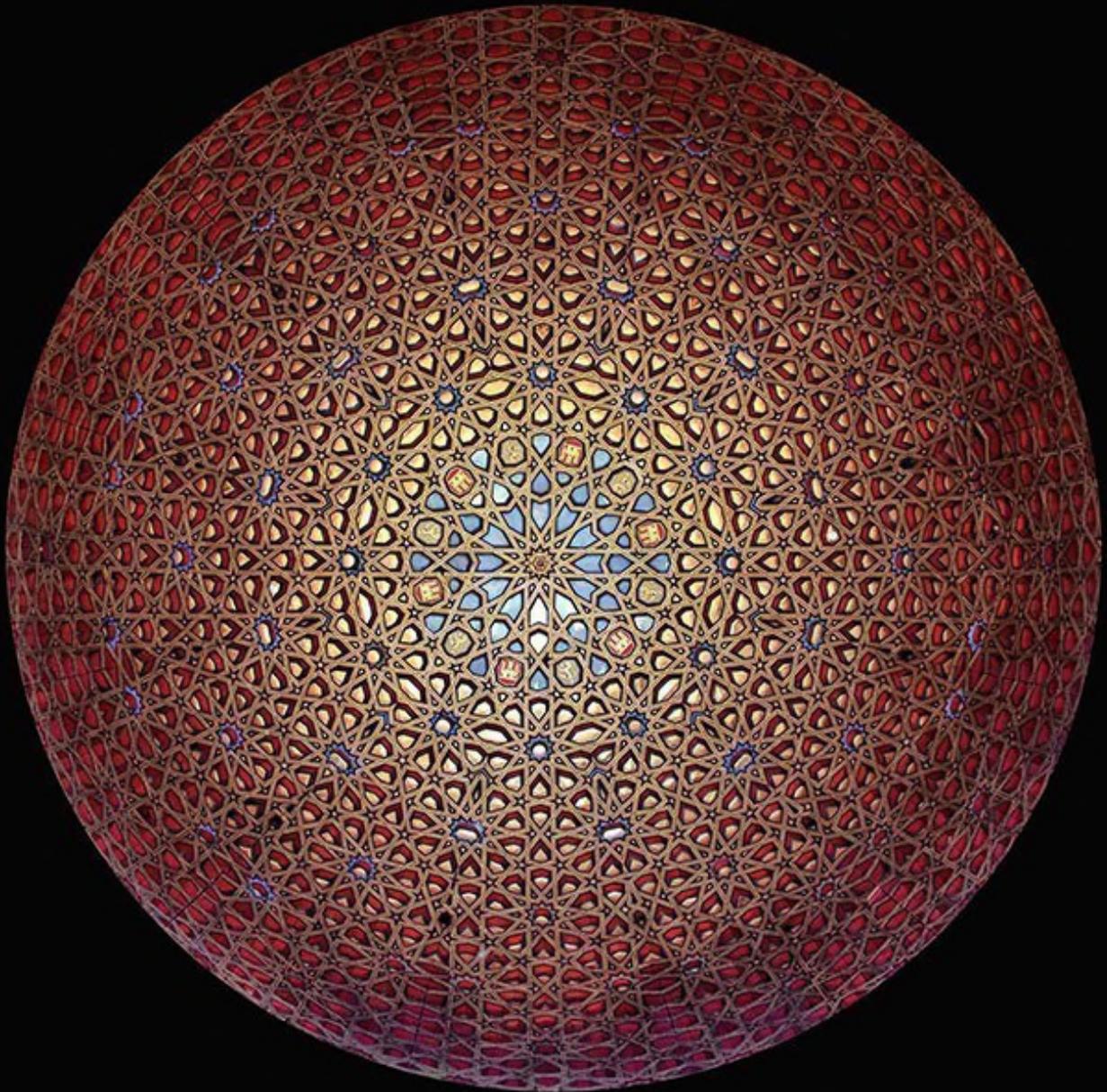


# HSBC Islamic Funds

Investment Company with Variable Capital Incorporated in  
Luxembourg

Prospectus

December 2024

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## Important information

HSBC ISLAMIC FUNDS 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. The Company is organised as an umbrella structure with the ability to issue Shares of different classes corresponding to different sub-funds.

No dealer, salesperson or any other person has been authorised to give any information or to make any representations, other than those contained in this Prospectus and in the documents referred to herein, in connection with the offer hereby made, and, if given or made, such information or representations must not be relied upon as having been authorised by the Company.

The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

This Prospectus does not constitute an offer or solicitation to subscribe for Shares by anyone in any jurisdiction in which such offer or solicitation 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 therefore 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 subscribers for Shares should inform themselves as to the possible tax consequences, the legal requirements and any applicable foreign exchange control requirements in which they might encounter under the laws of the countries of their respective citizenship, residence or domicile and which might be relevant to the subscription, holding, conversion, redemption or disposal of Shares. Further selling restrictions considerations are set out below.

The Key Investor Information Documents of each Class of each sub-fund, the latest Articles of Incorporation, 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. These documents shall be deemed to form part of this Prospectus.

The key information document (as defined in regulation 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products ("**KID**") and the key investor information document ("**KIID**") within the meaning of article 159 of the 2010 Law are collectively defined as "Key Information Document" or "KID" in this Prospectus.

This Prospectus and the Key Information Document may be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the English language Prospectus and the Key Information Document. To the extent that there is any inconsistency between the documentation in English and the documentation in another language, the English language documentation will prevail, except to the extent required by the law of any jurisdiction where the Shares are sold.

The Key Information Documents are available on [www.assetmanagement.hsbc.com/fundinfo](http://www.assetmanagement.hsbc.com/fundinfo). Prospective investors shall be provided with the latest version of the Key Information Documents in good time before their proposed subscription for Shares. The Key Information Documents provide information in particular on risks, features, costs and possible future performance. Investors may download the Key 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. Depending on applicable legal and regulatory requirements (including but not limited to MiFID) in the countries of distribution, additional information on the Company, the Sub-Funds and the Shares may be made available to investors under the responsibility of local intermediaries/distributors.

## Information for Investors by Country

### ◆ 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 any of the securities laws of any of the states of the United States of America. The Company has not been and will not be registered under the Investment Company Act 1940 (the "**Investment Company Act**"), as amended, nor under any other US federal laws. Therefore the Shares described in this Prospectus may not be offered or sold directly or indirectly in the United States of America, except pursuant to an exemption from the registration requirements of the Securities Act. Further, the Shares shall not be offered or sold, directly or indirectly, to any ultimate beneficial owner that constitutes a U.S. Person. As such, the Shares may not be directly or indirectly offered or sold to or for the benefit of a "**U.S. Person**" which shall be defined as and include (i) a "United States person" as described in section 7701(a)(30) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), (ii) a "**U.S. person**" as such term is defined in Regulation S of the US Securities 1933 Act, as amended, (iii) a person that is "in the United States" as defined in Rule 202(a)(30)-1 under the Investment Company Act, as amended, or (iv) a person that does not qualify as a "Non-United States Person" as such term is defined in U.S. Commodities Futures Trading Commission Rule 4.7.

### Bank Holding Company Act

The Company is authorised and regulated in the Grand Duchy of Luxembourg. HSBC Holdings plc ("**HSBC**") is the ultimate 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 (the "**BHCA**") (and its associated the rules and regulations). As an FHC, the activities of HSBC and its affiliates are subject to certain restrictions imposed by the BHCA.

Although HSBC does not own a majority of the Shares, 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 sub-fund may be:

1. restricted in its ability to make certain investments;
2. restricted in the size of certain investments;
3. subject to a maximum holding period on some or all of its investments; and/or
4. 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 sub-fund. Investors should also refer to Section 3.14 "Conflicts of Interest".

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 sub-funds. 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 sub-funds) in order to reduce or eliminate the impact or applicability of any bank regulatory restrictions on the Company and its sub-funds.

### ◆ Canada

The Shares described in this Prospectus may only be distributed to Canadian nationals or in Canada exclusively through a locally regulated distributor appointed by the Global Distributor. This Prospectus may not be used to solicit, and will

not constitute a solicitation of, an offer to buy Shares by Canadian nationals or in Canada unless such solicitation is made by a locally regulated distributor appointed by the Global Distributor. For the avoidance of doubt, the Shares may be solicited or offered to Canadian non-residents providing that their registered addresses are not in Canada.

## Privacy of Personal Information

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 18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of 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 for Shareholders or potential investors 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 Depository Bank, Paying Agent and Administration Agent, the Registrar and Transfer Agent, the Corporate and Domiciliary Agent, the Investment Adviser, 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

1. offering and managing investments and performing the related services
2. developing and maintaining the business relationship with the Processors,
3. verifying Shareholder identity as part of the client onboarding process
4. 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
5. 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 ("**AML**") and counter terrorist financing ("**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, Sri Lanka and Hong Kong.

Insofar as Personal Data is not provided by the Data Subjects themselves Shareholders represent that they have authority to provide such Personal Data relating to other Data Subjects. If 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.

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 18 Boulevard de Kockelscheuer, L-1821 Luxembourg.

Shareholders's 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.

## **Luxembourg Stock Exchange**

At the discretion of the Management Company, Share classes of the sub-funds may be listed on the Luxembourg Stock Exchange. For so long as the Shares of any sub-fund are listed on the Luxembourg Stock Exchange, the Company shall comply with the requirements of the Luxembourg Stock Exchange relating to those Shares.

## **Additional Information**

The Board of Directors and the Management Company draw the investors' attention to the fact that any investors will only be able to fully exercise their investors' rights directly against the Company, notably the right to participate in general meetings of Shareholders if the investors are registered themselves and in their own name in the Company's register of Shareholders maintained by the Registrar and Transfer Agent. In cases where an investor invests in the Company through an intermediary investing into the Company in their own name but on behalf of the investor, (i) it may not always be possible for the investor to exercise certain shareholder rights directly against the Company and (ii)

investors' rights to indemnification in the event of errors/non-compliance within the meaning of CSSF Circular 24/856 may be impacted.

Statements made in this Prospectus are, except where otherwise stated, based on the law and regulatory practice currently in force in Luxembourg and are subject to changes therein. For the avoidance of doubt, the authorisation and qualification of the Company as UCITS do not imply any positive appraisal by the CSSF and any other Luxembourg authority of the contents of this Prospectus or the portfolio of assets held by the sub-funds. Any representation to the contrary is unauthorised and unlawful.

**The Board of Directors accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts or omissions of which would make any statement misleading.**

**If you are in any doubt as to the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

**It should be remembered that the price of Shares and the income from them can go down as well as up and that investors may not receive, on redemption of their Shares, the amount that they originally invested. It is possible that the restrictions placed on investments such as the prohibition on the use of interest bearing investments, the cost of donations to approved charities and the limited universe of stocks available to the Investment Adviser may result in the sub-funds of the Company performing less well than funds with similar investment objectives which are not subject to Shariah restrictions.**

## Section 1. General information

### 1.1. Investment Policy of the Sub-Funds

The Investment Adviser shall endeavour to ensure that all investments for the Company are made in adherence with the principles of Shariah.

The Management Company and the Investment Adviser have entered into an Agreement with HSBC Bank Middle East Limited under which the latter agrees to appoint the members of the Global Shariah Supervisory Committee (the "**Shariah Committee**"). The members of the Shariah Committee are disclosed in the Company's financial reports. The Shariah Committee is responsible for the following activities:

1. Study of the Company's prospectus, investment objectives and policies, use of Investment Techniques and Instruments and advising the Board of Directors regarding compliance with Shariah principles;
2. Determining that the investment activities of the Company are made in compliance with the Shariah principles;
3. Providing suitable criteria for the selection of companies in whose securities the sub-funds may invest;
4. Approving the appointment of a suitably qualified screening agent, if any;
5. Advising the Company on compliance with Shariah principles in respect of the use of instruments and techniques for hedging, if any, and sub-fund management;
6. Establishing principles for calculating an appropriate percentage of impure income derived from entities in which the sub-funds have invested and approving proposals for the nomination of suitable charities to which an amount so determined shall be donated; and
7. Preparing of an annual certificate on the sub-funds' compliance with Shariah principles for inclusion in the financial reports.

Subject to the approval of the Company, the Management Company shall agree with the Shariah Committee the adequate procedures to submit the operational activities of the sub-funds for its review.

Whenever the application of Shariah rulings so require, the Management Company shall deduct annually from a sub-fund amounts under principles established, determined, or evaluated by the Shariah Committee, that may have derived from activities not in accordance with Shariah principles. Any such amounts will be deducted only upon their actual determination and no anticipated accrual thereof shall be made. Such money will be paid to charities approved from time to time by the Shariah Committee.

Within the Shariah principles as interpreted, laid down and monitored by the Shariah Committee, the Management Company and the Investment Adviser shall retain full competence to manage such Shariah compliant investments as they shall deem to be in the best interest of Shareholders. For the avoidance of doubt, members of the Shariah Committee have no influence over the investment decisions.

If an investment becomes non-compatible with Shariah principles, the Investment Adviser shall sell such investment. The cost of any such reversal would be borne by the relevant sub-fund.

The sub-funds may hold up to 20% of their net assets in ancillary liquid assets (i.e. bank deposits at sight, such as cash held in current accounts with a bank accessible at any time), in order to cover current or exceptional payments, or for the time necessary to reinvest in eligible assets provided under article 41(1) of the 2010 Law.

Under exceptionally unfavourable market conditions and on a temporary basis, and unless otherwise specified in Section 4. "Sub-Fund Information", this limit may be increased for a period of time strictly necessary, if justified in the interest of the investors.

The Company will be run within Shariah principles interpreted and laid down by the Shariah Committee and provided to the Board of Directors and the Management Company. In addition, the Management Company and the Investment Adviser shall observe the principles, approved by the Shariah Committee, in respect of each sub-fund as detailed below.

## Sectoral and Financial Screens

Each sub-fund will follow the screening criteria used by its respective index provider and approved by the Shariah Committee, as follows:

Sub-fund	Index provider
HSBC Islamic Funds – HSBC Islamic Global Equity Index Fund	Dow Jones <sup>1</sup>

1. Screening criterion and methodology can be accessed at [www.spglobal.com](http://www.spglobal.com)

Subject to approval of the Shariah Committee, the Board of Directors may change the screening criteria for any sub-fund.

## Financial Instruments Prohibition

The Shariah Committee has expressly declared the following instruments and transactions inappropriate for the Company unless otherwise approved by the Shariah Committee:

- ◆ Investment in interest bearing instruments;
- ◆ Interest-based instruments/accounts;
- ◆ Use of financial derivatives or warrants;
- ◆ Short selling; and
- ◆ Any other non-Shariah compliant activity.

## Dividend Purification

In addition to the above investment restrictions, the Shariah Committee has issued guidelines to quantify the annual amount of income of the Company that should be donated to charity, being derived from companies eligible for investment pursuant to the investment objective, policy and restrictions set out for each sub-fund, but that are engaged in an activity or activities of a marginal nature which is or are prohibited by the Shariah Committee and which is not or are not screened out by the investment restrictions. Such amount will be calculated on an annual basis, based on the purification ratios, expressed as a percentage of each company's dividend.

The purification ratios will be provided by index providers, as appropriate, for each sub-fund, for all companies in which the sub-funds have invested. For companies, whose purification ratios are not provided by the index providers, purification ratios will be calculated based on the financial information of these companies received from the Investment Adviser. Such income will be disbursed as a charitable donation to one or more worthy causes approved by the Shariah Committee. The amount donated in this way will be detailed in the Company's annual report.

## 1.2. Types of Shares

### List of Share Classes

As at the date of this Prospectus, the Company has the following Share classes available. A completed and up-to-date list of Share classes may be obtained from the registered office of the Company or the Management Company:

Class	Description	Minimum Minimum (in US Dollar amount in a major currency)	Initial Investment or Holding equivalent
Class A	A Shares are available to all investors.	USD	5,000
Class B	<p>B Shares are available to:</p> <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; 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 not to accept and retain inducements from third parties.</li> </ul>	USD	5,000
Class E	<p>E Shares are available in certain countries, subject to the relevant regulatory approval, through certain distributors selected by the Global Distributor.</p> <p>E Shares will incur annual management fees of 0.30% plus 1.23% of the Net Asset Value of Class E Shares, which will be paid to the selected distributors.</p>	USD	5,000
Class I	I Shares are only available for investors qualifying as Institutional Investors.	USD	1,000,000
Class R	<p>R Shares are available in certain countries, subject to the relevant regulatory approval, through distributors selected by the Global Distributor on application to the Company.</p> <p>R Shares will incur annual management fees of 0.375% plus 1% of the Net Asset Value of Class R Shares, which will be paid to the selected distributors.</p>	USD	5,000
Class S	<p>S Shares are available through certain distributors selected by the Global Distributor provided that the investors qualify as Institutional Investors.</p> <p>S Shares will incur no charges. All the fees and charges allocated to such class of Shares will be paid directly by members or affiliated entities of the HSBC Group.</p>	USD	500,000
Class W	<p>W Shares are available through certain distributors selected by the Global Distributor provided that the investors qualify as Institutional Investors.</p> <p>W Shares will incur no charges. All the fees and charges allocated to such class of Shares will be paid directly by members or affiliated entities of the HSBC Group.</p>	USD	100,000
Class Y	Y Shares are available to certain distributors or investors selected by the Global Distributor provided that the investors qualify as Institutional Investors.	USD	Minimum Investment 100,000,000*
		USD	Minimum Holding 100,000*

Class	Description	Minimum Minimum (in US Dollar amount in a major currency)	Initial Investment or equivalent Holding
Class Z	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 Global Distributor provided that such investors qualify as Institutional Investors.	USD	1,000,000

\*Class Y: the Minimum Initial Investment and Minimum Holding Amount can be waived or reduced at the discretion of the Board of Directors.

Charges and expenses are disclosed in the sections 3.9 "Charges and Expenses" and 4 "Sub-Fund Information".

## Share Class Denominations

The different classes offered in relation to each sub-fund are described in the relevant table in Section 4. "Sub-Fund Information".

### ◆ Share Class Reference Currencies

The Management Company may decide to issue within a sub-fund Share classes having a different reference currency (currency denomination) which denotes the currency in which the Net Asset Value per Share will be calculated. In principle, Share classes may be issued in the following reference currencies: Euro, Hong Kong 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.

Subscriptions and redemptions are only accepted in the currency of the Share Class Reference Currency, in the Reference Currency of the relevant sub-fund or in the Dealing Currencies.

Where Share classes are issued in a Share Class Reference Currency other than the Base Currency of the relevant sub-fund, 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 4. "Sub-Fund Information".

### ◆ Dealing Currencies

In addition to Share Class Reference Currency, Shares may be available in the Base Currency of the relevant sub-fund and may be available in the following dealing currencies ("Dealing Currencies"): Euro, Pound Sterling, Singapore Dollar, Swiss Franc and US Dollar.

Other Dealing Currencies may also be available on application to 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 4. "Sub-Fund Information".

## Section 2. Risk Considerations

### 2.1. Risk Descriptions

**Investment in any sub-fund 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 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 sub-funds 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.**

The following glossary of risks are listed in alphabetical order.

### 2.2. Risks Pertaining to the Company

#### **Custody Risk**

Assets of the Company are safe kept by the Depositary Bank and Shareholders are exposed to the risk of the Depositary Bank not being able to fully meet its obligation to reconstitute in a short time frame all of the assets of the Company in the case of bankruptcy of the Depositary Bank. The assets of the Company will be identified in the Depositary Bank's books as belonging to the Company. Securities held by the Depositary Bank will be segregated from other assets of the Depositary Bank which mitigates the risk of non-restitution in case of bankruptcy. However, investors should note that cash may not be treated as segregated assets and might therefore not be segregated from the relevant Depositary Bank's own assets in the event of the insolvency or the opening of bankruptcy, moratorium, liquidation or reorganisation proceedings of the Depositary Bank.

#### **Cyber Security Risk**

The use of the internet and other electronic media and technology exposes a sub-fund and the Company to potential risks from cyber-security attacks or incidents (collectively, "**cyber-events**"). Cyber-events may include, for example, unauthorised access to systems, networks or devices (such as, for example, through "hacking" activity), infection from computer viruses or other malicious software code, and attacks which shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. In addition to intentional cyber-events, unintentional cyber-events can occur, such as, for example, the inadvertent release of confidential information.

Any cyber-event could adversely impact a sub-fund and its shareholders. A cyber-event may cause a sub-fund, or its service providers to lose proprietary information, suffer data corruption, lose operational capacity (such as, for example, the loss of the ability to process transactions, calculate the Net Asset Value of a sub-fund or allow Shareholders to transact business) and/or fail to comply with applicable privacy and other laws. Among other potentially harmful effects, cyber-events also may result in theft, unauthorised monitoring and failures in the physical infrastructure or operating systems that support a sub-fund and its service providers. In addition, cyber-events affecting issuers in which a sub-fund invests could cause the sub-fund's investments to lose value.

#### **Legal and Regulatory Risk**

Legal and regulatory changes could adversely affect the Company. In addition, many governmental agencies, self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. In some jurisdictions the interpretation and implementation of laws and regulations, and the enforcement of a shareholder's rights under these laws and regulations may involve significant uncertainties, may not be consistent with those of other nations and may vary from region to region. Furthermore, there may be differences in accounting and auditing standards, reporting practices and disclosure requirements to those generally accepted internationally. The information provided in this Prospectus is based upon the laws and regulations as at the date of the Prospectus but it

is not exhaustive and does not constitute legal or tax advice. Laws and regulations of any country may change from time to time. In the case of certain financial derivative and securities lending transactions, there is also a risk that financial derivative transactions may be terminated, for example because of bankruptcy, irregularity or changes in tax or accounting laws. In such circumstances, the Company may be required to cover all losses incurred.

In addition, certain transactions are concluded on the basis of complex legal documents. These documents may be difficult to enforce or may be subject to dispute as to their interpretation in certain circumstances. Although the rights and obligations of the parties to a legal document may, for example, be governed by Luxembourg law, in certain circumstances (such as insolvency proceedings), other legal systems may apply as a priority, and this can affect the enforceability of existing transactions.

## 2.3. General Investment Risks

The investments of the Company and of each of its sub-funds are subject to market fluctuations and other risks inherent in investing in securities or other instruments and there is no assurance that any appreciation in value of investments will occur. In particular, the value of investments may be affected by uncertainties such as international, political, economic and diplomatic developments (including sanctions, social instability, civil conflicts and war) or changes in government policies. Each of these factors could impact the value of investments in these markets, and they may be subject to greater volatility.

An investment in a sub-fund is neither insured nor guaranteed by any government, government agencies or organisations or any bank guarantee. Shares of a sub-fund are not deposits or obligations of, or guaranteed or endorsed by, any bank and the amount invested in Shares may fluctuate up and/or down.

The performance of a sub-fund depends on the performance of any individual securities the sub-fund holds. Any issuer of these securities may perform poorly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, expiration of patent protection, disruptions in supply, labour problems or shortages, corporate restructurings, fraudulent disclosures or other factors. Issuers may, in times of distress or at their own discretion, decide to reduce or eliminate dividends, which may also cause their stock prices to decline.

Although the investment in a sub-fund may provide some protection against the effects of inflation, a change in the rate of inflation may affect the real value of your investment. The sub-fund is not intended to track the inflation rate and provides no guarantee that your investment will keep pace with the rate of inflation.

An investment in a sub-fund involves certain investment risks, including the possible loss of principal and there is no assurance that any appreciation in the value of investments will occur or that the investment objective of a sub-fund will actually be achieved and results may vary substantially over time.

The sub-funds will be investing in assets selected by the Investment Adviser in accordance with the respective investment objectives and policies of the sub-fund. The value of investments and the income from them, and therefore the value of and income from Shares relating to each sub-fund, will be closely linked to the performance of the assets the sub-fund invests in. A sub-fund's investment policy may carry considerable risks.

The sub-funds do not rely on any external support for guaranteeing the liquidity of the sub-fund or stabilising the Net Asset Value per Share. Shareholders of each sub-fund should not rely on or expect the Management Company or an affiliate to purchase distressed assets from any sub-fund, make capital injection into any sub-fund, enter into capital support agreements with any sub-fund or take other actions to help any sub-fund maintain the principal value.

Past performance of a sub-fund should not be relied upon as an indicator of future performance. The value of Shares and the income from them may go down as well as up and, accordingly, an investor may not get back the full amount invested and an investment should only be made by Shareholders who can sustain a loss on their investment.

### **Corporate Actions Risk**

As a result of corporate actions of a company in which a sub-fund is invested, a sub-fund may be required or have the option to accept cash, underlying or newly issued securities which may not be part of its core investment universe or

they may not be permitted at all. In such circumstances, the security may not be permitted by the sub-funds' investment policy, in which case it may need to be sold, and there is a risk that the securities may have a value that is less than the original investment made by the sub-fund. In the event that the sub-fund's investment policy permits such securities to be held they may still have a value less than the original investment made by the sub-fund and the returns generated from those securities may not adequately compensate the sub-fund for the risks assumed.

## Counterparty and Trading Risks

### ◆ Counterparty Risk to the Depositary Bank and other Depositories:

The Company will be exposed to the credit risk of the Depositary Bank or any other depositary used by the Depositary Bank in respect of cash or other assets held. Cash held by these parties will not be segregated in practice but will be a debt owing from the Depositary Bank or other depositaries to the Company. This means any cash will be co-mingled with cash belonging to other clients of the Depositary Bank. In the event of the insolvency of the Depositary Bank or other depositaries, the Company will be treated as a general unsecured creditor in relation to the cash held. The Company may face difficulties and/or encounter delays in recovering any debt, or may not be able to recover it in full or at all. In these circumstances the Sub-Fund will lose some, or all, of its cash. The Company's securities are however maintained by the Depositary Bank and its sub-custodians in segregated accounts and should be protected in the event of insolvency of the Depositary Bank or its sub-custodians. The Company may enter into additional arrangements (for example placing cash in money market collective investment schemes) in order to mitigate credit exposure for its cash holdings.

To mitigate the Company's exposure to the Depositary Bank, the Company and/or the Management employ(s) specific procedures to ensure that the Depositary Bank is a reputable institution and that the credit risk is acceptable to the Company. If there is a change in Depositary Bank then the new Depositary Bank will be a regulated entity subject to prudential supervision with a high credit rating assigned by international credit rating agencies.

### ◆ Liability of the Depositary Bank and Responsibility of the Depositary Bank for Sub-Custodians

The Depositary Bank will be liable to the Company and its shareholders for the loss by the Depositary Bank, or one of its sub-custodians, of financial instruments of the Company held in custody. In the case of such a loss, the Depositary Bank is required to return a financial instrument of an identical type or the corresponding amount to the Company without undue delay. This is not required if the Depositary Bank can prove that the loss arose due to an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts. This standard of liability only applies to assets capable of being registered or held in a securities account in the name of the Depositary Bank or a sub-custodian and assets capable of being physically delivered to the Depositary Bank.

The Depositary Bank will also be liable to the Company and its Shareholders for any other losses they suffer as a result of the Depositary Bank's negligent or intentional failure to fully fulfil its obligations under the 2010 Law and applicable regulations. In the absence of the Depositary Bank's negligent or intentional failure to properly fulfil its obligations under the regulations, the Depositary Bank may not be liable to the Company or its Shareholders for the loss of an asset of a sub-fund which cannot be registered or held in a securities account in the name of the Depositary Bank or a sub-custodian or be physically delivered to the Depositary Bank.

The liability of the Depositary Bank is not affected where it has entrusted the custody of the Company's assets to a third party. In the event that custody is delegated to local entities that are not subject to effective prudential regulation, including minimum capital requirements, and supervision in the jurisdiction concerned, prior shareholder notice will be provided advising of the risks involved. While the liability of the Depositary Bank is not affected where it has entrusted the custody of the Company's assets to a third party, in markets where custodial and/or settlement systems may not be fully developed, a sub-fund may be exposed to sub-custodial risk in respect of the loss of such assets in circumstances where the Depositary Bank may have no liability.

## Emerging Markets Risk

Emerging Markets are less established and often more volatile than developed markets and can involve higher risks, particularly market, liquidity and currency risks. This means that sub-funds investing in Emerging Markets will generally carry higher risks than those investment in Developed Markets. The main reasons for this higher risk include:

- Political, economic, or social instability.
- Economies that are heavily reliant on particular industries, commodities, or trading partners.
- Unfavourable changes in regulations and laws.
- Failure to enforce laws or regulations, or to recognise the rights of investors as understood in Developed Markets.
- Excessive fees, trading costs, taxation, or outright seizure of assets.
- Rules or practices that place outside investors at a disadvantage.
- Incomplete, misleading, or inaccurate information about securities and their issuers.
- Lack of uniform accounting, auditing and financial reporting standards.
- Manipulation of market prices by large investors.
- Arbitrary delays and market closures.
- Market infrastructure that is unable to handle peak trading volumes.
- Fraud, corruption and error

## Euro Currency Risk

The deterioration of the sovereign debt of several countries, together with the risk of contagion to other, more stable, countries, intensified the global economic crisis. There is a continued possibility that Eurozone countries could be subject to an increase in borrowing costs. This situation as well as the United Kingdom's withdrawal from the EU have raised a number of uncertainties regarding the stability and overall standing of the European Economic and Monetary Union. The departure or risk of departure from the Euro by one or more Eurozone countries could lead to the reintroduction of national currencies in one or more Eurozone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of a sub-fund's investments. Investors should carefully consider how any potential changes to the Eurozone and/or the EU may affect their investment in a sub-fund.

## Government or Central Bank Intervention

In response to a recession, economic slowdown or financial market instability, governments and regulators may choose to intervene by implementing severe measures and reforms, as seen in the 2007-2008 global financial crisis. There is a risk that any intervention may result in social unrest, limit future growth and economic recovery or have unintended consequences. Additionally, government and regulatory intervention has sometimes been unclear in scope and application, resulting in confusion and uncertainty which can also be detrimental to the efficient functioning of financial markets.

It is impossible to predict the effect of any temporary or permanent governmental restrictions that may be imposed on the markets and/or the effect of these restrictions on the European or global economy, on global securities markets, or on the Investment Adviser's ability to implement the sub-funds' investment objectives. Instability in the global financial markets or government intervention may increase the volatility of the sub-funds and hence the risk of loss to the value of your investment.

## Liquidity Risk

Liquidity risk exists when a particular instrument is difficult to purchase or sell. On the liability side, it refers to a sub-fund having insufficient realisable cash, investments and borrowing capacity to meet redemption requests due to its

inability to dispose of investments. On the asset side, liquidity risk refers to the inability of a sub-fund to dispose of investments at a price equal or close to their estimated value within a reasonable period of time due to adverse market conditions generally. A sub-fund's assets primarily comprise realisable securities which can be readily sold in normal market conditions. However not all securities or instruments invested in by a sub-fund may be listed or rated and consequently liquidity of these securities or instruments may be low. The Investment Adviser endeavours to manage the sub-funds' investments, including cash, to meet its liabilities. However, investments may need to be sold if insufficient cash is available to finance redemptions. If the size of disposals is sufficiently large, or the market is illiquid, then there is a risk that either the investments might not be sold or the price at which they are sold may adversely affect the Net Asset Value of a sub-fund.

Therefore, reduced liquidity of a sub-fund's investments may result in a loss to the value of your investment. The Investment Adviser may, in its discretion, elect to restrict the total number of Shares redeemed in a sub-fund on any Dealing Day to a maximum percentage of the outstanding shares in the sub-fund, in which case all requests will be scaled down pro rata to the number of shares requested to be redeemed.

The remaining balance of Shares may be redeemed on the next Dealing Day provided no such restriction is applicable. The Investment Adviser may also, at its discretion and as outlined in **Section 3.3. "Redemption of Shares"** below, determine to satisfy a redemption request by a distribution of investments of the relevant sub-fund in specie. Shareholders should refer to **Sections 3.3. "Redemption of Shares"** below for further details.

## Market Risk

Market risk is the risk that one or more markets in which a sub-fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably, affecting the prices and values of the assets in the sub-fund. Securities may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets.

The value of a security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labour shortages or increased production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously.

Although it is intended that each sub-fund will be diversified with a view to reducing market risk, the investments of a sub-fund will remain subject to fluctuations in market variables and the risks inherent in investing in financial markets.

Equity securities generally have greater price volatility than fixed-income securities. In addition, some of the Regulated Markets on which a sub-fund may invest may be less well-regulated than those in developed markets and may prove to be illiquid, insufficiently liquid or highly volatile from time to time. This may affect the price at which a sub-fund may liquidate positions to meet redemption requests or other funding requirements. The higher the volatility of the market in which a sub-fund invests, the greater the market risk. These markets are subject to greater fluctuations in return.

## Operational Risk

In any country, but especially in emerging markets, losses could arise due to inadequate or failed processes, people and systems or from external events. Examples include, but are not limited to, service disruptions or other failures, as well as fraud, corruption, electronic crime, instability, terrorism or other irregular events. Operational risks may also subject a sub-fund to errors affecting transactions, valuation, pricing, accounting, tax reporting, financial reporting, among other things. Operational risks may go undetected for long periods of time, and even if they are detected it may prove impractical to recover prompt or adequate compensation from those responsible.

## Paying Agent Risk

Shareholders may choose, or be obliged under local regulations, to pay or receive subscription or redemption proceeds or distributions via a third-party entity (e.g., a paying agent in a local jurisdiction) rather than directly to/from the Company or the relevant sub-fund. In these circumstances they would be exposed to the credit risk of that third party entity with respect to:

- Subscription monies before they are transferred to the Company or the relevant sub-fund; and
- Redemption proceeds and/or distributions payable by the third party paying agent to the shareholder

## Political and Regulatory Risk

The value of a Sub-Fund's assets may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made.

Furthermore, the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection or information to Shareholders as would generally apply in major securities markets.

## Taxation Risk

All sub-funds of the Company will be subject to taxation. In particular:

- the proceeds from the sale of securities in some markets or the receipt of any distributions 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 withholding tax; and
- the sub-fund's investments may be subject to specific taxes or charges imposed by authorities in some markets.

Taxation could give rise to certain risks, particularly in countries where tax law and practice 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. This may mean that the sub-fund could become subject to additional taxation in countries where it is not anticipated either at the date of this Prospectus or when investments are made, valued or disposed of.

### ◆ Foreign Taxes

The Company may be liable to taxes (including withholding taxes) on income earned and capital gains arising on its investments in countries outside its country of domicile. The Company may not be able to benefit from a reduction in the rate of any foreign tax by virtue of the double taxation treaties between its country of domicile and other countries. The Company may not, therefore, be able to reclaim any foreign withholding tax suffered by it in particular countries. If this position changes and the Company obtains a repayment of foreign tax, the money received will be paid into the relevant sub-fund. The benefit of the repayment received will be allocated to the then existing Shareholders at the time the repayment is made.

### ◆ Tax Liability in New Jurisdictions

When a sub-fund invests in a jurisdiction where tax law and practice is not clearly established, no account will be made to any shareholder for any payment made in good faith to a fiscal authority for taxes or other charges of the company or relevant sub-fund even if it is later found that these payments need not or ought not have been made.

Conversely, where there is uncertainty as to the tax liability, the sub-fund would adhere to best practice, or common market practice in the absence of established best practice. This may subsequently be challenged, for example where there is the lack of a developed mechanism for practical and timely payment of taxes. This could result in the sub-fund paying taxes relating to previous years. In these circumstances, any related interest or late filing penalties will be

charged to the relevant sub-fund. Any late paid taxes will normally be debited to the sub-fund at the point the decision to accrue the liability in the sub-fund accounts is made, and will be borne by investors in the sub-fund at that time.

◆ Treatment of Tax by Index Providers

Shareholders should be aware that the performance of sub-funds, as compared to a reference benchmark, may be adversely affected in circumstances where the assumptions about tax made by the relevant index provider in their index calculation methodology, differ to the actual tax treatment of the underlying securities in the reference benchmark held within sub-funds.

◆ Withholding Tax

The Company may be subject to withholding or other taxes on income and/or gains arising from its investment portfolio. Where the Company invests in securities that are not subject to withholding or other taxes at the time of acquisition, there can be no assurance that tax may not be imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or their interpretation. The Company may not be able to recover any such tax and so any change could have an adverse effect on the Net Asset Value of the sub-fund.

The Company (or its representative) may file claims on behalf of the sub-funds to recover withholding tax on distribution and interest income (if any) received from issuers in certain countries where a withholding tax reclaim is possible.

Whether or when a sub-fund will receive a withholding tax refund is within the control of the tax authorities of the relevant countries. Where the Company expects to recover withholding tax for a sub-fund based on a continuous assessment of the likelihood of recovery, the Net Asset Value of that sub-fund will generally include an accrual for this tax refund.

The Company continues to evaluate tax developments to assess the potential impact on the likelihood of recovery. If the likelihood of receiving refunds materially decreases, for example due to a change in tax regulation or approach, accruals in the relevant sub-fund's Net Asset Value for any refunds may need to be written down partially or in full, which will adversely affect that sub-fund's Net Asset Value. Investors in that Sub-Fund at the time an accrual is written down will bear the impact of any resulting reduction in Net Asset Value regardless of whether they were investors during the accrual period. Conversely, if the sub-fund receives a tax refund that has not been previously accrued, investors in the sub-fund at the time the claim is successful will benefit from any resulting increase in the sub-fund's Net Asset Value.

## Valuation Risk

A sub-fund may invest some of its assets in unquoted securities or instruments and/or securities which may become illiquid due to market conditions. These investments or instruments will be valued by the Investment Adviser or its delegate in good faith as to their probable realisable value as set out in this Prospectus under "Calculation of Net Asset Value" in Section 3.6 Prices of Shares. These investments are inherently difficult to value and are therefore subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales or close-out prices of these securities.

## Valuation Suspension Risk

The ability to subscribe for or redeem Shares may be affected by a temporary suspension of the determination of the Net Asset Value of a sub-fund which may take place upon the occurrence of certain events as described in Appendix 2, under the heading of "Suspension of the Calculation of the Net Asset Value and Issue, Allocation, Conversion, Redemption and Repurchase of Shares".

## 2.4. Risks Pertaining to the Use of Specific Instruments

### Equity Risk

Investing in equities may offer a higher rate of return than other investments. However, the risks associated with investments in equities may also be higher, because their value fluctuate daily and a sub-fund investing in equities could incur significant losses. The fundamental risk associated with equity portfolios is the risk that the value of the

investments it holds might decrease in value. The prices of equities can be influenced by factors affecting the performance of the individual companies issuing the equities, as well as by daily stock market movements, and broader economic and political developments, including trends in economic growth, inflation and interest rates, corporate earnings reports, demographic trends and natural disasters.

### **Depository Receipts**

The Investment Adviser may use American Depository Receipts (“ADRs”) and Global Depository Receipts (“GDRs”) to provide exposure to their underlying securities, for example where the underlying securities cannot be, or are unsuitable to be, held directly, where direct access to the underlying securities is restricted or limited or where Depository Receipts provide a more cost or tax efficient exposure. Where the Investment Adviser uses ADRs or GDRs, there is no guarantee that a similar outcome will be achieved to holding the securities directly.

In the event of the suspension or closure of a market on which the underlying securities are traded, there is a risk that the value of the ADR or GDR will not closely reflect the value of the relevant underlying securities.

For sub-funds tracking a reference benchmark, the use of ADRs and GDRs may mean that the sub-fund's return varies from the return of the reference benchmark more so than if the sub-fund invested in the underlying security directly.

### **Foreign Exchange (Currency) Risk**

Because a sub-fund’s assets and liabilities may be denominated in currencies different to the Reference Currency of the sub-fund, the sub-fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between the reference currency of the sub-fund and other currencies. Changes in currency exchange rates may influence the value of a sub-fund’s Shares, the dividends and the gains and/or 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.

Assuming no change in the local price of a security, if the currency in which that given security is denominated appreciates against the reference currency of the sub-fund, the value of the security in the reference currency terms will increase. Conversely, a decline in the exchange rate of the currency would decrease the value of the security.

Exchange rates can change rapidly and unpredictably, and it may be difficult for the sub-fund to unwind its exposure to a given currency in time to avoid losses. Intervention by a central bank, such as aggressive buying or selling of currencies, changes in interest rates, restrictions on capital movements or a “de-pegging” of one currency to another, could cause abrupt and/or long-term changes in relative currency values.

For emerging market countries, there are increased volatility in currency markets.

## **2.5. Sustainability Risks**

### **ESG Scoring & Data Risk**

The Company and the Investment Adviser may rely on third parties to provide ESG scoring data where relevant. This means that 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 be incomplete, inaccurate or unavailable and this may impact on a sub-fund’s ability to accurately assess sustainability risks and effectively promote environmental and social characteristics, where relevant.

#### **◆ Responsible Investing**

The Company may not invest directly in securities issued by companies reasonably expected to be involved in the use, development, manufacturing, stockpiling, transfer or trade of controversial weapons (i.e., those banned by international convention). This policy restricts the sub-fund from investing directly in related securities, therefore reducing the investment universe and preventing the sub-fund from benefitting from any potential returns from these companies. In the case of sub-funds that track a benchmark, if the reference benchmark includes a security prohibited under this

policy, the sub-fund will not directly hold that security, which will lead to a deviation in the performance of the sub-fund against the reference benchmark.

This policy applies to all HSBC Group funds, but not to third party funds or Shariah-compliant derivative instruments that a sub-fund may invest in.

HSBC Asset Management's Responsible Investment Policies are available on the website at:

[www.assetmanagement.hsbc.com/about-us/responsible-investing/policies](http://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies)

## 2.6. Risks Pertaining to Investment in Specific Countries or Sectors

### India (Investment in India)

For sub-funds that invest in or are exposed to investment in India, the following risk warnings are important:

- India is located in a part of the world that has historically been prone to natural disasters such as earthquakes, volcanoes and tsunamis and is economically sensitive to environmental events. In addition, the agricultural sector is an important component of the Indian economy and adverse weather may have a significant negative effect on the Indian economy.
- India has experienced a process of privatisation of certain entities and industries. If the newly privatised companies are unable to adjust quickly to a competitive environment or to changing regulatory and legal standards, investors in these newly privatised entities could suffer losses and this could adversely affect the performance of the Indian market.
- The Indian economy is dependent on commodity prices, which can be volatile and this poses risk of macroeconomic instability. The Indian economy is also dependent on the economies of Asia, mainly Japan and China, and the United States as key trading partners. Reduction in spending on Indian products and services by any of these trading partners or a slowdown or recession in any of these economies could adversely affect the Indian economy.
- India has experienced acts of terrorism and has strained international relations with Pakistan, Bangladesh, China, Sri Lanka and other neighbours due to territorial disputes, historical animosities, terrorism and other defence concerns. These situations may cause uncertainty in the Indian market and may adversely affect performance of the Indian economy.
- Disparities of wealth, the pace of economic liberalisation and ethnic, religious and racial disaffection may lead to social turmoil, violence and labour unrest in India. In addition, India continues to experience religious and border disputes as well as separatist movements in certain Indian states. Unanticipated political or social developments may result in investment losses.
- Indian disclosure and regulatory standards are in many respects less stringent than standards in certain OECD countries. There may be less publicly available information about Indian companies than is regularly published by or about companies in other countries. A sub-fund may experience difficulties in obtaining reliable information regarding any corporate actions and dividends of companies in which the sub-fund has directly or indirectly invested. Indian accounting standards and requirements also differ in significant respects from those applicable to companies in many OECD countries.
- Although the Indian primary and secondary equity markets have grown rapidly and the clearing, settlement and registration systems available to effect trades on the Indian stock markets have significantly improved with mandatory dematerialisation of shares, these processes may still not be equivalent to those in more mature markets. Problems of settlement in India may impact on the Net Asset Value and the liquidity of a sub-fund.
- Securities and Exchange Board of India ("**SEBI**") was created under the resolution of the Government of India in April 1992, and performs the function of "promoting the development of and regulation of the Indian securities market, the protection of the interest of shareholders as well as matters connected therewith and incidental thereto". The SEBI Act of 1992 has entrusted the SEBI with much wider powers and duties, which includes

prohibition of fraudulent and unfair trade practices relating to the stock markets including insider trading and regulation of substantial acquisitions of shares and takeovers of companies. The Indian stock exchanges have been subject to broker defaults, failed trades and settlement delays in the past and these events may have an adverse impact on the Net Asset Value of a sub-fund.

- In addition, in the event of occurrence of any of the above events, or in the event of SEBI having reasonable ground to believe that the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market, SEBI can impose restrictions on trading in certain securities, limitations on price movements and margin requirements, which could adversely impact the liquidity of a sub-fund.

#### ◆ FPI Registration

In order to invest physically in Indian securities, a sub-fund is required to be registered as a Category II FPI under the SEBI Regulations. In order to be registered as a Category II FPI, each sub-fund is required to demonstrate that it satisfies the following broad based criteria:

- a. The sub-fund must have a minimum of 20 investors including direct investors and underlying investors in pooling vehicles.
- b. No investor shall hold over 49% of the Shares or value of the sub-fund. Institutional investors who hold over 49% of the Shares or value of the sub-fund must themselves comply with broad based criteria. Underlying beneficial owners who hold over 25% of the Shares or value of the sub-fund are required to provide their consent to the FPI registration, and to that end have their client information disclosed to the relevant depository participant and SEBI.

If investors in a sub-fund do not meet the above criteria or disclosure requirement, the sub-fund may not gain FPI license and may not be able to invest physically in Indian securities. This means it may not be possible for the sub-fund to achieve its investment objective.

There are certain investment conditions and restrictions that an FPI must comply with including not exceeding investment of 10% of a company's issued capital. The SEBI may introduce further limitations or restrictions on the foreign ownership of securities in India, which may have adverse effects on the liquidity and the performance of a sub-fund. Any limitations and restrictions may restrict a sub-fund's ability to acquire the securities of one or more constituents of its reference benchmark in accordance with the relevant weightings of the benchmark and therefore may impact on the sub-fund's ability to closely track the performance of its reference benchmark.

#### ◆ Loss of FPI Registration

A sub-fund will seek to register with SEBI as a sub-account of the Company, which is in turn registered as an FPI. In order to invest in certain securities in India, it is necessary for the Company to be registered as an FPI and the sub-fund as its sub-account. In the event this registration is terminated or is not renewed, the sub-fund could potentially be forced to redeem the investments held in the sub-fund. Any forced redemption could adversely affect the returns to Shareholders, unless the approval of SEBI has been obtained to transfer the sub-account to another FPI or the sub-fund registers itself with SEBI as an FPI.

#### ◆ Indian Taxation

##### **Capital Gains Tax ("CGT")**

Indian capital gains tax applies on transfer of Indian securities. Any capital gains tax calculable as a result of portfolio transactions relating to investor redemptions will be dealt with in accordance with the relevant Indian tax laws and may result in an additional spread. This may reduce the net proceeds received for the redemption. Any capital gains tax incurred as a result of portfolio transactions that is not related to investor redemptions (e.g. rebalancing) will be borne by the respective sub-fund.

As per the Indian tax laws, tax is levied on the gains arising from the transfer of listed or unlisted securities in India. Capital gains can be classified as "short term capital gains" ("**STCG**") or "long-term capital gains" ("**LTCG**"), depending on the period for which securities are held (i.e., period of holding of securities):

Type of instrument	Period of holding	Characterisation
Listed securities / Unit of equity-oriented Fund / Notified Zero Coupon Bonds	More than 12 months	Long Term Capital Asset
	12 months or less	Short Term Capital Asset
Unlisted shares	More than 24 months	Long Term Capital Asset
	24 months or less	Short Term Capital Asset
Units of specified Mutual funds (acquired before 1 April 2023)	More than 24 months	Long Term Capital Asset
	24 months or less	Short Term Capital Asset
Units of specified Mutual funds (acquired on or after 1 April 2023)*	N.A.	Short Term Capital Asset <sup>1</sup>
Unlisted bonds and debenture	N.A	Short Term Capital Asset

*\*Specified mutual fund means (a) a Mutual Fund by whatever name called, which invests more than 65% of its total proceeds in debt and money market instruments; or (b) a fund which invests 65% or more of its total proceeds in units of a fund referred to in (a).*

<sup>1</sup> As per the Finance (No.2) Act 2024, with effect from 23 July 2024, unlisted bonds and debentures will be categorized as 'short term capital assets' irrespective of the period of holding of such assets.

Further, Securities Transaction Tax ("STT") is levied on the securities which are traded on the floor of a recognised stock exchange in India or unlisted securities subsequently listed on a recognised stock exchange.

Such capital gains are subject to tax for the FPI in the following manner:

Type of security	Period of holding	Nature of income	Tax rate on or after 23 July 2024
Listed Equity shares and units of equity-oriented MF [Securities Transaction Tax (STT) Paid]	12 months or less	STCG	20%
	More than 12 months	LTCG < INR 1.25 lakh (on or after 23 July 2024)	12.5%
Unlisted Equity shares	24 months or less	STCG	30%
	More than 24 months	LTCG	10%
Listed bonds or listed debentures (other than notified ZCBs)	12 months or less	STCG	30%
	More than 12 months	LTCG	10%
Unlisted bonds or unlisted debentures	Sold on or after 23 July 2024 - Period of holding is not applicable	STCG	30%
	Sold before 23 July 2024 – More than 36 months	LTCG	NA

Units of specified mutual fund (acquired before 1 April 2023)	24 months or less	STCG	NA
	More than 24 months	LTCG	NA
Units of specified mutual fund (acquired on or after 1 April 2023)	NA	STCG	30%

The above tax rates may be increased by applicable surcharge and cess.

#### **Dividend/Interest Income Tax ("IIT")**

Dividend/Interest income arising from Indian securities will in principle be subject to income tax at the rate of 20% on gross dividend/interest (plus applicable surcharge and education cess).

The Company, after seeking professional advice, may decide to make, or not to make, any tax provisions in respect of a sub-fund. Even if tax provisions are made, these provisions may be more (or less) than a sub-fund's actual Indian tax liabilities and it is possible that any tax provisions made by the Company may be insufficient. In case of a difference between the sub-fund's provision for taxes and its actual Indian tax liabilities, the relevant amounts shall be credited to (or debited from) the sub-fund's assets. As a result, the income from, and/or the performance of, the sub-fund may be adversely affected and the impact on individual Shareholders of the sub-fund may vary, depending on factors such as the level of the sub-fund's provision for taxes and the amount of the difference at the relevant time and when the relevant Shareholders subscribed for and/or redeemed their Shares in the sub-fund.

Any tax provision, if made by the Company, will be reflected in the Net Asset Value of the relevant sub-fund at the time of debit or refund and thus will only impact on Shares which remain in the sub-fund. Shares which are redeemed prior to this time will not be affected by any debit of insufficient tax provisions nor benefit from any refund of excess tax provisions. Shareholders who have redeemed their Shares in the sub-fund before the distribution of any excess provision will not be entitled to claim any part of the withholding amounts relating to such excess provision distributed to the sub-fund. In the event the Company considers it necessary to adopt any tax provision (whether in respect of CGT, tax on interest/dividend or any other applicable tax regulation/laws in India) on a retrospective basis, the prevailing and/or future Net Asset Value of the sub-fund may be negatively impacted. The magnitude of any negative impact on the performance of the sub-fund may not correspond to the gains over an investor's holding period.

Currently, the tax provision policy of the Company is to fully provide for both CGT and tax on interest/dividend (on a cash or realised basis) where it is not already withheld at source. This tax provision liability will be reflected in the Net Asset Value of the sub-fund.

The Company will review and make adjustments to its tax provision policy when necessary and as soon as practicable upon issuance of further notices or clarification issued by the Indian tax authority in respect of the application of CGT, tax on interest/dividend and/or any other applicable tax regulations/laws and the respective implementation rules.

Current tax laws, rules, regulations and practice in India and/or the current interpretation or understanding thereof may change in the future and any changes may have retrospective effect. Any changes, even if made retrospectively, will only impact those investors whose Shares are held in the relevant sub-fund when the change is actually made. This means that the sub-fund could become subject to additional taxation that is not anticipated when the relevant investments are made, valued or disposed of. Any increased tax liabilities on the relevant sub-fund may adversely affect the sub-fund's Net Asset Value and may reduce the income from, and/or the value of, the relevant investments in the sub-fund. While any such reduction will not be borne by those investors who have already redeemed their Shares, such investors will equally not benefit from any potential repayment.

Investors should consult their own tax advisors regarding the possible implications of CGT and tax on interest/dividend on the value of their holdings.

#### ◆ INR Currency and Exchange Risk

The INR is not freely convertible and is subject to exchange controls and certain requirements by the government of India. These controls are subject to change and may adversely impact the INR exchange rate which may impact the Net Asset Value of the sub-fund.

Non-INR based investors are exposed to foreign exchange risk and there is no guarantee that the value of INR against the investors' Home Currency will not depreciate. Any depreciation of INR could adversely affect the value of investor's investment in a sub-fund.

Under exceptional circumstances, payment of redemptions and/or distribution payments in INR may be delayed due to the exchange controls and restrictions applicable to INR.

### **Risks Associated with the People's Republic of China ("PRC")**

#### ◆ Chinese Markets Risk

Investing in emerging markets such as the PRC subjects a sub-fund to a higher level of market risk than investments in a developed country. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, settlement risk, greater risk of market shut down and more governmental limitations on foreign investment than those typically found in developed markets.

Investors should be aware that for more than 50 years, the Chinese government has adopted a planned economic system. Since 1978, the Chinese government has implemented economic reform measures which emphasise decentralisation and the utilisation of market forces in the development of the Chinese economy. Such reforms have resulted in significant economic growth and social progress.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. There can be no assurance that such exchange rate will not fluctuate widely against the USD, HKD or any other foreign currency in the future. Any appreciation of RMB will increase the value of any income that a Sub-Fund may receive from its PRC investments and the value of investments, which will be reported in the currency, and vice versa.

Many of the economic reforms in China are unprecedented or experimental and are subject to adjustment and modification, and such adjustment and modification may not always have a positive effect on investment in the companies in China.

The national regulatory and legal framework for capital markets and joint stock companies in China is not well developed when compared with those of developed countries.

Under the prevailing tax policy in China, there are certain tax incentives available to foreign investment. There can be no assurance, however, that the aforesaid tax incentives will not be abolished in the future.

Investments in China will be sensitive to any significant change in political, social or economic policy in China. Such sensitivity may, for the reasons specified above, adversely affect the capital growth and thus the performance of these investments.

#### ◆ Accounting and Reporting Standards

PRC companies are required to follow PRC accounting standards and practice which, to a certain extent, follow international accounting standards. However, the accounting, auditing and financial reporting standards and practices applicable to PRC companies may be less rigorous, and there may be significant differences between financial statements prepared by accountants following the PRC accounting standards and practice and those prepared in accordance with international accounting standards. For example, there are differences in the valuation methods of properties and assets and in the requirements for disclosure of information to investors which may result in non-disclosure of certain material information of the investee entities the Investment Adviser invest in for the account of a sub-fund.

As the disclosure and regulatory standards in China are less stringent than in more developed markets, there might be substantially less publicly available information about Chinese issuers. Therefore, disclosure of certain material information may not be made, and less information may be available to the Investment Adviser and other investors.

◆ Taxation in the PRC

The Company may decide to make or not to make any tax provisions in respect of a sub-fund. Even if tax provisions are made, such provisions may be more than or less than a sub-fund's actual PRC tax liabilities and it is possible that such tax provisions made by the Company may be insufficient. In case of a difference between a sub-fund's provision for taxes and its actual PRC tax liabilities, the relevant amounts shall be credited to or debited from the sub-fund's assets (as the case may be). As a result, the income from, and/or the performance of, the relevant sub-fund may be affected/adversely affected and the impact/degree of impact on individual Shareholders of the sub-fund may vary, depending on factors such as the level of the sub-fund's provision for taxes (if any) and the amount of the difference at the relevant time and when the relevant Shareholders subscribed for and/or redeemed their Shares in the sub-fund.

Any tax provision, if made by the Company, will be reflected in the Net Asset Value of the relevant sub-fund at the time of debit or refund and thus will only impact on Shares which remain in such sub-fund at that time. Shares which are redeemed prior to such time will not be affected by any debit of insufficient tax provisions. Likewise, such Shares will not benefit from any refund of excess tax provisions. Investors should note that no Shareholders who have redeemed their Shares in a sub-fund before the distribution of any excess provision shall be entitled to claim in whatsoever form any part of the withholding amounts distributed to the sub-fund, which amount would be reflected in the value of Shares in the sub-fund. In the event the Company considers it necessary to adopt any tax provision (whether in respect of the PRC Corporate Income Tax Law or any other applicable tax regulation/laws in the PRC) on a retrospective basis, the prevailing and/or future Net Asset Value of the sub-fund may be negatively impacted. The magnitude of such potential negative impact on the performance of the relevant sub-fund may not correspond to the gains over an investor's holding period due to the retrospective nature.

The Company will review and make adjustments to its tax provision policy as and when it considers necessary from time to time and as soon as practicable upon issuance of further notices or clarification issued by the PRC tax authority in respect of the application of the PRC Corporate Income Tax ("CIT") and/or any other applicable tax regulations/laws and the respective implementation rules.

There is a possibility that the current tax laws, rules, regulations and practice in Mainland China and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. A sub-fund could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any increased tax liabilities on the relevant sub-fund may adversely affect the sub-fund's Net Asset Value and may reduce the income from, and/or the value of, the relevant investments in the sub-fund.

◆ RMB Currency and Exchange Risk

Investors should be aware of the fact that RMB is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies. Currently, the RMB is traded in two markets: one in Mainland China, and one outside Mainland China (primarily in Hong Kong). The RMB traded in Mainland China is not freely convertible and is subject to exchange controls and certain requirements by the government of Mainland China. The RMB traded outside Mainland China, on the other hand, is freely accessible to any person or entity for any purpose.

Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' Home Currency will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in a sub-fund.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

In calculating the value of the investments denominated in RMB, the Investment Adviser will normally apply as appropriate the exchange rate for RMB traded outside or in Mainland China. The rate of the RMB traded outside

Mainland China may be at a premium or discount to the exchange rate for RMB traded in Mainland China and there may be significant bid and offer spreads.

Under exceptional circumstances, payment of redemptions and/or distribution payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

In addition, there may be liquidity risk associated with RMB products, especially if such investments may not have an active secondary market and their prices subject to significant bid and offer spread.

◆ Particular Risks of Investment in China A Shares

A sub-fund may have direct access to certain eligible China A Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (the "Stock Connects").

The Ministry of Finance ("MOF"), the State Taxation Administration of the People's Republic of China ("STA") and the China Securities Regulatory Commission ("CSRC") jointly released Caishui [2014] No.81 dated 31 October 2014 defining that dividends from A-share investments by investors from the Hong Kong market are not subject to the differentiation tax policies based on the shareholding period for the time being, but subject to a 10% Corporate Income Tax ("CIT") withholding by the listed company before HKSCC is able to provide details on identities and shareholding periods of investors to the China Securities Depository and Clearing Corporation ("CSDCC") from 17 November 2014.

However, investors from the Hong Kong market may apply to the relevant tax authorities for tax relief in respect of dividend payments under any applicable bilateral treaties/arrangements on the avoidance of double taxation signed between the PRC and their resident jurisdictions. The same circular (Caishui [2014] No. 81) grants temporary exemption from CIT and Business Tax ("BT") for the gains arising from the sale of A-shares of a company listed on the Shanghai Stock Exchange and traded through Shanghai-Hong Kong Stock Connect, effective 17 November 2014. Circular 36 grants temporary VAT exemption on gains arising by Hong Kong market investors from trading A-shares listed on the Shanghai Stock Exchange and traded through the Shanghai-Hong Kong Stock Connect.

On 5 November 2016, MOF, STA and CSRC jointly issued Caishui [2016] No. 127, which provides that since 5 December 2016, Hong Kong market investors are temporarily subject to CIT on dividends from the relevant A-shares of a company listed on the Shenzhen Stock Exchange and traded through the Shenzhen-Hong Kong Stock Connect at a rate of 10%, but are temporarily exempted from CIT and VAT on the gains arising from trading such A-shares. Both circulars (Caishui [2014] No. 81 and Caishui [2016] No. 127) provide that title transfer of shares by Hong Kong market investors under China Connect because of a sale, inheritance or gift is subject to stamp duty in mainland China. Circular Caishui [2016] No. 127 also provides that stamp duty on covered short selling is temporarily exempted, and this is applicable to Hong Kong market investors through both Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. MOF and STA jointly released Announcement [2023] No.39 dated 27 August 2023 stated that sale of shares or share based Depository Receipts (DRs) in national security exchanges are subject to halved stamp duty starting from 28 August 2023. The stamp duty is 0.1% of market value of shares traded before 28 August 2023, and reduced to 0.05% with effective from 28 August 2023.

Investing in the securities markets of China is subject to emerging market risks as well as China-specific risks. The stock markets in China are emerging markets which are undergoing rapid growth and changes. This may lead to trading volatility, difficulties in settlement and in interpreting and applying the relevant regulations. In addition, there is a lower level of regulation and enforcement activity in these securities markets compared to more developed international markets. There also exists control on foreign investment in China and limitations on repatriation of invested capital. Less audited information may be available in respect of companies and enterprises located in China. Such legal and regulatory restrictions or limitations may have an adverse effect on the liquidity and performance of a sub-fund's investments in the Chinese market due to factors such as sub-fund repatriation and dealing restrictions. The securities industry in China is relatively young, and the value of the investments may be affected by uncertainties arising from political and social developments in China or changes in Chinese law or regulations. A sub-fund may be subject to withholding and other taxes imposed under Chinese tax law or regulations. Investors should be aware that their investments may be adversely affected by changes in Chinese tax law and regulations, which may apply with retrospective effect and which are constantly in a state of flux and will change constantly over time.

The Stock Connects are novel in nature, and subject to regulations promulgated by regulatory authorities (the CSRC and Hong Kong's Securities and Futures Commission ("SFC")) and implementation rules made by the stock exchanges (the SSE and SEHK) and the clearing houses (ChinaClear and HKSCC). Further, new regulations may be promulgated from time to time by relevant regulators, including the SFC and the CSRC, in connection with operations and cross-border legal enforcement with respect to cross-border trades under the Stock Connects.

A sub-fund, which may invest in the PRC markets through the Stock Connects is also subject to specific risks relating to the Stock Connects, including, but not limited to daily quota limitations, suspension risk, operational risk and clearing and settlement risk.

## 2.7. Other Risks

### Impact of Natural or Man-Made Disasters

Certain regions are at risk of being affected by natural disasters or catastrophic natural events. Considering that the development of infrastructure, disaster management planning agencies, disaster response and relief sources, organized public funding for natural emergencies, and natural disaster early warning technology may be immature and unbalanced in certain countries, the natural disaster toll on an individual portfolio company or the broader local economic market may be significant. Prolonged periods may pass before essential communications, electricity and other power sources are restored and operations of the portfolio company can be resumed. A sub-fund's investments could also be at risk in the event of such a disaster.

The magnitude of future economic repercussions of natural disasters may also be unknown, may delay a sub-fund's ability to invest in certain companies, and may ultimately prevent any investment entirely.

Investments may also be negatively affected by man-made disasters. Publicity of man-made disasters may have a significant negative impact on overall consumer confidence, which in turn may materially and adversely affect the performance of a sub-fund's Investments, whether or not they are involved in the man-made disaster.

Outbreaks of infectious diseases may have a negative impact on the performance of a sub-fund. For example, an infectious respiratory disease caused by a novel coronavirus known as COVID-19 detected in December 2019 gave rise to an extended global pandemic which led to borders closing, restrictions on movement of people, quarantines, cancellations of transportation and other services, disruptions to supply chains, businesses and customer activity, as well as general concern and uncertainty.

Other epidemics and pandemics may arise in the future, however it is not possible to predict the effect that any such event may have or how long it will last. In addition, the impact of infectious diseases in certain emerging developing or emerging market countries may be greater due to less established health care systems, as was the case with COVID-19. Health crises caused by infectious diseases may exacerbate other pre-existing political, social and economic risks in certain countries.

These events could increase volatility and the risk of loss to the value of your investments.

### Indemnification Obligations

The Company or, where applicable, the Management Company (out of the assets of the relevant sub-fund), has agreed to indemnify the Directors, the Management Company, the Investment Adviser, any Distributor, the Administrator, the Depositary Bank as provided for in the relevant agreements. Consequently, the Company is exposed to the risk of unforeseen costs due to losses or damages incurred by the indemnified parties (including legal fees and expenses) in connection with the performance of their duties and/or the exercise of their powers under the relevant agreements.

### Indexing Risk

Sub-funds that track an index (often referred to as "Index Funds" or "Index Tracking Funds") are not actively managed so may be affected by a general decline in market segments related to their respective reference benchmark. Index Funds will invest in securities included in, or representative of, their respective reference benchmarks, and any sub-fund which is also an Index Fund will not attempt to take defensive positions under any market conditions, including declining

markets. As at the date of this Prospectus, the only sub-fund of the Company is an Index Fund. Please see Section 4 for further details.

An Index is generally constituted by an index provider using their own criteria or methodologies. The index provider will normally retain discretion in relation to the methodology underlying an Index and an Index may or may not take account of fees. There can be no assurance that an Index will continue to be calculated and published on the basis described in the rules or methodology published by the Index Provider or that the Index will not be amended significantly.

## Prohibited securities

In accordance with the Luxembourg law of 4 June 2009 ratifying the Oslo Convention of 3 December 2008 relating to cluster munitions and HSBC Asset Management policy, the Company will not invest in the securities of companies considered to be involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of weapons banned by international convention. The HSBC Asset Management policy as amended from time to time is available at: [www.assetmanagement.hsbc.com/about-us/responsible-investing/policies](http://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies)

This policy applies to direct investment in securities and the Investment Adviser will seek to apply it on an indirect basis when investing in UCITS and/or other Eligible UCIs.

## Reliance on Third Party Data Providers

To meet the investment objective and policy of each sub-fund, as stated in this Prospectus, the Company, the Management Company and/or the Investment Adviser (together "the **Parties**") may rely on financial, economic and other data made available by companies, index providers, governmental agencies, rating agencies, exchanges, professional services firms, central banks or other third party providers (the "external data providers"). This data can have a material effect on the investments held by the relevant sub-fund. While the Parties carry out due diligence prior to engaging any such external data providers, the Parties do not generally have the ability to independently verify any such financial, economic and/or other data and are therefore dependent on the integrity of both the external data providers and the processes by which any such data is generated. The sub-fund could incur unexpected costs as a result of external data providers failures of, or substantial inaccuracy in, the generation of such data. The Parties, acting in good faith, will not be held liable for such unexpected costs.

## Shariah Restrictions

It is possible that the restrictions placed on investment such as the prohibition on the use of interest bearing investments, the donations to approved charities and the limited universe of stocks available to the Investment Adviser may result in the sub-funds performing less well than funds with similar investment objectives which are not subject to Shariah restrictions.

## Withdrawal of the UK from the EU

Following the end of the transition period all cross-border passporting rights to the UK for EU domiciled funds have ceased. However, the UK's introduction of a Temporary Marketing Permissions Regime ("**TMPR**") enables all sub-funds of the Company that have registered into the regime to continue to be distributed in the UK and purchased by UK domiciled investors. The UK Government has brought forward domestic legislation to streamline the process to allow overseas (including EU) investment fund to be sold in the UK post-Brexit.

Although the UK/EU Trade Agreement provides for the free trade of goods, it provides only general commitments on market access in services together with a "most favoured nation" provision which is subject to many exceptions. Furthermore, there is the possibility that either party may impose tariffs on trade in the future as there will ultimately be more divergence between UK and EU regulations. This may limit the cross-border activities that can take place. The terms of the future relationship may also cause continued uncertainty in the global financial markets, and adversely affect the performance of the sub-funds.

Volatility resulting from this uncertainty may mean that the returns of a sub-fund's investments are affected by market movements, the potential decline in the value of Sterling or Euro, and the potential downgrading of sovereign credit ratings of the UK or an EU member state.

As at the date of this Prospectus, the Company's sub-funds continue to be recognised by the FCA under the TMPR and can be marketed to UK investors. It is intended that, prior to the cessation of the TMPR, the Company will obtain the required authorisation to continue to market in the UK via the FCA's Overseas Funds Regime.

## 2.8. Integration of Sustainability Risks into Investment Decisions and SFDR Principles

### SFDR categorisation and ESG data

SFDR requires sub-funds to be categorised into three different categories;

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

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

Any decisions taken by the Management Company regarding the classification and the applicable disclosure requirements under the SFDR and the Taxonomy Regulation are based on a good faith assessment, based on information available to it and market practise at the time any such decision is made.

Shareholders should be aware that SFDR and the Taxonomy Regulation are part of a disclosure regime and they should not be relied on as a product labelling regime or as imposing additional obligations other than disclosure requirements in relation to ESG matters and subject to ongoing uncertainties and evolution in material regards as underlying rules and guidance is finalised, or is issued, over time.

### 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 sub-funds. 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. Examples of relevant sustainability risks are set out in Section 2.5 Sustainability Risks.

The Management Company has adopted HSBC Asset Management's responsible investment policy and related Responsible Investment Policy Implementation Procedures (the "Policy") in the integration of sustainability risks into investment decisions for the sub-funds. The Investment Adviser integrates 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 Adviser uses 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 Adviser also carries out its own due diligence. Sustainability risks are monitored on an ongoing basis as part of the Investment Adviser's portfolio management strategy generally.

The Investment Adviser has a duty to act in the best long-term interests of Shareholders. The Investment Adviser believes that sustainability risks can affect the performance of investment portfolios across companies, sectors, regions and asset classes through time. While each sub-fund 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 Adviser will conduct thorough financial analysis and comprehensive assessment of sustainability risks as part of a broader risk assessment for each sub-fund, where relevant.

For more information, please refer to the Policy which can be found on HSBC Asset Management's website at: <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies>.

## 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 sub-funds invest, including but not limited to:

- reduced revenue due to shifts in customer preferences, negative impacts on the workforce, social unrest and decreased production capacity;
- increased operating/capital costs;
- write-off and early retirement of existing assets;
- loss of reputation due to fines and judgements and loss of license to operate.

These risks, together or individually can potentially impact the returns of the sub-funds. The likely impacts of sustainability risks on the returns of each sub-fund will also depend on each sub-fund's investments and the materiality of sustainability risks. The likelihood of sustainability risks arising in respect of a sub-fund should be mitigated by the 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 sub-fund. The likely impact on the return of a sub-fund 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.

## Passively managed sub-funds

For sub-funds that are passively managed and hold securities included in the relevant index which they track, the index is required to represent an adequate benchmark for the market to which it refers. Each index is created by a third-party index provider (the "**Index Provider**"). As the strategy for the passively managed sub-funds is to track the relevant index, changes to the portfolios of the sub-funds are driven by changes to the index in accordance with its published methodology rather than by an active selection of securities by the Investment Adviser. Accordingly, the Investment Adviser does not exercise discretion to actively select/deselect securities. Therefore, for passively managed sub-funds there is no integration of sustainability risks into the investment process. Even where the sub-funds use an optimisation strategy to track the relevant index, ESG considerations may not be incorporated into the optimisation approach as the sub-fund's objective is to replicate the performance of the relevant index and decisions driven by ESG factors could be less effective in achieving this goal.

## Sub-funds investing in Shariah compliant financial derivative instruments

Some sub-funds may use Shariah compliant financial derivative instruments and therefore, sustainability risks are harder to factor in as the sub-funds are not directly investing in the underlying asset. Currently, no ESG integration methodology

can be applied for the Shariah compliant financial derivative instruments, but the Investment Adviser is exploring how such a methodology can be applied.

## Consideration of Principal Adverse Impacts

SFDR requires the Management Company to determine whether it considers the principal adverse impacts (“PAIs”) of their investment decisions on sustainability factors. The Investment Adviser implements this consideration on behalf of the Management Company. The Investment Adviser is 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.

**Shareholders should be aware that, as of the date of this Prospectus, the sub-fund of the Company is passively managed Article 6 SFDR sub-fund.**

**The investments underlying the sub-fund do not take into account the EU criteria for environmentally sustainable economic activities.**

## 2.9. Risk Management Process

### Risk Management Process

The Management Company, on behalf of the Company, will employ a risk management process which enables it with the Investment Adviser of the relevant sub-fund to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of each sub-fund. The Management Company, on behalf of the Company, will employ, if applicable, a process for accurate and independent assessment of the value of any Shariah-compliant 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 sub-fund, to the methods chosen to this end and to the recent evolution of the risks and yields of the main categories of instruments.

#### ◆ Responsibility of the Risk Management Team of the Investment Adviser

The Management Company, responsible for the risk management of the Company, has delegated the day to day implementation to the risk management team of the Investment Adviser. The Management Company’s risk management team will collaborate with the independent risk team of the Investment Adviser to determine various control limits in order to match the risk profile and strategy of the sub-funds. The Management Company will supervise the independent risk team of the Investment Adviser and will receive appropriate reports.

When the Investment Adviser invests, on behalf of the sub-funds it manages, in different types of assets pursuant to the investment objective, it will follow the risk management and control mechanism as described in the risk management procedure of the Management Company.

#### ◆ Commitment approach

Except for Shariah compliant foreign exchange forwards for hedging purposes, there are currently no derivative positions in any of the sub-funds. However, if approved by the Shariah committee, the sub-funds may, to a limited extent, enter into simple financial derivative instruments for investment purposes other than hedging techniques and efficient portfolio management, in particular to gain exposure on financial markets when the relevant sub-fund Investment Adviser believes that it is more efficient to purchase financial derivative instruments than the corresponding physical securities. These sub-funds 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 guidelines 10/788 issued by the Committee of European Securities Regulators (“CESR”) 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 sub-funds and to ensure that the liquidity risk profile of the investments of the Sub-Funds will facilitate compliance with the sub-funds' 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 sub-funds on an on-going basis with the aim to ensure that such investments are appropriate to the redemption policy as stated in Section 3.3 "Redemption of Shares" 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 sub-funds 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 sub-funds' liquidity risk in accordance with the Management Company's liquidity risk management policy. Liquidity risk related issues are escalated to the Management Company's local management committee and/or other committees or forums with appropriate actions properly documented.

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

1. Limiting the number of Shares redeemed for a sub-fund on any Dealing Day to 10% or more of the Net Asset Value of any sub-fund (subject to the conditions under the heading entitled "Gating and Partial Deferral of Redemption" in Section 3.3 "Redemption of Shares");
2. Applying an anti-dilution mechanism with the aim to mitigate the effect of transaction costs on the Net Asset Value per Share of a sub-fund incurred by significant net subscriptions or redemptions as outlined under the heading 3.7 "Anti-Dilution Mechanism";
3. 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 sub-fund as outlined in Appendix II General Information under "Suspension of the Calculation of the Net Asset Value and Issue, Allocation, Conversion, Redemption and Repurchase of Shares"
4. Accepting transfers in kind; and/or making use of an overdraft facility up to 10% of the Net Asset Value as described in Appendix 3. "General Investment Restrictions".

## **Risk Monitoring Systems**

Appropriate tools and systems are utilised to monitor different areas of risk, including counterparty risk, market risk, liquidity risk, sustainability risk, concentration risk and operational risks.

## **Procedure for Counterparty Approval**

Systematic procedures are in place to select and approve counterparties, and to monitor the exposure to various counterparties.

## **Investment Breach Reporting**

In case of any investment breach, an escalation process to the Management Company will be triggered to inform relevant parties in order for necessary actions to be taken.

## Section 3. Company details

### 3.1. Summary of Principal Features

<b>Legal Structure</b>	Open-ended investment company with multiple sub-funds incorporated in Luxembourg as a société anonyme qualifying as an undertaking for collective investment in transferable securities under Part I of the 2010 Law implementing the Directive 2009/65/EC into Luxembourg law. Each sub-fund corresponds to a distinct part of assets and liabilities. It exists for an unlimited period.
<b>Incorporation Date</b>	3 April 2000.
<b>Registered Number</b>	B 74.964 at the Registre de Commerce et des Sociétés of Luxembourg.
<b>Articles of Incorporation</b>	Published in the Mémorial on 12 May 2000. The Articles of Incorporation have been restated for the last time on 5 December 2022 (effective as from 11 November 2022) and were published in the Recueil Electronique des Sociétés et Associations on 6 December 2022.
<b>Dividends</b>	For distribution Shares, the Board of Directors expects to recommend distribution of a portion of each sub-fund's net investment income for the year.
<b>Taxation</b>	Annual Luxembourg tax of 0.05%, payable quarterly, except for certain Share Classes for which a reduced rate of 0.01% applies (for details see section "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 and provides the shareholders with the results of the management of its portfolio.
<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 "Prices of Shares").
<b>Net Asset Value</b>	Calculation as of each Dealing Day.
<b>Base Currency of the Company</b>	USD
<b>Year End</b>	31 December.

### 3.2. Subscription of Shares

#### General

The minimum initial investment in each class is described in the section "Types of Shares".

Applications may be made for registered Shares and for Shares having a specified value or for a specified number of Shares; a Share confirmation being sent to each investor.

In the case of applications for Shares, fractions of Shares will be allocated where appropriate. Contract notes are faxed and/or posted to the investor on the allotment of Shares. Shareholders are allocated a personal account number as stated in the contract note which should be quoted on all further correspondence.

The 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 applicant within five Business Days of rejection by cheque or, at the cost of the applicant, by wire/electronic transfer.

## **In the UK**

Shareholders in the UK shall have no right (under the Financial Conduct Authority's Conduct of Business sourcebook, section 15.2) to cancel or withdraw an offer to enter into the investment agreement constituted by the acceptance by or on behalf of the Company of an application for Shares. In addition, such applicants should note that investment in the Company will not be covered by the provisions of the FSMA for the protection of investors. The Company is not an authorised person under the FSMA and investors are not therefore protected by the Financial Services Compensation Scheme.

The Company has been certified by the Financial Conduct Authority as a recognised collective investment scheme in the UK, pursuant to the FSMA.

## **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.

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, including but not limited to an original duly completed and signed application form.

In case of delay or failure by a subscriber 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 investor 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 Anti-Money Laundering ("**AML**") & Know Your Customer ("**KYC**") requirements as stipulated in the CSSF's circulars and regulations as amended from time to time and based on the AML & KYC Guidelines agreed between the Management Company and the Registrar and Transfer Agent. These requirements may be amended from time to time (for example, upon the instruction of new Luxembourg regulations).

Investors may be asked to produce additional documents for verification of their identity before acceptance of their applications.

Where a shareholder has been requested to provide further information for anti-money laundering purposes or other similar purposes as further disclosed in this Prospectus, the Company may decide to withhold any transfer request and any payment of the proceeds of any redemption request that has been processed, without interest accruing, until such information demand has been complied with to the satisfaction of the Company. 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 may require original documents or a true 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.

## **Procedure for Application and Methods of Payment**

Subscription orders are received every Dealing Day. Applications for Shares of any sub-fund made to the Company, either directly to the Registrar and Transfer Agent or through a distributor, before the appropriate dealing cut-off times as set forth below in the section "Price of Shares" will, if accepted, normally be fulfilled on that Dealing Day.

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

The Offer Price per Share is calculated by reference to the Net Asset Value of the relevant class of Shares. Details of the calculation are set out in the section "Prices of Shares".

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 in the appropriate Settlement Currency (as defined hereafter in Section 3.4. "Foreign Exchange Transactions") or by a correspondent bank to its order, no later than three Business Days after application for Shares is accepted unless the third Business Day is a day on which the banks in the principal financial centre for the Settlement Currency are closed for business, in which case receipt of cleared monies will be the next Business Day where the banks in the principal financial centre for the Settlement Currency are open for business.

If timely settlement is not made by the applicant the subscription may lapse and be cancelled at the cost of the applicant or its financial intermediary. If the applicant does not settle the subscription price in a timely manner, no Shares will be issued to the defaulting applicant (cleared funds process). Failure to proceed to timely settlement by the settlement date may result in the Company / Management Company bringing an action against the defaulting applicant or its financial intermediary or deducting any actual costs or losses incurred by the Company / Management Company against any existing holding of the applicant. Money to be returned to the applicant may be netted taking into account any costs or losses incurred by the Company / Management Company due to non-settlement of subscription proceeds within the above timeline.

Investors are advised to refer to the terms and conditions applicable to subscriptions which are detailed in the application form.

## **Method of Payment**

Payment for Shares should be made to the relevant correspondent bank(s) quoting the applicant's name and stating the appropriate sub-fund and class into which settlement monies are paid. Details of the relevant correspondent bank(s) are given on the application form or can be obtained from the registered office of the Company or any distributor.

Shares may, at the discretion of the Board of Directors, be issued in consideration of the vesting in the Company of securities acceptable to it and having a value (after deducting any relevant charges and expenses) equal to the relevant Offer Price. Such securities will be independently valued in accordance with Luxembourg law by a special report of a Luxembourg auditor, to the extent legally or regulatory required.

## **Share Confirmations**

Ownership of registered 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 and/or faxed 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, provided cleared monies have then been received by the Company or to its order.

No Share certificate will be issued. A Share confirmation will be issued (normally in computerised form) by the Registrar and Transfer Agent which has the advantage that Shares may be converted or redeemed solely on written and/or

electronic instructions to the Registrar and Transfer Agent. In addition, all registered shareholders are sent a shareholding statement twice a year confirming the number and value of registered Shares held by them in each sub-fund.

### 3.3. Redemption of Shares

#### **Redemption Requests**

Redemption orders are received every Dealing Day. Redemption requests made to the Company, either directly to the Registrar and Transfer Agent or through a distributor, before the appropriate dealing cut-off times as set forth below in the section "Price of Shares" will, if accepted, normally be fulfilled on that Dealing Day.

Any requests received after the appropriate dealing cut-off times are deferred to the next Dealing Day.

The Redemption Price of Shares is calculated by reference to the Net Asset Value of the relevant class of Shares. Full details are set out in the section "Prices of Shares".

If compliance with redemption instructions would result in a residual holding in any one class of Shares of a relevant sub-fund of less than the minimum holding indicated for a given class of Shares, the Company reserves the right to compulsorily redeem the residual Shares at the current Redemption Price and make payment of the proceeds thereof to the shareholder.

#### **Redemption Procedure for Shares**

Redemption requests should be made to the Registrar and Transfer Agent either directly or through the distributors and must include either the number of Shares to be repurchased or the cash value to be raised relating to each class of Shares of a relevant sub-fund and any special instructions for dispatch of the redemption proceeds. Contract notes confirming details of the redemption are posted and/or faxed to shareholders as soon as the transaction has been effected.

Redemption requests should be made by telephone, fax or letter (telephone and fax requests must be confirmed immediately in writing).

#### **Procedure for Payment of Redemption Proceeds**

The Registrar and Transfer Agent will dispatch the redemption proceeds in the Reference Currency of the relevant sub-fund or the Share Class Reference Currency of the relevant Share class to which the Shares relate, within three Business Days after the relevant Dealing Day, unless the third Business Day is a day on which the banks in the principal financial centre for the Settlement Currency are closed for business, in which case payment of the redemption proceeds will be the next Business Day where the banks in the principal financial centre for the Settlement Currency are open for business, provided all the required documentation has been furnished to and received by the Registrar and the Transfer Agent.

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.

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 sub-fund. At a shareholder's request, the Company may elect to make an in specie distribution subject to a special report from the Company's auditors (to the extent required by law), 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.

#### **Gating and Partial 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 Board of 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 sub-fund:

1. 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 sub-fund. 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 by up to 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.
2. may elect to sell assets representing, as nearly as practicable, the same proportion of the sub-fund'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 2 "Risk Considerations").

Payment of redemption proceeds may be delayed if (i) there are any specific statutory provisions such as, but not limited to, 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 or (ii) the account of the shareholder requesting redemption is in non-compliance with anti-money laundering or KYC checks.

## **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 Administration Agent, as appropriate, to implement any or all, of the following measures:

1. 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.
2. If a sub-fund is primarily invested in markets which are closed for business at the time the sub-fund 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 sub-fund'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 sub-fund.

3. If a sub-fund is primarily invested in markets that are closed or operates 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 sub-fund.

In practice, the securities of sub-funds investing in non-European markets are usually valued on the basis of the last available price at the time when the Net Asset Value per Share is calculated. The time difference between the close of the markets in which a sub-fund invests and the point of valuation can be significant.

As a result, where the Management Company believes that a significant event has occurred between the close of the markets in which a sub-fund invests and the point of valuation, and that such event will materially affect the value of that sub-fund's portfolio, it may cause the Administration Agent to adjust the Net Asset Value per Share so as to reflect what is believed to be the fair value of the portfolio as at that point of valuation.

The level of adjustment will be based upon the movement in a chosen surrogate up until the point of valuation, provided that such movement exceeds the threshold as determined by the Board of Directors. The surrogate will usually be in the form of a futures index, but might also be a basket of securities, which the Board of Directors believes is strongly correlated to, and representative of, the performance of the relevant sub-fund.

Where an adjustment is made as per the foregoing, it will be applied consistently to all classes of Shares in the same sub-fund.

The Board of Directors, however, reserves the right to extend the implementation of fair value pricing in respect of other sub-funds whenever it deems it appropriate.

### 3.4. Foreign Exchange Transactions

Shares are issued at an Offer Price and redeemed at a Redemption (or Bid) Price denominated and payable in the Reference Currency of the sub-fund, the Share Class Reference Currency or any of the following Dealing Currencies: USD, GBP, EUR, SGD, CHF and any other currencies as the Board of Directors may decide from time to time.

Where payments are tendered by an applicant or requested or, if a capital withdrawal in respect of registered Shares is required, in a currency other than that in which the Shares concerned are denominated, the necessary foreign exchange transactions are arranged by a distributor or 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.

All these currencies in which payments for subscriptions or redemptions shall be made are referred to as "Settlement Currency".

While the foreign currency exchange is being performed, the Company may be exposed to a short term risk of foreign exchange fluctuation.

### 3.5. Conversions between sub-funds

Shares relating to any sub-fund may be converted into any class of Shares in any sub-fund, subject to shareholders being eligible in a given class of Shares as defined in Section 1.2. "Types of Shares", if different classes are issued, relating to any other sub-fund on any Dealing Day for both sub-funds. Completed requests received before the appropriate dealing cut-off time will be dealt with at the next relevant calculated prices (redemption followed by subscription) for those sub-funds. Requests received after the appropriate dealing cut-off times are normally deferred until the next Dealing Day.

If compliance with conversion instructions would result in a residual holding in any one class of Shares of a relevant sub-fund of less than the minimum holding indicated for a given class of Shares, the Company may compulsorily redeem the residual Shares at the Redemption Price ruling on the relevant Dealing Day and make payment of the proceeds to the shareholder. The basis of conversion is related to the respective Dealing Prices per Share of the two sub-funds concerned.

If the Board of Directors deems it to be in the best interest of the shareholders concerned, the Board of Directors may decide to convert the shareholders of a class (free of charge) into a different class of the same sub-fund, subject to the relevant shareholders meeting all eligibility requirements of the relevant class as set out in this Prospectus.

A conversion charge of up to 1% of the value of the Shares which are being converted is payable to the sub-fund out of which the conversion is made.

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

## 3.6. Prices of Shares

### Valuations

1. The Dealing Prices for Shares are calculated on the relevant Dealing Day. In the table below "D" refers to the Dealing Day and is expressed within the Luxembourg Time Zone.

Sub-fund	Dealing cut-off time	Valuation point
HSBC Islamic Funds – HSBC Islamic Global Equity Index Fund	3.00 p.m. on D	11.00 p.m. on D

2. The dealing price for Shares (the "Dealing Price") is calculated in the Reference Currency of the sub-fund concerned or in the Share Class Reference Currency of the relevant Share class and may be adjusted by the pricing adjustment (as described in Section 3.7. "Anti-Dilution Mechanisms") if applicable.

In certain circumstances Net Asset Value determinations may be suspended and during any such period of suspension no Shares relating to the sub-fund to which the suspension applies may be issued or allocated (other than those already allotted), converted or repurchased.

### Pricing Adjustment

The Net Asset Value of a sub-fund may be adjusted up or down using the pricing adjustment rates.

Further information on the pricing adjustment is set out in Section 3.7. "Anti-Dilution Mechanisms".

### Offer Prices

The offer price for Shares of each sub-fund (the "Offer Price") may include a sales charge of up to 5.54% of the Dealing Price. The total may then be rounded upwards to the minimum unit of the currency concerned. The sales charge will be paid to the relevant distributors. Any rounding adjustment will accrue to the relevant Class of Shares in the relevant sub-fund.

The distributors reserve the right to waive the whole or part of the sales charge in respect of any particular application.

### Redemption (or Bid) Price

The redemption (or Bid) price of Shares of each sub-fund (the "Redemption Price") is the Dealing Price and is designated in the Reference Currency of the sub-fund concerned and in the Share Class Reference Currency of the relevant class of Shares. Any rounding adjustment will accrue to the relevant class of Shares in the relevant sub-fund. Full details of the Net Asset Value calculations are set out in the section "Calculation of Net Asset Value " below.

### Publication of prices

The Offer and Redemption (Bid) Prices of each class of Shares of all sub-funds for each Dealing Day are available at the offices of the Company and the distributors.

The Redemption (Bid) Price be published on each Dealing Day or on each day the Net Asset Value is calculated, in the relevant currencies in various international publications and on data providers' websites and platforms.

## Calculation of Net Asset Value

Each sub-fund is valued as defined in this section "Prices of Shares".

The Net Asset Value of each sub-fund and class (expressed in its currency of denomination) is determined by aggregating the value of securities and other permitted assets of the Company allocated to that sub-fund and class and deducting the liabilities of the Company allocated to that sub-fund or class.

Shariah compliant securities and/or financial derivative instruments in the portfolio which are listed on an official stock exchange are valued at the last available price on the principal market on which such securities are traded. Securities traded on other organised markets are valued at the last available price or yield equivalents obtained from one or more dealers in such organised markets at the time of valuation. If such prices are not representative of their fair value, all such securities and all other permitted assets will be valued at their fair value at which it is expected they may be resold as determined in good faith by or under the direction of the Board of Directors.

Shariah compliant 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, in accordance with market practice. Shares or units in underlying open-ended investment funds shall be valued at their last available Net Asset Value reduced by any applicable charges.

Any asset or liabilities expressed in terms of currencies other than the reference currency of the sub-fund or class 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.

## 3.7. Anti-Dilution Mechanisms

When investors buy or sell shares in a sub-fund, the Investment Adviser may need to buy or sell the underlying investments within the sub-fund. Without an anti-dilution mechanism to take account of these transactions, all shareholders in the sub-fund would pay the associated costs of buying and selling these underlying investments. These transaction costs can include, but are not limited to, bid-offer spreads, brokerage and taxes on transactions.

There are two anti-dilution mechanisms available to each sub-fund, a pricing adjustment and an anti-dilution levy, both mechanisms aim to protect shareholders in a sub-fund.

Details of which anti-dilution mechanism is in operation on a particular sub-fund can be obtained from the Management Company.

Should the Company decide to change the anti-dilution mechanism in operation for a particular sub-fund (i.e. from a pricing adjustment to an anti-dilution levy or vice versa), prior approval will be sought from relevant regulators (where required) and affected investors will receive at least one month's prior written notification.

### Pricing Adjustment

The pricing adjustment aims to mitigate the effect of transactions costs on the Net Asset Value per Share of a sub-fund incurred by significant net subscriptions or redemptions.

The pricing adjustment mechanism has three main components:

1. A threshold rate
2. A buy adjustment rate
3. A sell adjustment rate

These components may be different for each sub-fund.

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 sub-fund's Net Asset Value, exceeds the threshold on any particular Dealing Day. The Net Asset Value of the sub-fund will be adjusted up or down using the adjustment rates (buy adjustment rate for net subscriptions or sell adjustment rate for net redemptions).

The adjustment of the Net Asset Value per Share will apply equally to each class of Share in a specific sub-fund on any particular Dealing Day. The pricing adjustment is applied to the capital activity at the level of a sub-fund and does therefore not address the specific circumstances of each individual investor transaction.

If it is in the interests of Shareholders, when the net capital inflows or outflows in a sub-fund exceeds a predefined threshold agreed from time to time by the Board of Directors, the Net Asset Value per Share may be adjusted in order to mitigate the effects of transaction costs. Under normal market conditions, this adjustment will not exceed 2%. However, it may be significantly higher during exceptional market conditions such as periods of high volatility, reduced asset liquidity and market stress. The current adjustment rates for each sub-fund are available in the Fund Centre on HSBC Global Asset Management's website at [www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com).

The 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 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 sub-fund. 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 other than the sales charge will continue to be calculated on the basis of the unadjusted Net Asset Value.

## **Anti-Dilution Levy**

The anti-dilution levy aims to mitigate the effect of transactions costs on the Net Asset Value of a sub-fund incurred by net subscriptions or redemptions.

The anti-dilution levy has three main components:

1. A threshold rate
2. A buy rate
3. A sell rate

These components may be different for each sub-fund.

The anti-dilution levy is triggered when the difference between subscriptions and redemptions, as a percentage of the sub-fund's Net Asset Value, exceeds the threshold on any particular Dealing Day. In the case of net capital inflows, the anti-dilution levy will be deducted from each subscription amount and accordingly reduce the number of Shares received by an investor or, in the case of net capital outflows, will be deducted from each redemption amount and accordingly reduce the redemption proceeds received by an investor.

The amount of the anti-dilution levy may be reduced or waived at the discretion of the Board of Directors.

The anti-dilution levy may be up to a maximum of 2% in order to mitigate the effects of transaction costs.

Until the threshold rate is triggered, no anti-dilution levy is applied and the transaction costs will be borne by the sub-fund. This will result in a dilution (reduction in the Net Asset Value per Share) to existing Shareholders.

Investors should note that sub-distributors may levy the sales charge (if any) on an investor's full subscription and may not take into account the application of an anti-dilution levy.

## 3.8. Dividends

### Declaration and payment of dividends

The Board of Directors has resolved to issue Distribution and Capital-Accumulation Shares in different classes of the sub-funds.

1. Capital-Accumulation Shares are identifiable by a "C" following the sub-fund and class names and do not pay dividends.
2. Distribution Shares are identifiable by a "D" following the sub-fund and class names.

Dividends will be declared separately in respect of each class of Shares, if applicable, of each sub-fund by the meeting of Shareholders of the relevant class of Shares of the relevant sub-fund at the end of each financial year.

Dividends will be annual and all income (less usual expenses) will be distributed.

Dividends will be announced in the financial press. Payment of dividends will be made within six weeks of such declaration to holders of Shares in the respective sub-funds at the dividend record date as stated in such resolution.

If a declared dividend remains with the Registrar and Transfer Agent, either through a cheque not being cashed or an electronic transfer being returned, after a period of 5 years the Company is entitled to declare the dividend forfeit. In such an event, the forfeited dividend will, where possible, be paid to a charity nominated by the Shariah Committee.

Dividends will be paid in the Reference Currency of the sub-fund concerned or in the Share Class Reference Currency of the relevant Share class. An investor having subscribed in the currency of expression may however receive payment in the currency of denomination of the relevant sub-fund if confirmed so in writing to the Company.

### Reinvestment of Dividends

Holders of 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 sub-fund payable to them reinvested automatically by the Management Company in the acquisition of further Shares of the same class relating to that sub-fund. Such Shares will be purchased 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 Shares will be issued as necessary to three decimal points.

## 3.9. Charges and Expenses

Subject to specific arrangements which may be in place for certain classes of Shares (W Shares, Y Shares and S Shares), the Company pays a management fee, operating, administrative and servicing expenses and additional charges (as set out below) to cover the charges and expenses of its incorporation, promotion and operation. This includes the fees of the Administration Agent, the Domiciliary Agent, the Registrar and Transfer Agent, the Management Company, HSBC Bank Middle East Limited for providing the Shariah Committee, the Investment Adviser, the Depositary Bank and its correspondent banks, the Central Paying Agent and Listing Agent, and the representatives listed in "Share Distributors" as well as all other agents of the Company.

In certain circumstances, the Management Company may instruct the Company to pay a portion of the above fees directly out of the assets of the Company to any service providers. In such case, the fees due to the Management Company are reduced accordingly.

## Management Fee

The Management Company is entitled to receive an annual management fee from the Company calculated as a percentage of the Net Asset Value of each sub-fund or Share class ("Management Fee"), except as otherwise provided hereinafter.

The Management Fee covers investment management, investment advisory and distribution services provided in relation to the relevant sub-fund of the Company by the Management Company, the Investment Adviser and the Distributors.

The Management Fee is accrued daily and payable monthly in arrears at the rates indicated in Section 4. "Sub-Fund Information".

The Management Company is responsible for paying out of this fee, the fees of the Investment Adviser and the Distributors and may pay part of such fee to recognised intermediaries or such other person as the Management Company may determine, at its discretion.

For all sub-funds, 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 of such service providers or identified persons. In such case, the Management Fee payable to the Management Company is reduced accordingly.

## Operating, Administrative and Servicing Expenses

The Management Company is entitled to receive a fee from the Company to cover certain operating, administrative and servicing expenses which are incurred throughout the lifetime of the Company, its sub-funds or Share classes.

The Management Company is responsible for paying out of this fee, the fees and expenses payable to the Depositary Bank, the Administration Agent and the Registrar and Transfer Agent or any other appointed entity.

The following list is indicative but not exhaustive of the types of services that the operating, administrative and servicing expenses cover:

- Management Company expenses
- Custody, depositary and safekeeping charges
- Transfer, registrar and payment agency fees
- Administration, domiciliary and fund accounting services
- Payment to HSBC Bank Middle East Limited for its services rendered with respect to the appointment of the Shariah Committee and reasonable related out-of-pocket expenses incurred in respect of the Shariah Committee's services. Details of the fees paid to HSBC Bank Middle East Limited will be disclosed in the Company's annual report.
- Legal expenses for advice on behalf of the Company
- Audit fees
- 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, annual reports, semi-annual reports and other offering documents necessary under local regulations made available directly or through intermediaries to its shareholders in markets in which the sub-funds are registered for sale in compliance with local regulations.

- Formation expenses for current and new sub-funds including initial registration fees may be amortised over a period not exceeding 5 years from the formation date of the sub-fund
- Costs associated with the collection, reporting and publication of data about the Company, its investments and Shareholders as required by laws and regulations from time to time
- Fees charged by third party vendors for publishing fund performance data
- Financial index licensing fees
- Any fees charged for sub-fund expense data analysis if specifically requested by the Company to be obtained from an independent third party
- Any industry association fees for the benefit of the Company.

To preserve Shareholders from fluctuations in a sub-fund's operating, administrative and servicing expenses, the Company has agreed with the Management Company that the fee charged to cover operating, administrative and servicing expenses is normally set, for each sub-fund and/or Share class, at a fixed annual percentage of the Net Asset Value of the relevant sub-fund or Share class as specified in Section 4. "Sub-Fund Information". The excess of such expenses above such annual percentage will be borne directly by the Management Company or its affiliates, and equally the Management Company or its affiliates may retain any surplus.

Exceptions to the fee structure above are described for each sub-fund and/or Share class in the "Fees, Expenses and Type of Shares" table in Section 4. "Sub-Fund Information" which details those Share classes where the operating, administrative and servicing expenses are paid on the basis of actual expenses up to a maximum rate of the Net Asset Value per annum of the Share class. In this case, the Company will pay the expenses directly and as such the ongoing charge for each Share class will vary.

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.

#### **Specific provisions for Y Shares – Operating, Administrative and Servicing Expenses**

Y Shares incur operating, administrative and servicing expenses fixed at 0.30% of the Net Asset Value per annum. This fee is paid quarterly in arrears. The excess of such expenses above such annual rate will be borne directly by the Management Company or its affiliates, and equally the Management Company or its affiliates may retain any surplus.

#### **Additional Charges**

Additional charges are the remaining charges incurred by the Company or the relevant Share class/sub-fund. They are paid by the Company depending on the services rendered to the Share class/sub-fund. These charges are not included in the OCF in the Key Investor Information Documents or in the operating, administrative and servicing expenses.

Additional charges 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<sup>1</sup>
- Profit on financing and bank charges incurred in negotiating financing
- 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 sub-fund or for the currency hedging of Share classes denominated in a currency other than the base currency
- Litigation expenses
- Any extraordinary expenses or other unforeseen charges.

1. 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.

## Allocation of Charges and Expenses

Each sub-fund or class is charged with all costs or expenses attributable to it. Costs and expenses not attributable to a particular sub-fund or class are allocated between the sub-funds or classes on an equitable basis. Charges and expenses shall be charged first against investment income. The costs and expenses incurred in connection with the formation and registration of the Company as a UCITS in Luxembourg and elsewhere and the offer of Shares, including the costs incurred in obtaining a listing for the Shares on the Luxembourg Stock Exchange, all legal and printing costs and other preliminary expenses were borne by the sub-funds out of their assets on a pro rata accrual basis and amortised against capital over five years when incurred.

### 3.10. Management Company and Investment Advice

The Board of Directors is responsible for the overall investment policy, objectives and management of the Company, and for its administration and for the investment policy and aim of each sub-fund within the overall objective.

The Board of Directors has appointed HSBC Investment Funds (Luxembourg) S.A. as Management Company to be responsible on a day to day basis, under the supervision of the Board of Directors, for providing administration, marketing, investment management and advice services in respect of all sub-funds. In respect of these sub-funds the Management Company has delegated the administration functions to the Administration Agent and registrar and transfer functions to the Registrar and Transfer Agent and the investment management functions to the Investment Adviser.

The Management Company was incorporated on 26 September 1988 as 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 a management company regulated by chapter 15 of the 2010 Law. 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 the list of which is available at the registered office of the Company.

The Management Company and the Investment Adviser are members of the HSBC Group which serves customers worldwide in 62 countries and territories.

For certain sub-funds, entities of the HSBC Group may invest an initial amount, known as 'seed capital'. This seed capital supports the operations of the sub-fund in its early existence prior to material external investment. As the size of the sub-fund increases, the relevant entity of the HSBC Group will withdraw all seed capital according to a set policy, and will manage any withdrawal with the best interests of the remaining shareholders in mind. While the seed capital is in the sub-fund, the seeding entity of the HSBC group may choose to hedge some or all of its risk exposures in the sub-fund to help manage balance sheet risks. Non-public information on the portfolio will for those purposes be solely made available to the investment manager hedging these risk exposures on behalf of the seed investor.

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 Board of Directors on a quarterly basis and inform each member of the Board of Directors without delay of any non-compliance of the Company with the investment restrictions.

The Management Company will receive periodic reports from the Investment Adviser detailing the sub-funds' 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.

### 3.11. Depositary Bank, Central Paying Agent, Registrar and Transfer Agent, Domiciliary Agent and Administration 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 Continental Europe, a public limited company incorporated pursuant to the laws of France with company registration number 775 670 284 RCS Paris. HSBC Continental Europe is a wholly owned subsidiary of HSBC Holdings plc. The Depositary Bank's registered office is located at 18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg and the principal business activity of the Depositary Bank is the provision of financial services, including depositary services. HSBC Continental Europe 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:

1. 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.
2. 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.
3. 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.
4. Ensuring that the value of the Shares is calculated in accordance with applicable Luxembourg law and the Articles of Incorporation.
5. Carrying out the instructions of the Company and/or the Management Company, unless they conflict with applicable Luxembourg law or the Articles of Incorporation.
6. Ensuring that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits.
7. 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 sub-delegates is available in the Fund Centre on HSBC Global Asset Management's website at [www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com).

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 wilful 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 sub-fund and/or to other funds or companies; acts as prime broker, banker, derivatives counterparty of the Company and/or a sub-fund; 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 interest 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 ninety (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.

### **Administration Agent**

HSBC Continental Europe, Luxembourg was appointed as administration agent of the Company pursuant to an agreement, which may be terminated by a notice given not less than ninety (90) days in advance by either party to the other.

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

As the Administration Agent, HSBC Continental Europe, Luxembourg, will assume all administrative duties that arise in connection with the administration of the Company, in particular, the Net Asset Value calculation and accounting function.

### **Registrar and Transfer Agent**

HSBC Continental Europe, Luxembourg was appointed as registrar and transfer agent of the Company pursuant to an agreement, which may be terminated by a notice given not less than ninety (90) days in advance by either party to the other.

HSBC Continental Europe, Luxembourg is responsible for the registrar function and the client communication function and, may, under its responsibility, delegate some of its functions to a third party service provider.

### **Domiciliary Agent**

ONE Corporate was appointed by the Company as Domiciliary Agent.

## **3.12. Distribution of Shares**

The Management Company, as Global Distributor has appointed different distributors, the names of which are listed in Appendix 4 "Directory". 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.

### **Representative and Distributor in the United Kingdom**

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 Financial Conduct Authority 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 Key Investor Information Documents, and the latest annual and half-yearly reports.

The UK Representative also provides information about the price of classes of Shares. 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 classes of Shares.

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

### **Representative and Distributor in Singapore**

HSBC Global Asset Management (Singapore) Limited has been appointed as representative and distributor of the Company in Singapore, to receive requests for purchase, redemption and conversion of Shares and to provide information to investors including its latest financial reports, the latest Prospectus and the latest Key Investor Information Documents.

### 3.13. Meetings and Reports

#### Meetings

The annual general meeting of Shareholders is held at the registered office of the Company or such other place as may be specified in the notice of meeting in Luxembourg within 6 months of the end of each accounting year.

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 may be communicated by registered mail (post) or in any manner as set forth in the Articles of Incorporation. 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 the 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.

#### Reports

The financial period of the Company ends on 31 December 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 sub-fund in the relevant currency in which its Net Asset Value is available to holders of registered Shares at the Company's registered office, at least 8 days before the annual general meeting.

In addition, an unaudited semi-annual report containing similar information is available to holders of registered Shares within two months of the end of the half-yearly period ending on 30 June. Copies of all reports are available at the registered office of the Company, and at the office of the U.K. Representative and Singapore Representative.

Information relating to a sub-fund's portfolio, at each month end, is available to Shareholders, an appropriate time after that month end. Shareholders should contact their usual HSBC distributor for such information. A small charge may be levied for the provision of this information.

### 3.14. Conflicts of Interest

The Management Company, the 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 agent 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 sub-fund. 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 sub-fund.

The Company may release portfolio holdings to the Investment Adviser and affiliates of the HSBC Group for the limited purposes of hedging seed capital, risk management, and for regulatory reporting purposes.

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 sub-fund. 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 the Investment Adviser, the sales agents, the Administration Agent, the Registrar and Transfer Agent or the Depositary Bank or with any of their affiliates, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length. The Investment Adviser 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 Shariah compliant forward foreign exchange and financial futures contracts.

### 3.15. Taxation

The following summaries are based on the Company's understanding of the current law, regulations and administrative practice in force at the date of this Prospectus and may accordingly change in the future.

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 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.

#### **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 sub fund. 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 or country.

Investors and potential investors should note the Section "Emerging Markets Risk" in Section 2.3. "General Investment Risks" and also refer to the information on the Foreign Account Tax Compliance Act (FATCA) in Section "Taxation of Shareholders" below.

## Taxation of the Company and its investments

### ◆ 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.

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

The sub-funds are, nevertheless, in principle, subject to a subscription tax (*taxe d'abonnement*) levied at the rate of 0.05% per annum based on their Net Asset Value 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 sub-fund authorised as money market funds in accordance with Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, hereinafter "Regulation (EU) 2017/1131", without prejudice to Article 175, letter b) of the 2010 Law. A reduced subscription tax rate of 0.01% per annum is also applicable to any sub-fund or Share classes provided that their shares are only held by one or more Institutional Investors.

A subscription tax exemption applies to:

- a. The portion of any sub-fund's assets (prorata) invested in a Luxembourg investment fund or any of its sub-funds to the extent it is subject to the subscription tax;
- b. Any sub-fund (i) whose securities are only held by Institutional Investor(s), (ii) that are authorised as short-term money market funds in accordance with regulation (EU) 2017/1131 and (iii) that have obtained the highest possible rating from a recognised rating agency. If several Share classes are in issue in the relevant sub-fund meeting (ii) and (iii) above, only those Share classes meeting (i) above will benefit from this exemption;
- c. Any sub-fund, whose securities are reserved for (i) institutions for occupational retirement pension or similar investment vehicles, set up on one or more employers' initiative for the benefit of their employees and (ii) companies of one or more employers investing funds they hold, to provide retirement benefits to their employees and (iii) savers in the context of a pan-European personal pension product established under Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European personal pension product (PEPP);
- d. Any sub-fund, whose main objective is the investment in microfinance institutions; and
- e. Any sub-fund, (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 sub-fund meeting (ii) above, only those Share classes meeting (i) above will benefit from this exemption.

The Company is considered as a taxable person for value added tax ("VAT") purposes without any input VAT deduction right. A VAT exemption applies in Luxembourg for services qualifying as fund management services. Other services supplied to the Company from abroad could require it to self-assess for VAT.

### ◆ Hong Kong SAR

The Company may be subject to Hong Kong SAR profits tax in relation to a particular sub-fund if it is treated as carrying on a trade or business in Hong Kong SAR either on its own account or through the agency of the investment adviser of that sub-fund. If the Company is treated as carrying on business in Hong Kong SAR, a liability to profits tax, the rate of

which is currently 16.5%, will only exist in respect of any profits of the relevant sub-funds which arise in or are derived from Hong Kong SAR from that trade or business, and which are not capital in nature.

Under Hong Kong SAR tax law and practice funds resident outside Hong Kong SAR ("**Offshore Funds**") are exempted from Hong Kong SAR profits tax providing certain conditions are met. It is intended that affairs of the Company shall be conducted as far as possible to comply with the conditions for exemptions from profits tax. However, the Company can offer no warranty that such exemptions will be obtained in every instance.

#### ◆ China

Where the Company invests in shares and securities issued by companies tax resident (or with their primary activity) in the PRC, securities issued by government agencies in the PRC or other permissible PRC investments, the Company may be subject to Corporate Income Tax ("**CIT**"), withholding and other taxes imposed in the PRC.

The tax laws, regulations and practice in the PRC are constantly changing, and they may be changed with retrospective effect. In particular, there is uncertainty as to whether and how capital gains are to be taxed. Therefore any provision for PRC tax liabilities that the Company may hold is likely to be excessive or inadequate to meet final PRC tax liabilities, and in particular (but not exclusively) in relation to gains derived from the disposal of PRC investments.

Consequently, the Company and Shareholders may be disadvantaged depending upon the final outcome of how PRC investment returns will be taxed.

Further details of the taxation of the Company's investments in the PRC can be found in Section Risks Associated with the People's Republic of China ("PRC").

#### ◆ India

The Income Tax Act, 1961 ("**ITA**") introduced the General Anti Avoidance Rule ("**GAAR**") which has been effective since 1 April 2017. Under GAAR, the Indian tax authorities have been given the power to re-characterise or disregard any arrangement which qualifies as an "impermissible avoidance arrangement" ("**IAA**"). This means an arrangement, the main purpose of which is to obtain a "tax benefit" (i.e., a reduction or avoidance of tax that would be payable under the ITA), and, amongst other things, which "lacks" or is "deemed to lack" commercial substance in whole or in part. The Income Tax Rules further clarify that a Foreign Portfolio Investor ("**FPI**") making investments in securities in the Indian market and availing any benefits under the double taxation avoidance agreement ("**DTAA**") could fall within the purview of GAAR. Accordingly, there is a risk that Indian tax authorities could deny tax exemption or relief claimed as per the provisions of the DTAA by invoking provisions of the GAAR. The Income Tax Rules also provide that investments made up to 31 March 2017 will be protected from the application of the GAAR.

Further details of the taxation of the Company's investments in the India can be found in Section 2.6 Risks Pertaining to Investment in Specific Countries or Sectors, India (Investment in India).

#### ◆ United Kingdom

It is the intention of the Board of Directors to conduct the affairs of the Company so that it does not become resident in the United Kingdom. On the basis that the Company is not resident in the United Kingdom for tax purposes, it should not be subject to United Kingdom corporation tax on its income and capital gains.

It is the intention of the Company that the assets held by the sub-funds will generally be held for investment purposes and not for the purposes of trading.

#### ◆ Withholding tax

Interest and dividend income received by the Company may be subject to non-recoverable withholding tax or assessed tax in the countries in which the Company's assets are invested. 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.

## 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

### ◆ OECD Common Reporting Standard Reporting

The OECD has developed, among other things, a global standard for the automatic exchange of information on financial accounts in tax matters (Common Reporting Standard, hereinafter "**CRS**"). 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. 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 assets holders and establish if they are tax 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 tax 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 section entitled "Privacy of Personal Information" of this Prospectus in compliance with Luxembourg data protection law. Information regarding a shareholder 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.

The information to be transmitted is essentially the following:

- Family name, first name, address, tax identification number, countries of residence as well as the date and place of birth of each reportable person,
- register number,
- register balance or value,
- credited capital gains, including sales proceeds.

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 does not satisfy the requirements under the CRS Law.

**The foregoing is only a summary based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and Investors and prospective investors should therefore seek advice from their financial or tax adviser on the full implications for themselves.**

### ◆ DAC6

On 25 May 2018, the EU Council adopted a directive (2018/822 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation) that imposes a reporting obligation on parties involved in

transactions that may be associated with aggressive tax planning ("**DAC6**"). DAC6 has been implemented in Luxembourg by the law of 25 March 2020 (the "**DAC6 Law**").

More specifically, the reporting obligation will apply to cross-border arrangements that, among others, meet one or more "hallmarks" provided for in the DAC6 Law that is coupled in certain cases, with the main benefit test (the "**Reportable Arrangements**").

In the case of a Reportable Arrangement, the information that must be reported includes, among others, the name of all relevant taxpayers and intermediaries as well as an outline of the Reportable Arrangement, the value of the Reportable Arrangement and identification of any member states likely to be concerned by the Reportable Arrangement.

The reporting obligation in principle rests with the persons that design, market or organise the Reportable Arrangement or provide assistance or advice in relation thereto (the so-called "**Intermediaries**"). However, in certain cases, the taxpayer itself can be subject to the reporting obligation.

The information reported will be automatically exchanged between the tax authorities of all Member States.

In light of the broad scope of the DAC6 Law, transactions carried out by the Company may fall within the scope of the DAC6 Law and thus be reportable.

**Investors should consult their professional advisors on the possible tax and other consequences with respect to the implementation of the CRS and DAC6.**

◆ Foreign Account Tax Compliance Act (FATCA)

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act ("**FATCA**") generally impose a U.S. federal reporting and withholding tax regime with respect to certain U.S. source income (including, among other types of income, dividends and interest) and gross proceeds from the sale or other disposal of property. The rules are designed to require certain U.S. person's direct and indirect ownership of certain non-U.S. accounts and non-U.S. entities to be reported to the U.S. Internal Revenue Service ("**IRS**").

The 30% withholding tax regime could apply if there is a failure to provide certain required information. On 28 March 2014, Luxembourg entered into an Intergovernmental Agreement ("**IGA**") in accordance with model 1, and a related memorandum of understanding with the United States of America to facilitate FATCA compliance and reporting. The IGA was transposed into Luxembourg law via the Law of 24 July 2015, as modified. 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 IRS.

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 foreign financial institution (FFI) and does not expect the 30% withholding tax applied to the gross amount of certain U.S. source income including dividends and proceeds from the sale or other disposal of property.

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 tax 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 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. In any case, Shareholders and potential investors should take note and acknowledge that the Company or the Management Company may be required to disclose to the Luxembourg tax

authority certain confidential information in relation to the investor and the Luxembourg tax authority may be required to automatically exchange such information with the IRS.

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.

## Luxembourg

Tax treatment varies depending on whether the shareholder is an individual or a corporate structure.

Individuals who are not or have not been tax resident in Luxembourg or collective entities who do not maintain a permanent establishment or have a permanent representative in Luxembourg to which the Shares are attributable, are not subject to any Luxembourg taxation on capital gains realized upon disposal of the Shares nor on the distribution received from the Company and the Shares will not be subject to net wealth tax.

If necessary, Shareholders or prospective investors should consult their professional advisers on the possible tax or other consequences of buying, holding, transferring or selling the Shares under the laws of their countries of citizenship, residence or domicile.

## 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 shareholders should include details of this income on an appropriate return to their local Inspector of Taxes.

**Shareholders should note that distributions paid by the Company comprise foreign distributions for UK tax purposes.**

**Shareholders who are individuals resident in the UK for taxation purposes ("UK resident individuals") will be liable to UK income tax on any distributions received from their Shares in the Company, even if they elect for such distributions to be reinvested. From 6 April 2016, there is no longer a notional 10% tax credit on dividend distributions.**

**The attention of UK resident individuals is drawn to sections 714 to 751 of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad and may render them liable to taxation in respect of undistributed income and profits of the Company.**

**The provisions of section 13 TCGA 1992 may apply to a holding in the Company. Where at least 50% of the Shares are held by five or fewer participators, then any UK person who (together with connected parties) holds more than 25% of the Shares may be taxed upon his proportion of the chargeable gain realised by the Fund as calculated for UK tax purposes.**

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

A UK Corporate Shareholder may be subject to tax under the loan relationship provisions of United Kingdom tax legislation when more than 60% of the investments of the sub-fund (in which the Shares are held) broadly comprise of assets in interest bearing (or economically similar) form. Under these provisions the change in value of the Shares in that sub-fund 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.

UK Corporate Shareholders should note that the “**controlled foreign companies**” legislation contained in Part 9A of TIOPA 2010 could apply to any UK resident company which is, either alone or together with persons connected or associated with it for taxation purposes, deemed to be interested in 25 per cent or more of any chargeable profits of a non-UK resident company, where that non-UK resident company is controlled by residents of the UK and meets certain other criteria (broadly that it is resident in a low tax jurisdiction). “**Control**” is defined in Chapter 18, Part 9A of TIOPA 2010. A non-UK resident company is controlled by persons (whether companies, individuals or others) who are resident in the UK for taxation purposes or is controlled by two persons taken together, one of whom is resident in the UK for tax purposes and has at least 40 per cent of the interests, rights and powers by which those persons control the non-UK resident company, and the other of whom has at least 40 per cent and not more than 55 per cent of such interests, rights and powers. The effect of these provisions could be to render such Shareholders liable to UK corporation tax in respect of the income of the sub-fund.

◆ UK Reporting Funds

Each class of Shares will constitute an “**offshore fund**” for the purposes of the offshore fund legislation contained in Chapter 8 of the Taxation (International and Other Provisions) Act 2010 (“**TIOPA**”). Chapter 8 of TIOPA and Statutory Instrument 2009/3001 (the “**Offshore Funds regulations**”) provides that if an investor who is resident in the United Kingdom for taxation purposes disposes of a holding in an offshore entity that constitutes an “**offshore fund**” and that offshore fund does not qualify as a Reporting Fund throughout the period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal of that interest (including a deemed disposal on death) will be taxed at the time of such sale, redemption or other disposal as income (“**offshore income gains**”) and not as a capital gain.

These provisions do not apply if the Company (generally or in respect of the relevant share classes) successfully applies for reporting fund status and retains such status throughout the period during which the Shares are held. In order for a class to qualify as a reporting fund, the Company must apply to HM Revenue & Customs (“**HMRC**”) for entry of the relevant share classes into the regime (“**Reporting Fund**”). For each accounting period, it must then report to investors reportable income attributable to the relevant classes, that report being made within six months of the end of the relevant accounting period.

Under the offshore fund rules, investors in Reporting Funds are subject to tax on their share of the Reporting Fund's income for an accounting period, whether or not the income is actually 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. UK resident holders of Accumulation Share Classes should therefore be aware that they will be required to account for and pay tax on income which has been reported to them in respect of their holdings on an annual basis through their tax return, even though such income has not been distributed to them.

Shareholders holding shares in a non-reporting offshore fund which converts to a reporting status fund can elect to make a deemed disposal on the time of conversion. 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 majority of Shares in the Company are managed with a view to them qualifying as Reporting Funds for UK taxation purposes, and accordingly any capital gain on disposal of Shares in the Company should not be reclassified as an income gain under the UK's offshore fund rules. A full list of reporting Share Classes is available from the Management Company on request. A list of Reporting Funds and their certification dates is published on the HMRC webpage: <https://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds>.

In accordance with the Offshore Funds legislation, the Company intends to meet the reporting requirements by making available to Shareholders the information required in The Offshore Funds (Tax) Regulations 2009 within 6 months of the Company's year end at [www.assetmanagement.hsbc.com/fundinfo](http://www.assetmanagement.hsbc.com/fundinfo). Alternatively, Shareholders may if they so require, request a hard copy of the reporting fund data for any given year. Such requests must be made in writing to the registered address of the Global Distributor.

It is the Investor's responsibility to calculate and report their respective total reportable income to HMRC based on the number of Shares held at the end of the reporting period. In addition to reportable income attributable to each Fund Share, the report will include information on amounts distributed per Share and the dates of distributions in respect of the reporting period.

However, Shareholders and potential shareholders should note that whether UK reporting fund status is obtained and retained for a particular Share Class may be subject to changes in HM Revenue and Customs' practice or other matters outside of the Company's control.

#### ◆ Genuine Diversity of Ownership

Chapter 6 of Part 3 of the Offshore Funds regulations provides that specified transactions carried out by a UCITS fund, such as the Company, will not generally be treated as trading transactions for the purposes of calculating the reportable income of reporting funds that meet a genuine diversity of ownership condition. The Directors confirm that all classes registered for reporting fund status are primarily intended for and marketed to retail and institutional investors.

For the purposes of the applicable regulations, the Directors undertake that all such classes in the Company will be widely available and will be marketed and made available sufficiently widely to reach the intended category of investors and in a manner appropriate to attract those kinds of investors.

### 3.16. 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.assetmanagement.hsbc.com/about-us/our-governance](http://www.assetmanagement.hsbc.com/about-us/our-governance). A paper copy is available free of charge upon request at the Management Company's registered office.

### 3.17. Benchmark Regulation

At the date of this Prospectus, the benchmark used by the Company's only sub-fund, the Dow Jones Islamic Market Titans 100 index, is a non-EU benchmark included in ESMA's register of third country benchmarks pursuant to Regulation (EU) 2016/1011 (the "**Benchmark Regulation**").

The Management Company maintains a written plan setting out the actions that will be taken in the event of the benchmark materially changing or ceasing to be provided which is available free of charge at the Management Company's registered office.

## Section 4. Sub-Fund Information

### General

The Company seeks to provide a comprehensive range of sub-funds combined with professional management for the purpose of spreading investment risk and to satisfy the requirements of investors seeking income, capital preservation and growth. All investments will meet Shariah principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors.

### 4.1. HSBC Islamic Funds – HSBC Islamic Global Equity Index Fund

#### ◆ Reference Currency

USD

#### ◆ Investment Objective

The sub-fund aims to track the performance of a world index, through investment in a diversified portfolio of securities as defined by the relevant index, which meets Islamic investment principles as interpreted and laid down by the Shariah Committee and provided to the Board of Directors. These principles are expressed in the section 1. "Investment Policy of the Sub-Funds".

#### ◆ Derivatives

The sub-fund may use Shariah compliant foreign exchange forwards for hedging purposes.

#### ◆ Investment Adviser

HSBC Global Asset Management (UK) Limited

#### ◆ Fees, Expenses and Type of Shares

Class of Shares <sup>1</sup>	A	B	E	I	R	S <sup>2</sup>	W <sup>2</sup>	Y <sup>3</sup>	Z
Management Fee (%)	0.75	0.375	1.53	0.375	1.375	0.00	0.00	0.00	0.00
Operating, Administrative and Servicing Expenses (%) <sup>4</sup>	0.25	0.25	0.25	0.20	0.25	0.00	0.00	0.30	0.20

1. For further details of available Classes of Shares, please refer to Section 1.2 Type of Shares.

2. S and W Shares will incur no charges. All the fees and charges allocated to such class of Shares will be paid directly by members or affiliated entities of the HSBC Group.

3. Y Shares incur operating, administrative and servicing expenses fixed at 0.30% of Net Asset Value per annum.

4. Operating, administrative and servicing Expenses are maximum. The amount paid will be disclosed in the Company's semi-annual and annual reports.

Please refer to the section 2.9 "Charges and Expenses" for information related to management fee and operating, administrative and servicing expenses.

#### ◆ Dow Jones Islamic Market Titans 100 index

The Dow Jones Islamic Market Titans 100 index (the "Index") is designed to measure the performance of the largest 100 stocks traded globally that pass rules-based screens for adherence to Shariah investment guidelines.

Securities in the Index are weighted by float-adjusted market capitalisation. Each component's weight is capped at 10% of the Index's total free-float market capitalisation. Weights are reviewed on a quarterly basis.

The Index is calculated and published by S&P Dow Jones (the “**Index Provider**”) on a daily basis, using the closing price of each component stock. For stocks that did not trade on the current day, the closing prices or adjusted closing prices from the previous trading day are used.

The Index is available on Bloomberg and on the following website (<http://supplemental.spindices.com/supplemental-data/eu>).

The Investment Adviser, the Company and the Management Company are part of the HSBC Group. There are rigorous processes in place to manage any conflict of interests. The Investment Adviser, the Management Company and/or the Company are not involved in the calculation and publication of the Index.

- **Methodology**

The Index methodology uses a screening process to determine whether a security is eligible for inclusion in the Index. Index components are selected by filtering the Index universe through screens for business activities and financial ratios to remove stocks that are not suitable for Islamic investment purposes.

Business activities which are excluded from inclusion of the Index are: alcohol, tobacco, pork-related products, conventional financial services, weapons and defences, certain entertainment.

- **Maintenance**

The Index undergoes a full review in September. On a quarterly basis, March, June, September and December the Index may be rebalanced. The Index is also reviewed on an ongoing basis to account for corporate actions such as mergers, delistings or bankruptcies.

- **Constituent Securities of the Index**

The 10 largest Index constituents by index weight are published on a monthly basis and the latest information can be assessed at [www.spglobal.com](http://www.spglobal.com).

#### ◆ **Replication**

The Investment Adviser will fully replicate the Index.

Full Replication refers to an investment strategy employed by index tracking sub-funds to track an index. The sub-fund will seek to invest in all of the securities or equivalent instruments (for example ADR and GDRs) of the Index and in the same proportions in which they are included in the Index. In order to track the performance of the Index, the sub-fund may invest up to 20% of its Net Asset Value in shares issued by the same body. This limit may be raised to 35% for a single issuer when exceptional market conditions apply. The sub-fund may need to hold a small proportion of their assets in cash in order to manage subscriptions and redemptions efficiently.

#### ◆ **Tracking Error**

The anticipated level of tracking error in normal market conditions is 0.2%.

#### ◆ **Concentration Risk**

The Index may be concentrated in companies operating in certain markets or securities listed in certain stock exchanges; therefore any situation impacting such markets or stock exchanges may also impact the Index and the sub-fund’s performance.

#### ◆ **Index Calculation Risk**

The Investment Adviser has entered into an agreement with S&P Dow Jones. Under such agreement S&P Dow Jones will calculate the Index which will be used by the Investment Adviser to manage the sub-fund. The agreement is subject to an annual review.

The sub-fund may be terminated if the Index ceases to be compiled or published and there is no replacement index using the same or substantially similar formula for the method of calculation as used in calculating the relevant Index.

The Index is calculated by the Index Provider without any consideration to the performance of the sub-fund. The Index Provider makes no representation or warranty, express or implied, to investors in the sub-fund or other persons regarding the advisability of investing in the sub-fund. There is no assurance that the Index Provider will compile the Index accurately, or that the Index will be determined, composed or calculated accurately. In addition, the process and the basis of computing and compiling the Index and any of its related formulae, constituent companies and factors may at any time be changed or altered without notice.

◆ **Composition of the Index Risk**

The composition of the Index may change (e.g. securities delisted). The Investment Adviser will seek to implement any change to the Index composition but there is no guarantee the sub-fund will accurately reflect the composition of the Index at any given time.

◆ **Index Replication Risk**

As the sub-fund will seek to track (replicate) an index, by investing directly in the components of the index, any fluctuation/volatility of the index may result in increases/decreases of the sub-fund valuation. The Investment Adviser will not seek to select stocks or take defensive positions in declining markets. Therefore, should the index fall, index sub-funds tracking such index would also fall and investors may lose a significant part of their investments.

Furthermore, there is no guarantee that the sub-fund's performance will exactly replicate the index performance. This could be caused, amongst others, by transaction costs, corporate actions, timing variances.

◆ **Factors which may impact the ability of a sub-fund to track an index**

- Transaction costs incurred as a result of an index rebalance: in order to maintain the proportion of each security aligned with the tracked index, a sub-fund will need to buy/sell securities whenever the tracked index rebalances/changes its components. These will include any transaction taxes.
- Custody costs: these are incurred by a sub-fund for holding the securities it invests in. Custody costs vary by market.
- Dividend/reinvestments: a sub-fund may receive dividends as a result of owning stocks. This will usually be paid in cash. A sub-fund will usually retain a proportion of cash to be able to deal with day-to-day sub-fund management operations to minimise the need to sell any securities. Dividends may sometimes be kept in cash until enough payments have accumulated in order to reinvest in the sub-fund's securities.
- Taxes: a sub-fund may be liable for taxes such as withholding tax or capital gains tax.
- Corporate actions: in some instances, the treatment of specific corporate actions (e.g. dividend payments) by the index may differ from how the fund treats such corporate action and calculates its NAV.

# Appendices

## Appendix 1. Glossary

The following summarises the principal features of the Company and should be read in conjunction with the full text of this Prospectus.

<b>2010 Law</b>	Luxembourg Law of 17 December 2010 on undertakings for collective investment, implementing the Directive into the Luxembourg law.
<b>Administration Agent</b>	HSBC Continental Europe, Luxembourg.
<b>Articles of Incorporation</b>	Articles of incorporation of the Company, as amended from time to time.
<b>Board of Directors</b>	the board of directors of the Company.
<b>Business Day</b>	A day on which banks are open for normal banking business in Luxembourg.
<b>CHF</b>	Swiss Franc.
<b>Company</b>	HSBC Islamic Funds.
<b>CSSF</b>	Commission de Surveillance du Secteur Financier, the Luxembourg supervisory authority.
<b>Connected Person</b>	In relation to a company means: <ul style="list-style-type: none"> <li>• 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>• any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or</li> <li>• any member of the group of which that company forms part; or</li> <li>• any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).</li> </ul>
<b>Dealing Currency</b>	Any other currency, as determined by the Directors, that investments may be made in.
<b>Dealing Day</b>	For <b>HSBC Islamic Funds – HSBC Islamic Global Equity Index Fund</b> : any Business Day (other than days during a period of suspension of dealing in Shares and other than the Business Day immediately following the end of a period of such suspension). For all sub-funds materially invested in North American markets, any Business Day (other than days during a period of suspension of dealing in Shares), except a Business Day following the day where stock exchanges and Regulated Markets in such countries were closed 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>Depository Bank</b>	HSBC Continental Europe, Luxembourg.
<b>Directive</b>	The European directive 2009/65/EC as amended.
<b>Global Distributor</b>	HSBC Investment Funds (Luxembourg) S.A., acting as global distributor of the Company.
<b>Eligible State</b>	Any Member State of the EU or any other state in Eastern and Western Europe, Asia, Africa, Australia, North America, South America and Oceania.

<b>Emerging Markets</b>	Emerging Markets are those markets in countries that are not amongst the following groups of industrialised countries: United States of America 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>EU</b>	European Union.
<b>EUR</b>	Euro.
<b>FPI</b>	Foreign Portfolio Investor, as defined in the Regulations issued by the Securities and Exchange Board of India.
<b>FSMA</b>	Financial Services and Markets Act 2000.
<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>Green Card Holder</b>	An individual who is a US permanent resident (even if they do not actually reside in the US).
<b>Home Currency</b>	Currency that is the primary currency in an investor's home jurisdiction/country of domicile
<b>HSBC or HSBC Group</b>	Collectively and individually, HSBC Holdings plc, its affiliates, subsidiaries, associated entities and any of their branches and offices, and any member of the HSBC Group.
<b>Institutional Investor</b>	An investor (or investors) qualifying as an institutional investor(s) within the meaning of article 174 of the 2010 Law.
<b>INR</b>	Indian Rupee.
<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. In the case of the sub-fund, money market instruments are non-interest bearing and comply with the Shariah Screen.
<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 "Calculation of Net Asset Value " under section "Price of Shares".
<b>OECD</b>	Organisation for Economic Co-operation and Development.
<b>PRC</b>	People's Republic of China.
<b>Qualifying Day</b>	Any day which is a Dealing Day for both sub-funds involved in a conversion.
<b>Reference Currency</b>	The base currency of the sub-fund, and the currency in which the Net Asset Value of the sub-fund will ordinarily be calculated. Individual Share classes may have different currency denominations which denote the currency in which the Net Asset Value per Share is expressed. However it does not necessarily correspond to the currency in which the Sub-Fund's assets are invested at any point in time.
<b>Registrar and Transfer Agent</b>	HSBC Continental Europe, Luxembourg.

<b>Regulated Market</b>	A regulated market as defined in the Directive 2014/65/EU of 15 May 2014 on markets in financial instruments (Directive 2014/65/EU), namely a market which appears on the list of the regulated markets drawn up by each EU Member State, which functions regularly, is characterized by the fact that regulations issued or approved by the competent authorities define the conditions for the operation of the market, the conditions for access to the market and the conditions that must be satisfied by a financial instrument before it can effectively be dealt in on the market, requiring compliance with all the reporting and transparency requirements laid down by the Directive 2014/65/EU and any other market which is regulated, operates regularly and is recognised and open to the public in an Eligible State.
<b>RMB</b>	The official currency of the PRC – to be read as a reference to onshore Renminbi (CNY) and/or offshore Renminbi (CNH) as the context requires.
<b>SFDR</b>	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.
<b>SGD</b>	Singapore Dollar.
<b>Shares</b>	Shares in the Company.
<b>Shareholder</b>	A natural person, company or organisation that owns Shares in the Company.
<b>Shariah</b>	Divine Islamic ‘law’ as revealed in (i) the <b>Qur’an</b> , which is the holy book of Islam, (ii) the <b>sunna</b> , or binding authority of the dicta and decisions of the Prophet Mohammed (peace be upon him), (iii) <b>ijma</b> , or ‘consensus’ of the community of Islamic scholars, and (iv) the <b>qiyas</b> , or analogical deductions and reasoning of the Islamic scholars with respect to the foregoing) (collectively, the " <b>Shariah</b> ") and as interpreted by the Shariah Committee.
<b>Shariah Committee</b>	The Global Shariah Supervisory Committee comprised of Islamic scholars and organised by HSBC Bank Middle East Limited. The Shariah Committee advises the Management Company and the Investment Adviser to ensure sub-funds’ compliance with Shariah precepts.
<b>Shariah Investment Restrictions</b>	All investments made by the Company shall be subject to the Shariah Screens. The Shariah Committee shall advise appropriate Shariah Screens to the Company which the Company then expects to adopt. The Shariah Screens are applied by the Investment Adviser and are subject to change as recommended by the Shariah Committee from time to time. In particular, the Company will adhere to the guidelines laid out by the Shariah Committee in all aspects of its activities, including (without limitation) the investment methodologies to be adopted in connection with the acquisition and disposal of assets and investments. The Shariah Screens may consist of sectoral, financial and any other screens as determined by the Shariah Committee, from time to time.
<b>Shariah Screens</b>	The Company intends that its policies, activities and investments will be in compliance with the principles and precepts of Shariah and will be conducted under the supervision and guidelines (the " <b>Shariah Screens</b> ") established by the Shariah Committee. Therefore, based upon current Shariah Screens criteria and subject to the standards established from time to time by the Shariah Committee, investments will be Shariah-compliant.
<b>Taxonomy Regulation</b>	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>	Shall mean: <ul style="list-style-type: none"> <li>• shares and other securities equivalent to shares,</li> <li>• Sukuk or Islamic bonds and other debt instruments,</li> <li>• any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange,</li> </ul>

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excluding techniques and instruments relating to transferable securities and money market instruments.

For all sub-funds, transferable securities are non-interest bearing securities which comply with the Shariah Screens.

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<b>UCITS</b>	An Undertaking for Collective Investment in Transferable Securities authorised pursuant to the Directive.
<b>Eligible UCI</b>	An Undertaking for Collective Investment within the meaning of Article 1, paragraph (2), point (a) and point (b) of the Directive.
<b>USD</b>	United States Dollar.
<b>US Citizen</b>	An individual born in the US or an individual whose parent is a US citizen or a former alien who has been naturalised as a US citizen.
<b>US Law</b>	The laws of the US, 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 (including a US Citizen or Green Card Holder) who is a resident of the US under any US Law;</li> <li>2. An individual who is a US Citizen or Green Card Holder who has not formally renounced their US citizenship (including a person with dual or multiple nationality) even though they may reside outside of the US;</li> <li>3. 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 organised under US Law; or</li> <li>b. Created (regardless of domicile of formation or organisation) principally for passive investment (for example, an investment company, fund or similar entity excluding employee benefit or pension plans); and <ol style="list-style-type: none"> <li>i. 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); or</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; or</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; or</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>4. A trust: <ol style="list-style-type: none"> <li>a. created or organised under US Law; or</li> <li>b. where, regardless of domicile of formation or organisation: <ol style="list-style-type: none"> <li>i. Any settler, founder, trustee, or other person responsible in whole or in part for investment decisions for the trust is a USP;</li> </ol> </li> </ol> </li> </ol>

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- ii. the administration of the trust or its formation documents are subject to the supervision of one or more US courts; or
  - iii. The income of which is subject to US income tax regardless of source.
5. An estate of a deceased person:
- 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
  - 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.
6. An employee benefit or pension plan that is:
- 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.
7. 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 organised 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.

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## Appendix 2. General information

### Incorporation and Registration

The Company was incorporated as a **Société Anonyme** qualifying as a **Société d'Investissement à Capital Variable** on 3 April 2000 and exists at present for an unlimited period and qualifies as an undertaking for collective investment in transferable securities under the 2010 Law.

It is registered under Number B74.964 at the **Registre de Commerce et des Sociétés** of Luxembourg where its Articles of Incorporation are available for inspection and where copies thereof may be obtained upon request.

The Company's constitution deed was published in the **Mémorial** on 12 May 2000. The Articles of Incorporation have been restated for the last time on 5 December 2022 (effective as from 11 November 2022). This restatement was published in the the **Recueil Electronique des Sociétés et Associations** on 6 December 2022.

### Sub-Funds

The proceeds from the allotment and allocation of Shares relating to each sub-fund are applied in the books of the Company to the portfolio of transferable securities and other permitted investments which represent the sub-fund, and the assets, and liabilities and income and expenditure attributable to that sub-fund are applied thereto. These rules shall apply mutatis mutandis to the different classes in a sub-fund.

The Board of Directors may in the books of the Company transfer any assets to and from the sub-fund if, as a result of a credit or proceeding against certain of the assets of the Company or otherwise, a liability would be borne in a different manner from that in which it would otherwise be borne, or in any similar circumstances.

Save as otherwise provided the assets held in each sub-fund are to be applied solely in respect of the Shares which relate to the sub-fund to which each portfolio applies.

The liabilities shall be segregated on a sub-fund by sub-fund basis with third party creditors having recourse only to the assets of the sub-fund concerned.

### Shares

#### 1. Voting

At general meetings of Shareholders 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 sub-fund or class is entitled at any separate meeting of the holders of Shares relating to that sub-fund or class to one vote for each whole Share relating to that sub-fund or class of which he is the holder.

#### 2. Joint Holders

The Company shall register registered Shares jointly in the names of not more than four 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.

#### 3. Rights on a Winding-Up

- i. On a winding-up, assets available for distribution amongst the shareholders shall be applied first in the payment to the holders of Shares relating to each sub-fund of any balance remaining in the relevant portfolio of assets in proportion to the number of Shares relating to that sub-fund held, and secondly in the payment to the holders of Shares of any balance then remaining and not comprised in any of the sub-funds, such balance being apportioned as between the sub-funds pro-rata to the Net Asset Value of each sub-fund immediately prior to any distribution to shareholders on a winding-up and payment being made of the amounts so apportioned to the holders of Shares relating to each sub-fund in proportion to the number of Shares relating to that sub-fund

held. Monies to which shareholders are entitled will, unless claimed prior to the close of the liquidation, be deposited at the **Caisse de Consignation** in Luxembourg to be held on their behalf.

- ii. The liquidators may transfer all assets and liabilities of the Company to a Luxembourg UCITS against the issue to shareholders of Shares of such entity proportionate to their shareholdings in the Company.
- iii. If the Company shall be voluntarily liquidated, its liquidation will be carried out in accordance with the provisions of the 2010 Law relating to collective investment undertakings which specifies 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 law. In such event the forfeited escrow will, where possible, be paid to a nominated charity.
- iv. With the consent of Shareholders expressed in the manner provided for by Articles 450-3 and 1100-2 of the 1915 Law, the Company may be liquidated and the liquidator authorised subject by any one month's prior notice to Shareholders and upon a decision by majority vote of two thirds of Shareholders to transfer all assets and liabilities of the Company to a Luxembourg UCITS having substantially the same characteristics as the Company in exchange for the issue to Shareholders of the shares of such corporation or fund proportionate to their shareholdings in the Company.

#### 4. Class Rights and Restrictions

- i. Shares are divided into classes designated by reference to the sub-fund to which the class relates. They have no preferential or preemption rights and are freely transferable, save as referred to below.
- ii. The Board of Directors may impose or relax restrictions on any Shares or sub-fund (other than any restriction on transfer but including the requirement that Shares be issued only in registered form) (but not necessarily on all Shares within the same sub-fund), and if necessary require transfer of Shares, as they may think 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 Board of 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.
- iii. The rights attaching to the Shares relating to any sub-fund or class (subject to the terms of issue) may only be varied with the sanction of a resolution passed at a separate general meeting of holders of Shares relating to that sub-fund or class by a majority of two-thirds of the votes cast. The provisions of the Articles of Incorporation relating to General Meetings shall mutatis mutandis apply to every separate general meeting save that the quorum shall be the holders of not less than one half of the issued Shares relating to that sub-fund or class, or, at an adjourned meeting, any one person holding Shares relating to that sub-fund or class (or in either case the proxies of such persons). Two or more sub-funds or classes may be treated as a single sub-fund or class if such sub-funds or classes would be affected in the same way by the proposals requiring the approval of holders of Shares relating to the separate sub-funds or classes.

#### **Suspension of the Calculation of the Net Asset Value and Issue, Allocation, Conversion, Redemption and Repurchase of Shares**

The Management Company, on behalf the Company may suspend the issue allocation and the redemption and repurchase of Shares relating to any sub-fund or class as well as the right to convert Shares relating to a sub-fund into those relating to another sub-fund and the calculation of the Net Asset Value per Share relating to any sub-fund or class:

1. 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 sub-fund for the time being are quoted, is closed (otherwise than for ordinary holidays), or during which dealings are substantially restricted or suspended;

2. during the existence of any state of affairs which constitutes an emergency as a result of which disposal of investments of the relevant sub-fund by the Company is not possible;
3. during any breakdown in the means of communication normally employed in determining the price of any of the relevant sub-fund's investments or the current prices on any market or stock exchange;
4. 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 sub-fund's investments is not possible; or
5. if the Company is being or may be wound up on, or following the date on which notice is given of the General Meeting of Shareholders at which a resolution to wind up the Company is to be proposed.

The Company shall cease the issue, allocation, conversion, redemption and repurchase 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, redemption or repurchase of their Shares will be promptly notified in writing of any such suspension and of the termination thereof.

In accordance with the 2010 Law, the issue and redemption of Shares shall be prohibited:

1. during the period where the Company has no depositary; and
2. where the Depositary Bank is put into liquidation or declared bankrupt or seeks an arrangement with the creditors, a suspension of payment or a controlled management or is the subject of similar proceedings.

#### **Dissolution, Redemptions, Termination and Amalgamation of sub-funds**

1. 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.
2. 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 Board of Directors must submit the question of dissolution of the Company to a general meeting of Shareholders, 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.
3. The Board of Directors may decide to liquidate any sub-fund if the net assets of such sub-fund fall below US\$ 25,000,000 or if a change in the economic or political situation relating to the sub-fund concerned would justify such liquidation or if laws and regulations applicable to the Company or any of its sub-funds so justifies it, or in order to proceed to an economic rationalization or if the interests of the shareholders would justify it.

The decision to liquidate will be published or notified to the shareholders of the sub-fund by the Company to the extent possible prior to the effective date of the liquidation and the publication or 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 sub-fund concerned may continue to request redemption or conversion of their Shares. Liquidation proceeds which cannot be distributed to their beneficiaries upon the close of the liquidation of the sub-fund concerned will be deposited with the *Caisse de Consignation* on behalf of their beneficiaries. The Board of Directors will endeavour to contact the beneficiaries concerned for a period of not less than nine months before transferring 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 taken by the shareholders, the decision to liquidate a sub-fund may be taken at a meeting of the relevant shareholders instead of being taken by the Board of Directors. At such class 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 and/or published by the Company.

Any merger (i.e. national and/or cross-border mergers) or split of a sub-fund or class shall be decided upon 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 sub-fund or class 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 a sub-fund where, as a result, the Company ceases to exist, the merger shall be decided by a meeting of Shareholders for which no quorum is required and the decision must be approved by Shareholders with a simple majority of the votes cast.

Any merger of a class will follow the main principles applicable to UCITS mergers set out in the 2010 Law.

### **Auditor**

The Company's auditor is PricewaterhouseCoopers, Société cooperative, 2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg, Grand Duchy of Luxembourg.

### **Other information**

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 and at the offices of Representatives in Singapore:

1. the Articles of Incorporation
2. the material contracts
3. the most recent Prospectus,
4. the most recent Key Information Documents; and
5. the latest financial reports.

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.

### **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 4 or the Management Company, 18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg.

## Appendix 3. General Investment Restrictions

### Company Investment Restrictions

Each sub-fund of the Company or where a UCITS comprises more than one sub-fund, each such sub-fund shall be regarded as a separate UCITS for the purposes of this Appendix. The Board of Directors shall, based upon the principle of spreading of risks and subject to the Shariah Investment Restrictions and Shariah principles as interpreted and laid down by the Shariah Committee, have power to determine the investment policy for the investments of the Company in respect of each sub-fund, and the currency of denomination of a sub-fund.

- I. 1. The Company may invest in Shariah compliant:
  - a. transferable securities and money market instruments admitted to or dealt in on a Regulated Market;
  - b. 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 one year of the issue;
  - c. units of UCITS and/or other UCIs, whether situated in an EU Member State or not, provided that:
    - such other 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 Community law, and that cooperation between authorities is sufficiently ensured,
    - the level of protection for unitholders in such other 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 the Directive,
    - the business of such other 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,
    - no more than 10% of the net assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs;
  - d. 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 an EU Member State or if the registered office of the credit institution is situated in a non-EU Member State provided that it is subject to prudential rules considered by the Luxembourg supervisory authority as equivalent to those laid down in Community law;
  - e. subject to Shariah Committee's approval, financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:
    - the underlying consists of instruments covered by this section (I) (1), financial indices, interest rates, foreign exchange rates or currencies, in which the sub-fund may invest according to its investment objective;
    - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority;
    - 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
  - f. money market instruments other than those dealt in on a Regulated Market, 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:

- issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU 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 EU Member States belong, or
- issued by an undertaking any securities of which are dealt in on Regulated Markets, or
- issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by the 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 Community law, or
- 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 sub-fund 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 sub-fund in transferable securities or money market instruments issued by the same issuing body.
- ii. The Company may not invest more than 20% of the net assets of any sub-fund in deposits made with the same body. The risk exposure of a sub-fund to a counterparty in a Shariah-compliant OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in I. (1) d) above or 5% of its net assets in other cases.
- b. Moreover, where the Company holds on behalf of a sub-fund investments in transferable securities and money market instruments of issuing bodies which individually exceed 5% of the net assets of such sub-fund, the total of all such investments must not account for more than 40% of the total net assets of such sub-fund.

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 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 sub-fund:

- investments in transferable securities or money market instruments issued by that single body;
- deposits made with that body; or
- exposure arising from OTC derivative transactions undertaken with that body.

c. The limit of 10% laid down in sub-paragraph a) (i) above is increased to a maximum of 35% in respect of transferable securities or money market instruments which are issued or guaranteed by an EU Member State, its local authorities, or by another Eligible State or by public international bodies of which one or more EU Member States are members.

d. The limit of 10% laid down in sub-paragraph a) (i) is increased to 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State of the EU 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 return.

If a sub-fund 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 assets of the sub-fund.

- e. The transferable securities and money market instruments referred to in paragraphs c) and d) shall not be included in the calculation of the limit of 40% in paragraph b).

The limits set out in paragraphs a), b), c) and d) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or in derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of any sub-fund'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 sub-fund 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 sub-fund, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by a Member State of the EU, by its local authorities or agencies, 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 of the EU are members, provided that such sub-fund must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the net assets of such sub-fund.**

- IV. a. Without prejudice to the limits laid down in paragraph V., the limits provided in paragraph III. are raised to a 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 sub-fund 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 sub-fund'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. a. The Company may not acquire shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body.
- b. 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.
- c. These limits under 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 of the EU or its local authorities or by any other Eligible State, or issued by public international bodies of which one or more Member States of the EU 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 of the EU 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 of the EU complies with the limits laid down in paragraph III., V. and VI. a), b) and c).

- VI. a. The Company may acquire units of the UCITS and/or other UCIs referred to in paragraph I) (1) c), provided that no more than 10% of a sub-fund's net assets be invested in the units of UCITS or other UCIs or in one single such UCITS or other UCI.
- b. The underlying investments held by the UCITS or other UCIs in which the Company invests do not have to be considered for the purpose of the investment restrictions set forth under III. above.
- c. When the Company invests in the units of UCITS and/or other UCIs that are managed, directly or by delegation, by the Management Company or by any other company with which the Management Company is linked by common management or control, or by a substantial direct or indirect holding, the Management Company or other company cannot charge subscription or redemption fees on account of the Company's investment in the units of such other UCITS and/or UCIs.

If any sub-fund's investments in UCITS and other UCIs constitute a substantial proportion of the sub-fund's assets, the total management fee (excluding any performance fee, if any) charged both to such sub-fund itself and the other UCITS and/or other UCIs concerned shall not exceed 3.00 % of the relevant assets. The Company will indicate in its annual report the total management fees charged both to the relevant sub-fund and to the UCITS and other UCIs in which such sub-fund has invested during the relevant period.

- d. The Company may acquire no more than 25% of the units of the same UCITS or other 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. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS or other UCI concerned, all compartments combined.
- VII. The Company shall ensure for each sub-fund that the global exposure relating to financial derivative instruments does not exceed the net assets of the relevant sub-fund.

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 following 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 paragraph III above.

When the Company invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraph III.

When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this paragraph VII.

- VIII. a. The Company may not borrow for the account of any sub-fund amounts in excess of 10% of the net assets of that sub-fund, any such borrowings to be from banks and to be effected only on a temporary basis, provided that the Company may acquire foreign currencies by means of back to back loans.
- 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 acquiring transferable securities, money market instruments or other financial instruments referred to in I. (1) c), e) and f) which are not fully paid.
- 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.

- IX. a. The Company needs not comply with the limits laid down in the above mentioned investment restrictions when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets. While ensuring observance of the principle of risk spreading, recently created sub-funds may derogate from paragraphs III., IV. and VI. a), b) and c) for a period of six months following the date of their creation.
- b. If the limits referred to in paragraph a) 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 interest 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.

## Appendix 4. Directory

### Registered Office

4, rue Peternelchen L-2370 Howald, Grand Duchy of Luxembourg

### Board of Directors of the Company

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**Anthony Jeffs** (Chairman)

Global Head of Product  
HSBC Global Asset Management Limited  
8 Canada Square, London E14 5HQ, United Kingdom

**Eimear Cowhey**

Independent Director  
Dublin, Ireland

**Dr. Michael Boehm**

Chief Operating Officer  
HSBC Global Asset Management (Deutschland) GmbH  
Hansaallee 3, 40549 Düsseldorf, Germany

**Matteo Pardi**

Head of International Markets  
HSBC Global Asset Management (France)  
Italian Branch  
Via San Prosato 3,  
20121 Milano, Italy

**Carine Feipel**

Independent Director  
Luxembourg, Grand Duchy of Luxembourg

**Timothy Palmer**

Independent Director  
London, United Kingdom

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### Management Company

HSBC Investment Funds (Luxembourg) S.A.  
18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg

### Board of Directors of the Management Company

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**Edmund Stokes** (Chairman)

Chief Operating Officer  
HSBC Global Asset Management Limited  
8 Canada Square, London E14 5HQ United Kingdom

**Jon Griffin**

Independent Director  
Grand Duchy of Luxembourg

**Natasha Cork**

Chief Risk and Compliance Officer  
HSBC Global Asset Management Limited  
8 Canada Square, London E14 5HQ United Kingdom

**Cecilia Lazzari**

Conducting Officer & Chief Risk Officer  
HSBC Investment Funds (Luxembourg) S.A.  
18 Boulevard de Kockelscheuer, L-1821 Luxembourg,  
Grand Duchy of Luxembourg

**Susanne Van Dootingh**

Independent Director  
6, Nekkedelle, 3090, Overrijse, Belgium

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### Investment Adviser

**HSBC Global Asset Management (UK) Limited**

8, Canada Square, London E14 5HQ, United Kingdom

## Share Distributors

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### Global Distributor

HSBC Investment Funds (Luxembourg) S.A.  
18 Boulevard de Kockelscheuer, L-1821 Luxembourg,  
Grand Duchy of Luxembourg

### United Kingdom Representative and Distributor

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

### Distributor for Continental Europe

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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### Depositary Bank

HSBC Continental Europe, Luxembourg  
18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg

### Administration Agent

HSBC Continental Europe, Luxembourg  
18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg

### Registrar and Transfer Agent

HSBC Continental Europe, Luxembourg  
18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg

### Corporate Agent

ONE Corporate 4, rue Petermelchen L-2370 Howald, Grand Duchy of Luxembourg

### Domiciliary Agent

ONE Corporate 4, rue Petermelchen L-2370 Howald, Grand Duchy of Luxembourg

### Central Paying Agent

HSBC Continental Europe, Luxembourg  
18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg

### Auditors

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator, B.P. 1443, 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

