 | 1.30 | 0.325          | 0.65 | 0.00 |

\* of the net asset value.

Additional fees apply to cover operating, administrative and servicing expenses; costs of investing in units in other UCITS and/or other Eligible UCIs; and extraordinary expenses. Further information is disclosed in Section 2.8. "Charges and expenses" of this prospectus.

## Dealing and Valuation Cut-Off Times

| Cut-off times | Rest of the world                             | Hong Kong                                   | Jersey   |
|---------------|---|---|--|
| Dealing time  | 10.00 a.m. Luxembourg time on any Dealing Day | 4.00 p.m. Hong Kong time on any Dealing Day | 5.00 p.m. Jersey time on the business day prior to the Dealing Day |
| Valuation     | On the Dealing Day                            |   |  |

Applications to buy, sell or convert shares made to the Company on any Dealing Day before the times stated above (the "Specified Times") will be allocated on that Dealing Day.

Shares are allocated at the Offer Price per share calculated on the Dealing Day using the latest available prices of assets.

Applications received after the Specified Times will normally be dealt on the next Dealing Day. Shares are normally dealt on each Business Day (other than days during a period of suspension of dealing in shares and other than a Business Day immediately following the end of a period of such suspension) and which is also for the Portfolio, a day where stock exchanges and regulated markets in countries where the Portfolio is materially invested are open for normal trading.

## Settlement

|                       |   |
|-----------------------|---|
| <b>Operation</b>      | Due date for receipt of cleared monies  |
| <b>Buying shares</b>  | Payment for shares has to be made within four Business Days after the Dealing Day to the relevant correspondent bank(s) quoting the applicant's name and stating the appropriate Portfolio into which settlement monies are paid.   |
| <b>Selling shares</b> | On receipt of the relevant documents the Registrar and Transfer Agent will dispatch the redemption proceeds normally in the designated currency of the Portfolio to which the shares relate, within four Business Days after the day on which the Redemption Price is determined. |

## Investment Minima

| Class of Shares | A, B and E* |     |     | S <sub>1</sub> * |     |     | X and Z* |     |     |
|-----------------|-------------|-----|-----|------------------|-----|-----|----------|-----|-----|
| Currency        | USD         | EUR | GBP | USD              | EUR | GBP | USD      | EUR | GBP |

| Class of Shares                                | A, B and E* |       |       |            | S <sub>1</sub> * |            | X and Z*  |           |           |
|--|-------------|-------|-------|------------|------------------|------------|-----------|-----------|-----------|
| Minimum initial investment and minimum holding | 5,000       | 5,000 | 5,000 | 10,000,000 | 10,000,000       | 10,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Minimum subsequent investment                  | 1,000       | 1,000 | 1,000 | 1,000,000  | 1,000,000        | 1,000,000  | 100,000   | 100,000   | 100,000   |

\* or equivalent to USD amount in any other Dealing Currencies or Share Class Reference Currencies.



# Appendices

## Appendix 1 – Glossary

|  |  |
|--|--|
| <b>1915 Law</b>  | Luxembourg law of 10 August 1915 relating to commercial companies, as amended.   |
| <b>2010 Law</b>  | Luxembourg law of 17 December 2010 on undertakings for collective investment, implementing Directive 2009/65/EC into Luxembourg law, as amended.   |
| <b>Administration Agent</b>                            | HSBC France, Luxembourg Branch.  |
| <b>Application Form</b>                                | The application form available from distributors.  |
| <b>Articles of Incorporation</b>                       | The articles of incorporation of the Company, as may be amended from time to time.   |
| <b>Auditors</b>  | Pricewaterhouse Coopers, <b>Société Coopérative</b>  |
| <b>Base Currency</b>                                   | The principal currency in which shares of the Portfolio are issued, and in which Report and Accounts are produced.   |
| <b>Board of Directors</b>                              | The board of directors of the Company.   |
| <b>Business Day</b>                                    | Any day on which the banks are open for normal business banking in Luxembourg.   |
| <b>Class(es) of Shares/ Share Class(es)/ Class(es)</b> | Pursuant to the Articles of Incorporation, the Board of Directors may decide to issue, within each Portfolio, separate classes of shares (hereinafter referred to as a "Share Class" or "Class of Shares" or "Class", as appropriate) whose assets will be commonly invested but where a specific initial or redemption charge structure, fee structure, minimum subscription amount, currency, dividend policy or other feature may be applied. If different Classes are issued within a Portfolio, the details of each Class are described under Sections "1.2. Share Class Information" and 3.2. "Portfolios details".                    |
| <b>Collective Investment Scheme</b>                    | Shall include: <ul style="list-style-type: none"> <li>◆ UCITS and other Eligible UCI; and</li> <li>◆ closed-ended collective investment schemes, the shares/units of which qualify as Transferable Securities (including but not limited to REITs).</li> </ul>   |
| <b>Company</b>   | HSBC Portfolios  |
| <b>Connected Persons</b>                               | In relation to a company means: <ol style="list-style-type: none"> <li>a. any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or</li> <li>b. any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or</li> <li>c. any member of the group of which that company forms part; or</li> <li>d. any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).</li> </ol> |
| <b>CSSF</b>  | <b>Commission de Surveillance du Secteur Financier.</b>  |
| <b>Depository Bank</b>                                 | HSBC France, Luxembourg Branch.  |
| <b>Dealing Currency</b>                                | Any other currency, as determined by the Directors, that investments may be made in.   |
| <b>Dealing Day</b>                                     | Except as otherwise defined in Section 3.2. "Portfolios details", normally, each Business Day (other than days during a period of suspension of dealing in shares and other than a Business Day immediately following the end of a period of such suspension) and which is also for the Portfolios, a day where stock exchanges and regulated markets in countries where the Portfolio is materially invested are open for normal trading. The Business Days which are not Dealing Days will be listed in the annual report and semi-annual reports and  |

available at the registered office of the Company. Any amendments to such lists are also available at the registered office of the Company.

|                                  |   |
|----------------------------------|---|
| <b>Directors</b>                 | The members of the Board of Directors.  |
| <b>Distributor</b>               | HSBC Investment Funds (Luxembourg) S.A., acting as global distributor of the Company.   |
| <b>Distributors</b>              | Entities listed in Appendix 6 "Directory".  |
| <b>ESG</b>                       | Environmental social and governance factors which can be considered as non-financial performance indicators which include ethical, sustainable and corporate government issues.   |
| <b>Emerging Markets</b>          | Emerging markets are those markets in countries that are not amongst the following groups of industrialised countries: United States and Canada, Switzerland and Members of the European Economic Area, the UK, Japan, Australia and New Zealand, and may include those countries in the preceding groups that do not have fully developed financial markets.                           |
| <b>ESG</b>                       | Environmental, social and governance factors which can be considered as non-financial performance indicators which include ethical, sustainable and corporate government issues.  |
| <b>ETFs</b>                      | An investment fund listed on a stock exchange which represents a pool of securities, commodities or currencies which typically track the performance of an index. Exchange Traded Funds (ETFs) are traded like shares. Investment in open-ended or closed-ended ETFs will be allowed if they qualify as (i) UCITS or other Eligible UCIs or (ii) transferable securities, respectively. |
| <b>EU</b>                        | European Union.   |
| <b>EUR</b>                       | Euro.   |
| <b>Eligible State</b>            | Any Member State of the European Union ("EU") or any other state in Eastern and Western Europe, Asia, Africa, Australia, North and South America and Oceania.   |
| <b>FCA</b>                       | Financial Conduct Authority in the United Kingdom.  |
| <b>GBP</b>                       | Pound Sterling.   |
| <b>G20</b>                       | The informal group of twenty finance ministers and central bank governors from twenty major economies: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, UK, USA and the European Union.   |
| <b>Investment Grade</b>          | Fixed income securities that are at least rated Baa3/BBB- by Moody's, Standard & Poor's, or another recognised credit rating agency.  |
| <b>Luxembourg</b>                | The Grand Duchy of Luxembourg.  |
| <b>Luxembourg Stock Exchange</b> | Société de la Bourse de Luxembourg S.A.   |
| <b>Management Company</b>        | HSBC Investment Funds (Luxembourg) S.A.   |
| <b>Member State</b>              | A Member State of the European Union. The States that are contracting parties to the Agreement creating the European Economic Area other than the Member States of the European Union, within the limits set forth by this Agreement and related acts, are considered as equivalent to Member States of the European Union.   |
| <b>Mémorial</b>                  | <b>Mémorial C, Recueil des Sociétés et Associations</b> , Luxembourg legal gazette.   |
| <b>Money Market Instruments</b>  | Shall mean instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time.   |

|                                     |  |
|-------------------------------------|--|
| <b>Net Asset Value per share</b>    | In relation to any shares of any Class, the value per share determined in accordance with the relevant provisions described under the heading "NAV Calculation Principles" under the Section 2.6. "Price of Shares and Publication of Prices and NAV".   |
| <b>Non-Investment Grade</b>         | Fixed income securities that are rated Ba1/BB+ or lower by Moody's, Standard & Poor's or another recognised credit rating agency.  |
| <b>OECD</b>                         | Organisation for Economic Co-operation and Development.  |
| <b>Other Eligible UCI</b>           | <p>An open-ended undertaking for collective investment within the meaning of Article 1 paragraph (2), point (a) and point (b) of Directive 2009/65/EC and complying with the following:</p> <ul style="list-style-type: none"> <li>◆ it is authorised under laws which provide that it is subject to supervision considered by the CSSF to be equivalent to that laid down in European Community law and that cooperation between authorities is sufficiently ensured;</li> <li>◆ the level of protection for its unitholders is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive 2009/65/EC, as amended;</li> <li>◆ its business is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period;</li> <li>◆ no more than 10% of its assets can, according to its management regulations or instruments of incorporation, be invested in aggregate in units of other UCITS or other eligible UCIs.</li> </ul> <p>Closed-ended UCIs are not considered as other Eligible UCIs, but may qualify as Transferable Securities.</p> |
| <b>Qualifying Day</b>               | Any Dealing Day for any two Portfolios on which the shares of one of these Portfolios may be converted into the same Class of shares in the other Portfolio concerned.   |
| <b>Register</b>                     | The register of shareholders of the Company.   |
| <b>Registrar and Transfer Agent</b> | HSBC France, Luxembourg Branch.  |
| <b>Regulated Market</b>             | A regulated market as defined in Article 4.1. (21) of the Directive 2014/65/EU of 15 May 2014 on markets in financial instruments (Directive 2014/65/EU).  |
| <b>REITs</b>                        | An entity that is dedicated to owning, and in most cases, managing real estate. This may include, but is not limited to, real estate in the residential (apartments), commercial (shopping centres, offices) and industrial (factories, warehouses) sectors. Certain REITs may also engage in real estate financing transactions and other real estate development activities.   |
| <b>RESA</b>                         | <b>Recueil Electronique des Sociétés et Associations</b>   |
| <b>SFDR</b>                         | <p>Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector as amended, supplemented, consolidated, superseded or otherwise modified from time to time.</p> <p>Under SFDR Portfolios are classified as either Article 6, Article 8 or Article 9 SFDR Portfolios. At the date of this Prospectus, all Portfolios are currently Article 6 SFDR Portfolios.</p>   |
| <b>Specified Times</b>              | Cut-off times before which instructions as to applications, redemptions or conversions of shares must have been received on any Dealing Day by the Company or by a distributor, as further detailed hereinafter.   |
| <b>Taxonomy Regulation</b>          | means the Regulation EU 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment as amended, supplemented, consolidated, superseded or otherwise modified from time to time.  |
| <b>Transferable Securities</b>      | <p>Shall mean;</p> <p>a. shares and other securities equivalent to shares,</p>   |

- b. bonds and other debt instruments,
  - c. any other negotiable securities which carry the right to acquire any such Transferable Securities by subscription or exchange,
- excluding techniques and instruments relating to Transferable Securities and Money Market Instruments.

|                  |  |
|------------------|--|
| <b>UCITS</b>     | An undertaking for collective investment in transferable securities and other eligible assets authorised pursuant to Directive 2009/65/EC, as amended.   |
| <b>US</b>        | The United States of America (including the States and the District of Columbia), its territories, possessions and other areas of subject to its jurisdiction.   |
| <b>USD</b>       | United States Dollar.  |
| <b>US Law</b>    | The laws of the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction. US Law shall additionally include all applicable rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission.  |
| <b>US Person</b> | <p>Shares of the Company may not be offered or sold to any "US Person" ("USP"), for the purposes of this restriction, the term US Person shall mean the following:</p> <ol style="list-style-type: none"> <li>1. An individual who is a resident of the US under any US Law.</li> <li>2. A corporation, partnership, limited liability company, collective investment vehicle, investment company, pooled account, or other business, investment, or legal entity: <ol style="list-style-type: none"> <li>a. created or organized under US Law;</li> <li>b. created (regardless of domicile of formation or organization) principally for passive investment (e.g. an investment company, fund or similar entity excluding employee benefit or pension plans): <ol style="list-style-type: none"> <li>i. and owned directly or indirectly by one or more USPs who hold, directly or indirectly, in aggregate a 10% or greater beneficial interest, provided that any such USP is not defined as a Qualified Eligible Person under CFTC Regulation 4.7(a);</li> <li>ii. where a USP is the general partner, managing member, managing director or other position with authority to direct the entity's activities;</li> <li>iii. where the entity was formed by or for a USP principally for the purpose of investing in securities not registered with the SEC unless such entity is comprised of Accredited Investors, as defined in Regulation D, 17 CFR 230.501(a), and no such Accredited Investors are individuals or natural persons; or</li> <li>iv. where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by USPs;</li> </ol> </li> <li>c. that is an agency or branch of a non-US entity located in the US; or</li> <li>d. that has its principal place of business in the US.</li> </ol> </li> <li>3. A trust: <ol style="list-style-type: none"> <li>a. created or organized under US Law; or</li> <li>b. where, regardless of domicile of formation or organization: <ol style="list-style-type: none"> <li>i. any settlor, founder, trustee, or other person responsible in whole or in part for investment decisions for the trust is a USP;</li> <li>ii. the administration of the trust or its formation documents are subject to the supervision of one or more US courts; or</li> <li>iii. the income of which is subject to US income tax regardless of source.</li> </ol> </li> </ol> </li> <li>4. An estate of a deceased person: <ol style="list-style-type: none"> <li>a. who was a resident of the US at the time of death or the income of which is subject to US income tax regardless of source; or</li> <li>b. where, regardless of the deceased person's residence while alive, an executor or administrator having sole or shared investment discretion is a USP or the estate is governed by US Law.</li> </ol> </li> <li>5. An employee benefit or pension plan that is:</li> </ol> |

- a. established and administered in accordance with US Law; or
  - b. established for employees of a legal entity that is a USP or has its principal place of business in the US.
6. A discretionary or non-discretionary or similar account (including a joint account) where:
- a. one or more beneficial owners is a USP or held for the benefit of one or more USPs; or
  - b. the discretionary or similar account is held by a dealer or fiduciary organized in the US.

If, subsequent to a shareholder's investment in the Company, the shareholder becomes a US Person, such shareholder (i) will be restricted from making any additional investments in the Company and (ii) as soon as practicable have its shares compulsorily redeemed by the Company (subject to the requirements of the Articles of Incorporation and the applicable law). The Company may, from time to time, waive or modify the above restrictions.

## **Appendix 2 – Other Information**

### **1. Separation of Assets**

The proceeds from the allotment and allocation of shares relating to each Portfolio are applied in the books of the Company to the portfolio of Transferable Securities and other permitted investments which represent the Portfolio, and the assets, and liabilities and income and expenditure attributable to that Portfolio are applied thereto. The entitlements of each Class if and when created by the Company in each Portfolio will change in accordance with the rules set out in the Articles of Incorporation.

Save as otherwise provided the assets held in each Portfolio are to be applied solely in respect of the shares which relate to the Portfolio to which each portfolio applies.

The assets of each Portfolio will be separate from those of all other Portfolios and will be invested separately in accordance with the investment objective and policies of such Portfolio. All liabilities attributable to a particular Portfolio shall be binding solely upon that Portfolio. For the purpose of the relations between shareholders, each Portfolio shall be deemed to be a separate entity.

### **2. Share Confirmations**

The Company will only issue shares in registered form. Ownership of shares is evidenced by entry in the Company's Register and is represented by confirmation(s) of ownership. A confirmation of ownership will be posted to the shareholder (or the first named of joint shareholders) or his/her agent, as directed, at his/her own risk normally within 21 days of receipt by the Registrar and Transfer Agent of a properly completed Application Form or registration slip, provided cleared monies have then been received by the Company or to its order.

### **3. Voting Rights and Joint Holders**

At general meetings each shareholder has the right to one vote for each whole share of which he is the holder. A holder of shares relating to any particular Class is entitled at any separate meeting of the holders of shares relating to that Class to one vote for each whole share relating to that Class of which he is the holder.

The Company shall register shares jointly in the names of not more than two holders should they so require. In such case the rights attaching to such a share must be exercised jointly by all those parties in whose names it is registered unless they appoint in writing one or more persons to do so. The Company may require that such single representative be appointed by all joint holders.

### **4. Class Rights and Restrictions**

Shares are divided into Classes designated by reference to the Portfolio to which the Class relates. They have no preferential or pre-emption rights and are freely transferable, save as referred to below.

The Directors may impose or relax restrictions on any shares or Class (other than any restriction on transfer but including the requirement that shares be issued only in registered form) (but not necessarily on all the Classes within the same Portfolio). The Directors may also require the transfer of shares as they deem necessary to ensure that shares are neither acquired nor held by or on behalf of any person in breach of the law or requirements of any country or governmental or regulatory authority, or which might have adverse taxation or other pecuniary consequences for the Company, including a requirement to register under any securities or investment or similar laws or requirements of any country or authority. The Directors may in this connection require a shareholder to provide such information as they may consider necessary to establish whether he is the beneficial owner of the shares which he holds.

The provisions of the Articles of Incorporation relating to general meetings shall mutatis mutandis apply to every separate general meeting of holders of shares of a Class or a Portfolio save that the quorum shall be the holders of not less than one half of the issued shares relating to that Class or Portfolio, or, at an adjourned meeting, any one person holding shares relating to that Class or Portfolio (or in either case the proxies of such persons). Two or more Classes or Portfolios may be treated as a single Class or Portfolio if such Classes or Portfolios would be affected in the same way by the proposals requiring the approval of holders of shares relating to the separate Classes or Portfolios.

## **5. Rights on a Winding-Up**

If the Company shall be voluntarily liquidated, its liquidation will be carried out in accordance with the provisions of the 2010 Law and the 1915 Law which specify the steps to be taken to enable shareholders to participate in the liquidation distribution(s) and in that connection provides for deposit in escrow at the Caisse de Consignation of any such amounts to the close of liquidation. Amounts not claimed from escrow within the prescription period would be liable to be forfeited in accordance with the provisions of Luxembourg laws.

## **6. Suspension of the Calculation of the Net Asset Value and Issue, Allocation, Conversion and Redemption of shares**

The Management Company, on behalf of the Company, may suspend, as disclosed in section 2.6. (3), the issue, allocation and the redemption of shares relating to any Portfolio as well as the right to convert shares relating to a Class in a Portfolio into those relating to the same Class in another Portfolio and the calculation of the Net Asset Value per share relating to any Class:

- a. during any period when any market or stock exchange, which is the principal market or stock exchange on which a material part of the investments of the relevant Portfolio for the time being are quoted, is closed, or during which dealings are substantially restricted or suspended;
- b. during the existence of any state of affairs which constitutes an emergency as a result of which disposal of investments of the relevant Portfolio by the Company is not possible;
- c. during any period when the publication of an index, underlying of a financial derivative instrument representing a material part of the assets of the relevant Portfolio is suspended;
- d. during any period when the determination of the net asset value per share of the Collective Investment Schemes or the dealing of their shares/units in which a Portfolio is a materially invested is suspended or restricted;
- e. during any breakdown in the means of communication normally employed in determining the price of any of the relevant Portfolio's investments or the current prices on any market or stock exchange;
- f. during any period when remittance of monies which will or may be involved in the realisation of, or in the repayment for any of the relevant Portfolio's investments is not possible;
- g. to the extent that such suspension is justified for the protection of the shareholders, in the event of the publication of the convening notice to a general meeting of shareholders at which a resolution to wind up the Company or a class is to be proposed, or of the decision of the Board of Directors to wind up one or more Portfolios;
- h. to the extent that such a suspension is justified for the protection of the shareholders, in the event of the publication of the notice of the general meeting of shareholders at which the merger of the Company or a Portfolio is to be proposed, or of the decision of the Board of Directors to merge one or more Portfolios; or
- i. during any period when in the opinion of the Directors of the Company there exist circumstances outside the control of the Company where it would be impracticable or unfair towards the shareholders to continue dealing in shares of any Portfolio of the Company.

The Company may cease the issue, allocation, conversion and redemption of the shares forthwith upon the occurrence of an event causing it to enter into liquidation or upon the order of the Luxembourg supervisory authority.

Shareholders who have requested conversion or redemption of their shares will be promptly notified in writing of any such suspension and of the termination thereof.

## **7. Documents Available for Inspection**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the Registered Office of the Company.

- i. The Articles of Incorporation of the Company;
- ii. The material contracts
- iii. an up-to-date list of launched Share Classes.

Copies of the Articles of Incorporation of the Company, the most recent Prospectus, the Key Investor Information Documents and the latest financial reports may be obtained free of charge, on request at the registered office of the Company.

In addition, the Key Investor Information Documents will be available on [www.assetmanagement.hsbc.com/fundinfo](http://www.assetmanagement.hsbc.com/fundinfo). When issued, Investors may download the Key Investor Information Documents from the above website or obtain it in paper form or on any other durable medium agreed between the Management Company or the intermediary and the investor.

Additional information is made available by the Management Company at its registered office, upon request, in accordance with the provisions of Luxembourg laws and regulations. This additional information includes the procedures relating to complaints handling, the strategy followed for the exercise of voting rights of the Company, the policy for placing orders to deal on behalf of the Company with other entities, the best execution policy as well as the arrangements relating to the fee, commission or non-monetary benefit in relation with the investment management and administration of the Company.

In addition, an up-to-date list of Investment Advisers currently acting for each Portfolio is available at the registered office of the Company and on the following website: [www.assetmanagement.hsbc.com/fundinfo](http://www.assetmanagement.hsbc.com/fundinfo).

### **Queries and Complaints**

Any person who would like to receive further information regarding the Company or who wishes to make a complaint about the operation of the Company should contact the Distributors listed in Appendix 6 or the Management Company, 16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg.



## Appendix 3 – General Investment Restrictions

These General Investment Restrictions aim to restate the investment restrictions arising for UCITS funds under the 2010 Law and shall be interpreted in light of applicable Luxembourg law and regulatory practice. Each Portfolio of the Company or where a UCITS comprises more than one compartment, each such Portfolio or compartment shall be regarded as a separate UCITS for the purposes of this Appendix. The Directors shall, based upon the principle of spreading of risks, have power to determine the investment policy for the investments of the Company in respect of each Portfolio and the currency of denomination of a Portfolio subject to the following restrictions:

- I. 1. The Company may invest in:
  - a. Transferable Securities and Money Market Instruments admitted to or dealt in on a Regulated Market;
  - b. Transferable Securities and Money Market Instruments dealt in on another market in a Member State of the European Union which is regulated, operates regularly and open to the public;
  - c. Transferable Securities and Money Market Instruments admitted to official listing on a stock exchange in a non-Member State of the European Union or dealt in on another market in a non-Member State of the European Union which is regulated, operates regularly and is recognised and open to the public provided that the choice of the stock exchange or market has been provided for in the constitutional documents of the UCITS;
  - d. recently issued Transferable Securities and Money Market Instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market and such admission is secured within a year of the issue.
  - e. units of UCITS and/or other eligible UCI, whether situated in a Member State or not, provided that:
    - a. such other eligible UCIs have been authorised under the laws which provide that they are subject to supervision considered by the Luxembourg supervisory authority to be equivalent to that laid down in European Community law, and that cooperation between authorities is sufficiently ensured,
    - b. the level of protection for unitholders in such other eligible UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of Directive 2009/65/EC, as amended,
    - c. the business of such other eligible UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,
    - d. no more than 10% of the assets of the UCITS or of the other eligible UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other eligible UCIs;
  - f. deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a country which is a Member State or if the registered office of the credit institution is situated in a non-Member State provided that it is subject to prudential rules considered by the Luxembourg supervisory authority as equivalent to those laid down in European Community law;
  - g. financial derivative instruments, including equivalent cash-settled instruments, dealt in on an Regulated Market and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
    - a. the underlying consists of instruments covered by this Section (1) (a), financial indices, interest rates, foreign exchange rates or currencies, in which the Portfolios may invest according to their investment objective;
    - b. the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority;
    - c. the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative.

and/or

- h. Money Market Instruments other than those dealt in on a Regulated Market and defined in Appendix 1, if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:
  - a. issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the EU or the European Investment Bank, a non-Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or
  - b. issued by an undertaking any securities of which are dealt in on Regulated Markets,
  - c. issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by the European Community law, or by an establishment which is subject to and complies with prudential rules considered by the Luxembourg supervisory authority to be at least as stringent as those laid down by European Community law, or
  - d. issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least ten million euro (Euro 10,000,000) and which presents and publishes its annual accounts in accordance with the fourth Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.
- 2. In addition, the Company may invest a maximum of 10% of the net assets of any Portfolio in Transferable Securities and Money Market Instruments other than those referred to under (1) above.

II. The Company may hold ancillary liquid assets.

- III. a. i. The Company will invest no more than 10% of the net assets of any Portfolio in Transferable Securities and Money Market Instruments issued by the same issuing body.
- ii. The Company may not invest more than 20% of the total net assets of such Portfolio in deposits made with the same body. The risk exposure of a Portfolio to a counterparty in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in I. (1) f) above or 5% of its net assets in other cases.
- b. Moreover where the Company holds on behalf of a Portfolio investment in Transferable Securities and Money Market Instruments of any issuing body which individually exceed 5% of the net assets of such Portfolio, the total of all such investments must not account for more than 40% of the total net assets of such Portfolio.

This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph III. a), the Company shall not combine, where this would lead to investing more than 20% of its assets in a single body, any of the following for each Portfolio:

- ◆ investments in Transferable Securities or Money Market Instruments issued by that body,
- ◆ deposits made with that body, or
- ◆ exposures arising from OTC derivative transactions undertaken with that body.

- c. The limit of 10% laid down in sub-paragraph III. a) (i) above will be increased to a maximum of 35% in respect of Transferable Securities or Money Market Instruments which are issued or guaranteed by a Member State, its local authorities, or by another Eligible State or by public international bodies of which

one or more Member States are members.

- d. The limit of 10% laid down in sub-paragraph III. a) (i) may be of a maximum of 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest. If a Portfolio invests more than 5% of its net assets in the bonds referred to in this sub-paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the net asset value of the Portfolio.
- e. The Transferable Securities and Money Market Instruments referred to in paragraphs III. c) and III. d) shall not be included in the calculation of the limit of 40% stated in paragraph III. b) above.

The limits set out in sub-paragraphs a), b) c) and d) may not be aggregated and, accordingly, investments in Transferable Securities and Money Market Instruments issued by the same issuing body, in deposits or in financial derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of any Portfolio's net assets;

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this paragraph III.

The Company may cumulatively invest up to 20% of the net assets of a Portfolio in Transferable Securities and Money Market Instruments within the same group.

- f. **Notwithstanding the above provisions, the Company is authorised to invest up to 100% of the net assets of any Portfolio, in accordance with the principle of risk spreading, in Transferable Securities and Money Market Instruments issued or guaranteed by a Member State, by its local authorities or agencies, a non-Member State or by another member state of the OECD, Singapore, or any member state of the G20 or by public international bodies of which one or more Member States are members, provided that such Portfolio must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the total net assets of such Portfolio.**

- IV. a. Without prejudice to the limits laid down in paragraph V., the limits provided in paragraph III. are raised to maximum of 20% for investments in shares and/or bonds issued by the same issuing body if the aim of the investment policy of a Portfolio is to replicate the composition of a certain stock or bond index which is sufficiently diversified, represents an adequate benchmark for the market to which it refers, is published in an appropriate manner and disclosed in the relevant Portfolio's investment policy.
- b. The limit laid down in paragraph a) is raised to 35% where this proves to be justified by exceptional market conditions, in particular on Regulated Markets where certain Transferable Securities or Money Market Instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.
- V. The Company may not acquire shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body.

The Company may acquire no more than:

- ◆ 10% of the non-voting shares of the same issuer;
- ◆ 10% of the debt securities of the same issuer;
- ◆ 10% of the Money Market Instruments of the same issuer.

The limits under the second and third indents may be disregarded at the time of acquisition, if at that time the gross amount of debt securities or of the Money Market Instruments or the net amount of the instruments in issue cannot be calculated.

The provisions of paragraph V. shall not be applicable to Transferable Securities and Money Market Instruments issued or guaranteed by a Member State or its local authorities or by any other Eligible State, or issued by public international bodies of which one or more Member States are members.

These provisions are also waived as regards shares held by the Company in the capital of a company incorporated in a non-Member State which invests its assets mainly in the securities of issuing bodies having their registered office in that state, where under the legislation of that state, such a holding represents the only way in which the Company can invest in the securities of issuing bodies of that state provided that the investment policy of the company from the non-Member State complies with the limits laid down in paragraphs III., V. and VI. a), b), c) and d).

- VI. a. The Company may acquire units of the UCITS and/or other Eligible UCIs referred to in paragraph I. (1) e), provided that no more than 20% of a Portfolio's net assets be invested in the units of a single UCITS or other Eligible UCI.

For the purpose of the application of the investment limit, each compartment of another Eligible UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.

- b. Investments made in units of other Eligible UCIs other than UCITS may not in aggregate exceed 30% of the net assets of a Portfolio.
- c. The underlying investments held by the UCITS or other Eligible UCIs in which the Company invests do not have to be considered for the purpose of the investment restrictions set forth under III. above.
- d. When the Company invests in the units of other UCITS and/or other Eligible UCIs linked to the Company by common management or control, no subscription or redemption fees may be charged to the Company on account of its investment in the units of such other UCITS and/or other Eligible UCIs.

In respect of a Portfolio's investments in UCITS and other Eligible UCIs linked to the Company as described in the preceding paragraph, the total management fee (excluding any performance fee, if any) charged to such Portfolio itself and the other UCITS and/or other Eligible UCIs concerned shall not exceed 2.5% of the relevant assets. The Company will indicate in its annual report the total management fees charged both to the relevant Portfolio and to the UCITS and other Eligible UCIs in which such Portfolio has invested during the relevant period.

- e. The Company may acquire no more than 25% of the units of the same UCITS and/or other Eligible UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated.

- VII. In compliance with the applicable laws and regulations any Portfolio of the Company (hereinafter referred to as a "Feeder Portfolio") may be authorised to invest at least 85% of its assets in the units of another UCITS or portfolio thereof (the "Master UCITS"). A Feeder Portfolio may hold up to 15% of its assets in one or more of the following:

- ◆ ancillary liquid assets in accordance with II;
- ◆ financial derivative instruments, which may be used only for hedging purposes;
- ◆ movable and immovable property which is essential for the direct pursuit of its business.

For the purposes of compliance with article 42(3) of the 2010 Law, the Feeder Portfolio shall calculate its global exposure related to financial derivative instruments by combining its own direct exposure under the second indent of the first sub-paragraph with either:

- ◆ the Master UCITS actual exposure to financial derivative instruments in proportion to the Feeder Portfolio investment into the Master UCITS; or
- ◆ the Master UCITS potential maximum global exposure to financial derivative instruments provided for in the Master UCITS management regulations or instruments of incorporation in proportion to the Feeder Portfolio investment into the Master UCITS.

A Portfolio of the Company may in addition and to the full extent permitted by applicable laws and regulations but in compliance with the conditions set forth by applicable laws and regulations, be launched or converted into a Master UCITS in the meaning of Article 77(3) of the 2010 Law.

VIII. A Portfolio (the "Investing Portfolio") may subscribe, acquire and/or hold securities to be issued or issued by one or more Portfolio of the Company (each a "Target Portfolio") without the Company being, subject to the requirements of the 1915 Law with respect to the subscription, acquisition and/or the holding by a company of its own shares; under the condition however that:

- ◆ the Investing Portfolio may not invest more than 20% of its net asset value in a single Target Portfolio; and
- ◆ the Target Portfolio(s) do(es) not, in turn, invest in the Investing Portfolio invested in this (these) Target Portfolio (s); and
- ◆ the investment policy(ies) of the Target Portfolio(s) whose acquisition is contemplated does not allow such Target Portfolio(s) to invest more than 10% of its(their) net asset value in UCITS and UCIs; and
- ◆ voting rights, if any, attaching to the Shares of the Target Portfolio(s) held by the Investing Portfolio are suspended for as long as they are held by the Investing Portfolio concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- ◆ in any event, for as long as these securities are held by the Investing Portfolio, their value will not be taken into consideration for the calculation of the net assets of the Company for the purposes of verifying the minimum threshold of the net assets imposed by the 2010 Law.

IX. The global exposure of each Portfolio relating to derivative instruments may not exceed the net assets of the relevant Portfolio.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the next two subparagraphs.

If the Company invests in financial derivative instruments, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down in restriction III. When the Company invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in restriction III.

When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements set out in the preceding sub-paragraph.

X. a. The Company may not borrow for the account of any Portfolio amounts in excess of 10% of the total net assets of that Portfolio, any such borrowings to be from banks and to be effected only as a temporary basis provided that the purchase of foreign currencies by way of back to back loans remains possible;

b. The Company may not grant loans to or act as guarantor on behalf of third parties.

This restriction shall not prevent the Company from (i) acquiring Transferable Securities, Money Market Instruments or other financial instruments referred to in I. (1) c), g) and h) which are not fully paid, and (ii) performing permitted securities lending activities that shall not be deemed to constitute the making of a loan.

c. The Company may not carry out uncovered sales of Transferable Securities, Money Market Instruments or other financial instruments.

d. The Company may not acquire movable or immovable property.

e. The Company may not acquire either precious metals or certificates representing them.

XI. If the percentage limitations set forth in the above restrictions are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its shareholders.

The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in which the shares are marketed.

During the first six months following its launch, a new Portfolio may derogate from restrictions III., IV. and VI. a), b), c) and d) while ensuring observance of the principle of risk spreading.

### **Risk-Management Process**

The Management Company, on behalf of the Company, will employ a risk-management process which enables it, together with the Investment Adviser of the relevant Portfolio, to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of each Portfolio. The Management Company or the Investment Adviser of the relevant Portfolio, on behalf of the Company will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

Upon request of an investor, the Management Company will provide supplementary information relating to the quantitative limits that apply in the risk management of each Portfolio, to the methods chosen to this end and to the recent evolution of the risks and yields of the main categories of instruments.

### **Commitment approach**

The Portfolios have simple and limited positions in financial derivative instruments but can enter into financial derivative instruments transactions for investment purposes other than hedging techniques and efficient portfolio management, in particular to gain exposure on financial markets when the relevant Portfolio Investment Adviser believes that it is more efficient to purchase financial derivative instruments than the corresponding physical securities. These Portfolios will use the commitment approach.

The commitment approach is generally calculated by converting the derivative contract into the equivalent position in the underlying asset embedded in that derivative, based on the market value of the underlying. Purchased and sold financial derivative instruments may be netted in accordance to the CESR's guidelines 10/788 in order to reduce global exposure. Beyond these netting rules and after application of hedging rules, it is not allowed to have a negative commitment on a financial derivative instrument to reduce overall exposure and as such, risk-exposure numbers will always be positive or zero.

### **Liquidity Risk Management Policy**

The Management Company has established a liquidity risk management policy which forms part of the Management Company's risk management policy with the aim to enable it to identify, monitor, manage and mitigate the liquidity risks of the Portfolios and to ensure that the liquidity risk profile of the investments of the Portfolios will facilitate compliance with the Portfolios' obligation to meet redemption requests. Such policy, combined with the governance framework in place and the liquidity management tools of the Management Company, also seeks to achieve fair treatment of shareholders and safeguard the interests of the remaining or existing shareholders in case of sizeable redemptions or subscriptions.

The Management Company's liquidity risk management policy takes into account the investment strategy, the dealing frequency, the underlying assets' liquidity (and whether they are priced at fair value) and the ability to defer redemptions in compliance with the Prospectus.

The liquidity risk management policy also involves monitoring the profile of investments held by the Portfolios on an on-going basis with the aim to ensure that such investments are appropriate to the redemption policy as stated in Section 2.3. "How to sell shares" and Section 3.2. "Portfolio details" as the case may be. Further, the liquidity risk management policy includes details on periodic stress testing carried out to manage the liquidity risk of the Portfolios in times of exceptional market conditions.

The Management Company's risk management function is independent from the investment portfolio management function and is responsible for performing monitoring of the Portfolios' liquidity risk in accordance with the Management Company's liquidity risk management policy. Exceptions on liquidity risk related issues are escalated to the Management Company's management committee and/or UCITS Risk Oversight Committee with appropriate actions properly documented.

The Management Company may employ one or more tools to manage liquidity risks including, but not limited to:

- ◆ Limiting the number of Shares redeemed for a Portfolio on any Dealing Day to 10% or more of the net asset value of any Portfolio (subject to the conditions under the heading entitled "Deferral of redemption" in Section 2.3. "How to sell shares");
- ◆ Applying a pricing adjustment with the aim to mitigate the effect of transaction costs on the net asset value per Share of a Portfolio incurred by significant net subscriptions or redemptions as outlined under the heading "Pricing adjustment" of Section 2.6. "Prices of shares, publication of prices and NAV";
- ◆ Declaring, upon consulting the Board of Directors via a written resolution, a suspension of the determination of the net asset value per Share of a Portfolio as outlined in paragraph 6 "Suspension of the Calculation of the Net Asset Value and Issue, Allocation, Conversion, Redemption and Repurchase of Shares" in Appendix 2;
- ◆ Accepting transfers in kind; and/or making use of an overdraft facility up to 10% of the net asset value as described above under "General Investment Restrictions".

## **Appendix 4 – Additional restrictions**

Although the Company is now authorised in Luxembourg as a UCITS under the 2010 Law and the Prospectus has been updated to incorporate new investment restrictions, for as long as the Company and the Portfolios remain authorised by the Securities and Futures Commission ("SFC") in Hong Kong and unless otherwise approved by the SFC, the Management Company confirms its intention to operate the Portfolios authorised in Hong Kong (other than the Portfolios exercising the wider derivatives powers as indicated in the relevant investment objective of such Portfolios) in accordance with the investment principles of chapter 7 of the Hong Kong code on unit trusts and mutual funds and to comply with any other requirements or conditions imposed by the SFC in respect of the relevant Portfolios.

Unless otherwise indicated in the investment objective of a Portfolio in Section 3.2. "Portfolios Details", investments in China A-shares and B-shares dealt in on the stock exchanges in China (excluding Hong Kong) shall not exceed 10% of the net asset value of the Portfolio (including indirect exposure). At least one month prior notice will be given to relevant shareholders before any increase in exposure to China A-shares and B-shares can be made.

At the date of the Prospectus, all the Portfolios are authorised by the SFC and therefore the abovementioned additional restrictions apply to all the Portfolios.



## Appendix 5 – Financial derivative instruments

A Portfolio may hold financial derivative instruments ("FDIs") for hedging and efficient portfolio management purposes, as well as gaining exposure to markets, both short-term (e.g. equitisation) and long-term (e.g. exposure to commodity indices).

The Company will not use non-linear or leveraged indices.

Additional restrictions or derogations for certain Portfolios will be disclosed in Section 3.2. "Portfolios details" in relation to the relevant Portfolio.

The global exposure of each Portfolio relating to FDIs may not exceed the net assets of the relevant Portfolio.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. This shall also apply to the next two sub-paragraphs.

If the Company invests in FDIs, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down in item III. a) to e) of Appendix 3 above. When the Company invests in index-based FDIs, these investments do not have to be combined to the limits laid down in item III. a) to e) of Appendix 3 above. The rebalancing frequency of the underlying index of such FDI is determined by the index provider and there is no cost to the Portfolio when the index itself rebalances.

When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements set out in the preceding subparagraph.

### Efficient Portfolio Management

Efficient Portfolio Management ("EPM") refers to techniques and instruments (including FDIs) which relate to transferable securities which fulfil the following criteria:

1. They are economically appropriate in that they are realised in a cost-effective way,
2. They are entered into for one or more of the following specific aims:
  - ◆ reduction of risk (e.g. to perform an investment hedge on a portion of a portfolio),
  - ◆ reduction of cost (e.g. be short term cash flow management or tactical asset allocation),
  - ◆ generation of additional capital or income, with a level of risk that is consistent with the risk profile of a Portfolio (e.g. Securities Lending and/or Repurchase (and Reverse Repurchase) agreements where the collateral is not reinvested for any form of leverage).

The use of FDIs introduces an additional exposure of counterparty risk by the Portfolio, although this is managed through internal risk control mechanisms and according to the diversification and concentration requirements of the UCITS regulation.

The use of these EPM instruments/ techniques does not change the objective of a Portfolio or add substantial risks in comparison to the original risk policy of a Portfolio.

Any EPM instruments/techniques are included within the Company's liquidity risk management process to ensure that the Company can continue to meet redemptions within the obligated timeframe.

HSBC Global Asset Management Limited is responsible for managing any conflict that might exist such that conflicts are prevented from negatively impacting shareholders.

### Management of collateral

Under the investment advisory agreement, the Investment Adviser has authority to agree the terms for collateral arrangements, duly advising the Management Company of what arrangements have been made, for purposes of managing counterparty risk where transactions in over-the-counter ("OTC") FDIs have been executed. Transactions in FDIs can only be executed with approved counterparties. Such transactions will at all times be governed by approved Group standard documentation such as a legally enforceable bilateral ISDA and an

accompanying Credit Support Annex ("CSA") where it has been agreed that collateral will form part of the transaction.

Assets received by the Company as collateral in the context of OTC FDIs and in the context of EPM techniques will comply with the following criteria at all times:

- ◆ Liquidity: any collateral received other than cash should be highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation. Collateral received will also comply with the provisions of paragraph V of Appendix 2 "General Investment Restrictions".
- ◆ Valuation: eligible collateral, as determined is valued daily by an entity that is independent from the counterparty on a mark-to-market basis.
- ◆ Issuer credit quality: non cash collateral received is of high credit quality (at least A3 and A-).
- ◆ Haircut policy: haircuts will take into account the characteristics of the assets such as the credit standing or the price volatility. Assets that exhibit high price volatility will not be accepted by the Company as collateral unless suitably conservative haircuts are in place. Haircuts are reviewed by the Management Company on an ongoing basis to ensure that they remain appropriate for eligible collateral taking into account collateral quality, liquidity and price volatility:
- ◆ Correlation: collateral received by the Company is issued by an entity that is independent from the counterparty or by one that is expected not to display a high correlation with the performance of the counterparty.
- ◆ Diversification: collateral received by the Company will remain sufficiently diversified such that no more than 20% of the net asset value of a Portfolio will be held in a basket of non-cash collateral (and reinvested collateral) with the same issuer.
- ◆ Enforceability: collateral received by the Company is capable of being fully enforced by the Company at any time without reference to or approval from the counterparty.
- ◆ Non-cash collateral received should not be sold, reinvested or pledged.
- ◆ Reinvestment of cash collateral: where received by the Company, reinvested cash collateral will remain sufficiently diversified in accordance with the diversification requirements applicable to non-cash collateral and may only be:
  - placed on deposit with credit institution having its registered office in a country which is a Member State or with a credit institution having its registered office in a third country provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in European Community law;
  - invested in short-term money market funds as defined in the Guidelines on a Common Definition of European Money Market Funds approved by the Management Company.
  - The Management Company may delegate authority to the securities lending agent to invest cash collateral into qualifying HSBC products.
- ◆ A Portfolio that receives collateral for at least 30% of its net assets will have an appropriate stress testing policy in place to ensure regular stress tests are carried out under normal and exceptional liquidity conditions to enable the Company to assess the liquidity risk attached to the collateral. This stress testing policy will:
  - ensure appropriate calibration, certification and sensitivity analysis;
  - consider an empirical approach to impact assessment, including back-testing of liquidity risk estimates;
  - establish reporting frequency and limit/loss tolerance threshold/s; and
  - consider mitigation actions to reduce loss including haircut policy and gap risk protection.
- ◆ Other risks - other risks linked to the management of collateral, such as operational and legal risks, are identified, managed and mitigated by the risk management process.

Collateral received by the Company Portfolios in respect of securities lending arrangements with HSBC Bank Plc (acting as agent through its securities services) will comply with the following haircut requirements:

- ◆ Eligible cash collateral will be subject to a minimum positive haircut of 105%;
- ◆ Other eligible non-cash collateral will be subject to a minimum positive haircut of 105% for fixed income securities and 110% for equities.

## Appendix 6 – Directory

### Registered Office

16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

### Board of Directors of the Company

- ◆ Dr. Michael Boehm, Chief Operating Officer  
HSBC Global Asset Management (Deutschland) GmbH, Königsallee 21/23, 40212 Düsseldorf, Germany
- ◆ Jean de Courrèges, Independent Director  
Grand Duchy of Luxembourg
- ◆ Eimear Cowhey, Independent Director  
Dublin, Ireland
- ◆ Matteo Pardi, Director  
HSBC Asset Management (France), Immeuble Coeur Défense, 110 Esplanade du Général de Gaulle, La Défense 4, Tour A, Etage 23, Paris, France
- ◆ John Li, Independent Director  
MDO Services S.A., 19 rue de Bitbourg, L-1273 Luxembourg, Grand Duchy of Luxembourg
- ◆ Anthony Jeffs, Head of Product Platforms  
HSBC Global Asset Management Limited, 8 Canada Square, London, E14 5HQ, United Kingdom

### Management Company

HSBC Investment Funds (Luxembourg) S.A.

16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

### Board of Directors of the Management Company

- ◆ Edmund Stokes, Global Head of Product (Chairman)  
HSBC Global Asset Management Limited, 8 Canada Square, London, E14 5HQ, United Kingdom
- ◆ Tony Corfield, Chief Operating Officer  
HSBC Global Asset Management (UK) Limited, 8 Canada Square, London, E14 5HQ, United Kingdom
- ◆ Cecilia Lazzari, Conducting Officer  
HSBC Investment Funds (Luxembourg) S.A., 16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg
- ◆ Richard Long, Head of Global Funds Operations  
HSBC Investment Funds (Luxembourg) S.A., 16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg
- ◆ Sylvie Vigneaux, Head of Regulatory and Wealth Engineering  
Immeuble Coeur Défense - Tour A, 110 Esplanade du Général de Gaulle - La Défense 4, 75419 Paris Cedex 08, France
- ◆ Tim Palmer, Chief Risk Officer  
HSBC Global Asset Management Limited, 8 Canada Square, London, E14 5HQ, United Kingdom
- ◆ Timothy Caverly, Independent Director  
18, rue Henri Hemes, L-8134 Bridel, Grand Duchy of Luxembourg
- ◆ Susanne Van Dootinck, Independent Director  
125, Vlierbeekberg, B-3090 Overrijse, Belgium

### **Depository Bank, Paying Agent and Administration Agent**

HSBC France, Luxembourg Branch  
16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

### **Registrar and Transfer Agent**

HSBC France, Luxembourg Branch  
16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

### **Corporate and Domiciliary Agent**

HSBC France, Luxembourg Branch  
16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

### **Investment Advisers**

HSBC Global Asset Management (UK) Limited  
8 Canada Square, London, E14 5HQ United Kingdom, United Kingdom

HSBC Global Asset Management (France)  
Immeuble Cœur Défense - Tour A, 110 Esplanade du Général de Gaulle - La Défense 4, 75419 Paris Cedex 08, France

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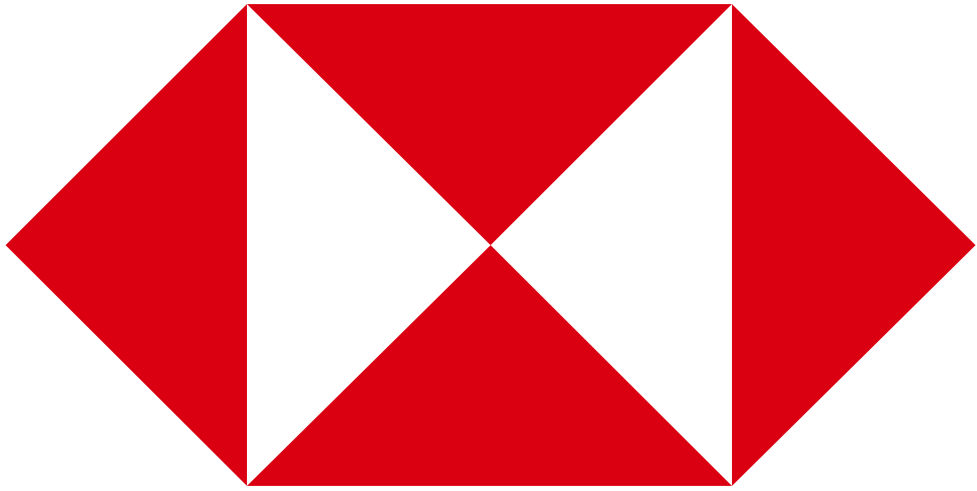
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21 Collyer Quay, #06-01 HSBC Building, Singapore 049320, Singapore
- ◆ United Kingdom Representative  
HSBC Global Asset Management (UK) Limited  
8 Canada Square, London E14 5HQ, United Kingdom

### **Auditors**

Pricewaterhouse Coopers, **société cooperative**  
2, rue Gehard Mercator, B.P.1993, L-1014 Luxembourg, Grand Duchy of Luxembourg

### **Legal Advisers**

Elvinger Hoss Prussen, **société anonyme**  
2, Place Winston Churchill, L-1340 Luxembourg, Grand Duchy of Luxembourg



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**Company Registration No.: 198602036R**