

## **We have changed how we calculate the Ongoing Charges Figure**

HSBC Global Asset Management (UK) Limited (HSBC Asset Management) has changed how we calculate the ongoing charges figure (OCF) for our open-ended investment company (OEIC) funds. The OCF is based on annual expenses for the funds. It covers all aspects of operating the funds, including custodian fees, professional fees, report and accounts fees, FCA fees and independent oversight functions, such as depositary fees and auditor fees.

Industry guidance issued this year by the Investment Association clarified that the calculation of the OCF should be aligned to the method used to calculate ongoing charges under other regulatory regimes such as the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation.

The key difference between the methodologies is the treatment of the costs of underlying vehicles (other funds) held by our funds. The previous guidance on the calculation of the OCF did not specify the inclusion of the costs of certain closed-ended investment vehicles, for example investment trusts, whereas other regulatory regimes included these vehicles in the calculation methodology.

Many of our funds do not invest in closed-ended investment vehicles and for these funds the revised OCFs will be consistent with the previous OCFs (subject to the typical variability in the OCFs, for example where some of the cost elements included in the OCF are not fixed amounts). However, for funds that invest more substantially in underlying closed-ended investment vehicles the revised OCFs may be materially higher than the previous OCFs. This includes some index tracker funds, for example the FTSE 250 Index Fund, for which a proportion of the index constituents are investment trusts.

It is important to highlight that the cost of investing in our funds has not increased as a result of this change of methodology. HSBC Asset Management and the other parties involved in the ongoing management and operation of the funds are not charging more. The costs of investing in closed-ended investment vehicles (and open-ended investment vehicles) have always been reflected in the daily share prices and performance of our funds and there will be no change to how we present performance going forward. This is, therefore, simply a change to disclosure requirements.

On an ongoing basis, the OCFs are recalculated in line with the half-yearly and annual reporting periods for the funds. We are therefore adopting the revised calculation methodology as the next reporting date is reached. The OCFs are shown on key investor information documents, factsheets, report and accounts and other materials.

More details on how we calculate the charges can be found in the Enhanced Disclosure of Fund Charges document available on our website:

<https://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/our-governance>

If you have any questions or would like more detail about the changes you can call us on 0800 358 3011\*\* or you can send an e-mail to [HSBCenquiries@ntrs.com](mailto:HSBCenquiries@ntrs.com).

If you are unsure whether the funds you hold will continue to meet your needs, you should contact your financial adviser.

\*\* Lines are open 9.00 am to 5.00 pm Monday to Friday (excluding public holidays).

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[www.assetmanagement.hsbc.com/uk](http://www.assetmanagement.hsbc.com/uk)

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