

# HSBC ISLAMIC FUNDS

Investment Company with Variable Capital  
Incorporated in Luxembourg

PROSPECTUS

March 2019

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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, salesman 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 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 Company is a recognised collective investment scheme in the United Kingdom under the Financial Services and Markets Act 2000 (the "**Act**").

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

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

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

### ▶ **United States of America**

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

### ▶ **Canada**

The Shares described in this Prospectus may be distributed in Canada exclusively through HSBC Global Asset Management (Canada) Limited by way of exempt distribution to accredited investors as defined in National Instrument 45-106 Prospectus and Registration Exemption who qualify as permitted clients under National Instrument 31-103 - Registration Requirements, Exemptions and On-going Registrant Obligation. This Prospectus may not be used to solicit, and will not constitute a solicitation of, an offer to buy Shares in Canada unless such solicitation is made by HSBC Global Asset Management (Canada) Limited.

### ▶ **Bank Holding Company Act**

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 2.13 "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.

#### ► Data protection

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

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

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

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

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

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

Communications (including telephone conversations and e-mails) may be recorded by the Controllers and Processors including for record keeping as proof of a transaction or related communication in the event of a disagreement and to enforce or defend the Controllers' and Processors' interests or rights in compliance with any legal obligation to which they are subject. Such recordings may be produced in court or other legal proceedings and permitted as evidence with

the same value as a written document and will be retained for a period of 10 years starting from the date of the recording. The absence of recordings may not in any way be used against the Controllers and Processors.

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

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

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

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

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

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

The 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 investor will only be able to fully exercise his/her/its investor rights directly against the Company, notably the right to participate in general meetings of shareholders if the investor is registered himself/herself/itself and in his/her/its 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 his/her/its own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights directly against the Company. Investors should seek advice from their salesman or intermediary on their rights in the Company.

Statements made in this Prospectus are, except where otherwise stated, based on the law and practice currently in force in Luxembourg and are subject to changes therein.

**The Board of Directors and the Management Company 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 has entered into a Shariah Compliance Advisory Agreement with HSBC Bank plc under which the latter agrees to appoint the members of the HSBC Islamic Shariah 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 the Company's shareholders.

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 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 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.djindexes.com](http://www.djindexes.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 Initial Investment Minimum Holding (in US Dollar or equivalent amount in a major currency)	
Class A	A Shares are available to all investors.	USD	5,000
Class B	B Shares are available to: <ul style="list-style-type: none"><li>▪ Sub-distributors who are prohibited from accepting and retaining inducements from third parties under applicable laws and regulations or court rulings;</li><li>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 I	I Shares are only available for investors qualifying as institutional investors within the meaning of article 174 of the 2010 Law.	USD	1,000,000
Class S	S Shares are available through certain distributors selected by the Global Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law. 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.	USD	500,000
Class W	W Shares are available through certain distributors selected by the Global Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law. 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.	USD	100,000
Class Y	Y Shares are available to certain distributors selected by the Global Distributor provided that the investors qualify as institutional investors	USD	100,000

Class	Description	Minimum Initial Investment Minimum Holding (in US Dollar or equivalent amount in a major currency)	
	within the meaning of article 174 of the 2010 Law.		
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 within the meaning of article 174 of the 2010 Law.	USD	1,000,000

Charges and expenses are disclosed in the sections "Charges and Expenses" and "Investment Objectives and Details of Sub-Funds".

### Share Class Denominations

The different classes offered in relation to each sub-fund are described in the relevant table in Section 3. "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 3. "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 3. "Sub-Fund Information".

## 1.3 General Risk Considerations

**a) 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 Key Investor Information Documents of the relevant sub-fund and consult with their legal, tax and financial advisors prior to making a decision to invest.**

**b) 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.**

### Market Risk

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



## **Emerging Markets**

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

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

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

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

## **Foreign Exchange 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 losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

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

## **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.

## **Stock Risk**

The sub-funds are exposed to equity markets for all or part of their total assets. The value of these assets can therefore rise or fall and investors may not get back all of their original investment.

## **Liquidity Risk**

Liquidity risk exists within most financial products. This means that a delay may occur in receiving sales proceeds, and those proceeds may be less than recent valuations. This risk is greater in exceptional market conditions or when large numbers of investors are trying to sell at the same time. In such circumstances sale proceeds may be delayed and/or take place at lower prices.

## **Risks Associated with Government or Central Banks' Intervention**

Changes in regulation or government policy leading to intervention in the currency and interest rate markets (e.g. restrictions on capital movements or changes to the way in which a national currency is supported such as currency

de-pegging) may adversely affect some financial instruments and the performance of the sub-funds of the Company.

### **Prohibited securities**

In accordance with the Luxembourg law of 4 June 2009 ratifying the Oslo Convention of 3 December 2008 relating to cluster munition and HSBC Group policy, the Company will not invest in the securities of companies that are involved directly and indirectly in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel mines. As this policy aims to prohibit investment in certain types of securities, investors should be aware that this reduces the investment universe and prevents the sub-funds from benefitting from any potential returns from these companies.

### **Taxation**

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

### **Potential implication of Brexit**

On 29 March 2017, the Government of the United Kingdom (UK) formally notified the European Union (EU) of its intention to leave the Union (i.e. "**Brexit**"). As things stand, the UK will formally leave the EU on 29 March 2019. The UK and EU27 have reached a political agreement to include a transition period lasting until end-2020 in the withdrawal agreement, during which EU law would continue to apply to the UK as if it were a member state. However, a number of issues around the UK's withdrawal remain subject to further negotiation and the overall Article 50 withdrawal agreement will only come into effect once it is approved by the European Council and ratified by the European and UK Parliaments.

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

It is possible there will be more divergence between UK and EU regulations post-Brexit, limiting what cross-border activities can take place. This will possibly affect the Company's ability to receive investment advice or portfolio management services or increase the costs for such services and may also impact the ability to market the relevant sub-funds to UK investors.

The nature and extent of the impact of any Brexit related changes are uncertain, but may be significant.

## SECTION 2 COMPANY DETAILS

### 2.1. Summary of Principal Features

Legal Structure	Open-ended investment company with multiple sub-funds incorporated in Luxembourg as a société anonyme qualifying as a Société d'Investissement à Capital Variable under Part I of the Luxembourg law of 20 December 2002 implementing directive 85/611/EEC (as amended) into Luxembourg law. Each sub-fund corresponds to a distinct part of assets and liabilities. It exists for an unlimited period. Since 1 July 2011, the Company qualifies as an undertaking for collective investment in transferable securities under Part I of the 2010 Law implementing the Directive 2009/65/EC into Luxembourg law.
Incorporation Date	3 April 2000.
Registered Number	B 74.964 at the Registre de Commerce et des Sociétés of Luxembourg.
Articles of Incorporation	Published in the Mémorial on 12 May 2000. The latest amendment entered into effect on 29 January 2018 and will be published in the <i>Recueil Electronique des Sociétés et Associations</i> .
Dividends	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.
Taxation	Annual Luxembourg tax of 0.05%, payable quarterly and 0.01% for all I Share, S Share, W Share and Z Share (for details see section "Taxation").
Investment Objectives	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.
NAV Publication	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").
Net Asset Value	Calculation as of each Dealing Day.
Base Currency of the Company	USD.
Year End	31 December.

### 2.2. 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 scheme 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 ("AML & KYC").

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

In case of delay or failure by an applicant to provide the documents required, the application for subscription (or, if applicable, for redemption) will not be accepted. Neither the Company nor the Registrar and Transfer Agent have any liability for delays or failure to process deals as a result of the applicant providing no or only incomplete documentation. Shareholders may be requested to provide additional or updated identification documents from time to time pursuant to ongoing client due diligence requirements under relevant laws and regulations.

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

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

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

## **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 or by a correspondent bank to its order, not later than four Business Days after application for Shares is accepted. 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.

## **2.3. 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**

On receipt of the relevant documents 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 four Business Days after the relevant Dealing Day, unless otherwise requested in writing to the Company by the shareholder.

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.

### **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 total number of Shares then in issue in any sub-fund:

a) shall not be bound to redeem on any Dealing Day more than 10% of the number of Shares relating to any sub-fund then in issue. If the Company receives requests on any Dealing Day for redemption of a greater number of Shares, it may declare that such redemptions are deferred until a Dealing Day not more than seven Dealing Days following. On such Dealing Day requests for redemption will be complied with in priority to later requests. If in the case of a request for conversion, such day is not a Qualifying Day, requests for conversion shall be dealt with on the next Qualifying Day in priority to later requests.

b) may elect to sell assets representing, as nearly as practicable, the same proportion of the Company's assets as the Shares for which redemption applications 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 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.

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

### **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:

- The Registrar and Transfer Agent may combine Shares which are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in market timing practices. Accordingly, the Management Company reserves the right to cause the Registrar and Transfer Agent to reject any application for switching and/or subscription of Shares from investors whom the former considers market timers.
- If a 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.
- 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.

## 2.4. 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.

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

## 2.5. 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.

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.

## 2.6. Prices of Shares

### Valuations

a) 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.

b)

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

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 an amount to reflect dealing charges and any fiscal charges which the Board of Directors feels it is appropriate to take into account in respect of the relevant sub-fund.

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.

### 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 "Net Asset Value Determination" 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 previous Dealing Day's Offer and Redemption Prices are available from the Company and the distributors in the Reference Currency of the relevant sub-fund or in the Share Class Reference Currency (as determined from time to time by the Board of Directors).

## **Net Asset Value Determination**

Each sub-fund is valued as defined in the 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.

## **2.7. 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.

- i) Capital-Accumulation Shares are identifiable by a "C" following the sub-fund and class names and do not pay dividends.
- ii) 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.

## 2.8. 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 plc 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 Company pays to the Management Company a management fee per annum on the basis of the net asset value of the sub-funds, calculated daily and payable monthly in arrears at the rate disclosed in this Prospectus under section "Investment Objectives and Details of Sub-Funds". The fee covers all management, advisory and distribution services provided to the relevant sub-fund of the Company by the Management Company, the Investment Adviser and the distributors. The Management Company is responsible for discharging, out of such 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.

### Operating, Administrative and Servicing Expenses

There are certain operating, administrative and servicing expenses incurred throughout the lifetime of a sub-fund or Share class. These expenses are associated with services rendered to a relevant sub-fund which are overseen by either the Management Company or the Company. Many of the services are delegated to other service providers who are paid directly by the Company. Investors may consult the relevant agreements during usual business hours at the registered office of the Company.

If the number of services and transactions increases this creates higher operating, administrative and servicing expenses. This has a higher impact if the Company has only a small level of assets under management, rather than if it has a higher level of assets. As the number of services and transactions for the Company cannot be predicted, there can be no estimation of the overall operating, administrative and servicing expenses to be borne by the Company (with the exception of Y Shares).

The details of the charges paid by the Company are shown in the annual and semi-annual reports of the Company available to each investor upon request.

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

- The Company pays to the Management Company a fee of 0.01% p.a. on the net asset value of the sub-funds payable monthly.
- The Company pays to HSBC Bank plc a fee for its services rendered with respect to the appointment of the Shariah Committee. The fee is payable at the end of each calendar quarter. It currently amounts to USD 2,500 and is subject to annual review. The Company also pays reasonable related out-of-pocket expenses of the HSBC Bank plc.
- The Company pays to the Depositary Bank a fee which is payable quarterly in arrears. In addition the Depositary Bank is entitled to be reimbursed by the Company for its reasonable out-of-pocket expenses and disbursements and the fees and expenses of its correspondent banks.
- The Company pays to the Administration Agent and the Registrar and Transfer Agent a fee which has been agreed between the parties based on different services and transactions provided. For the period from 1

January 2015 to 31 December 2015, the Administration Agent and the Registrar and Transfer Agent were entitled to a fee that equates to 0.10% of the average net assets of the Company. This fee was paid quarterly in arrears and may in the future be higher or lower than the rate indicated, due to the net asset value of the Company or shareholder trading activity.

- The Company also pays other expenses incurred in its operation including the fees of its auditors and legal advisers, the cost of printing and distributing the annual and half-yearly reports, the Prospectus, the Key Investor Information Documents, the costs and expenses incurred in connection with the formation and registration of the Company in various jurisdictions and fees and expenses involved in registering and maintaining the registration of the Shares, with any governmental agency or stock exchange, the cost of publication of prices, the remuneration of the unaffiliated Directors and their reasonable out-of-pocket expenses and its other operating expenses such as accounting and pricing costs and other recurring or non-recurring expenses.

#### 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 sub-funds. They are paid by the Company depending on the services rendered to the Share class.

They consist of, but are not limited to, the following:

- Duties, taxes and transaction costs associated with buying and selling the underlying assets of the Company;
- Brokerage fees and commissions;
- 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 the fund or for the currency hedging of Share classes denominated in a currency other than the base currency;
- Litigation.

#### **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.

### **2.9. 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 from around 6,100 offices in 73 countries and territories in Europe, Asia, North and Latin America, the Middle East and North Africa.

The Management Company shall ensure compliance of the Company with the investment instructions and oversee the implementation of the Company's strategies and investment policy. The Management Company shall send reports to the 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.

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

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

### **Duties of the Depositary Bank**

The Depositary Bank's key duties include the following:

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

### **Delegation of functions**

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

An up-to-date list of the appointed sub-delegates is available on the following website:

[http://www.assetmanagement.hsbc.com/gam/attachments/kiid/custody\\_network\\_via\\_hsbc\\_bank\\_plc.pdf](http://www.assetmanagement.hsbc.com/gam/attachments/kiid/custody_network_via_hsbc_bank_plc.pdf)

Under the terms of the Depositary Services Agreement, the Depositary Bank is liable for losses suffered by the Company as a result of its negligence or 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 (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 France, Luxembourg Branch 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.

### **Registrar and Transfer Agent**

HSBC France, Luxembourg Branch 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.

### **Domiciliary Agent**

HSBC France, Luxembourg Branch was appointed by the Company as Domiciliary Agent.

## 2.11. 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.

## 2.12. Meetings and Reports

### Meetings

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

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

Notices of general meetings are given in accordance with Luxembourg law (if required) by publication in the *Recueil électronique des sociétés et associations* (Luxembourg's central electronic platform of official publication) and the *Luxemburger Wort* in Luxembourg, and in such other newspapers as the Board of Directors may determine. Notices will specify the place and time of the meetings, the conditions of admission, the agenda, the quorum and the voting requirements. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in the Articles of Incorporation.

Under the conditions set forth in Luxembourg laws and regulations, the notice of any general meeting of shareholders may provide that the quorum and the majority at this general meeting shall be determined according to 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 is 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.

### **2.13. Conflicts of Interest**

The Management Company and any specific sub-fund 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.

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 any specific sub-fund 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.

### **2.14. Taxation**

The following summaries are based on the Company's understanding of the law and practice in force in the United Kingdom and Luxembourg at the date of this Prospectus.

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" in Section 1.3. "General Risk Considerations" and also refer to the information on the Foreign Account Tax Compliance Act (FATCA) in Section 2.14. "Taxation of Shareholders".

## **Taxation of the Company**

### **► Luxembourg**

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

The Company is not subject to net wealth tax in Luxembourg.

No stamp duty, capital duty or other tax will be payable in Luxembourg upon the issue of the Shares of the Company.

The 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 whose exclusive object is the collective investment in money market instruments, the placing of deposits with credit institutions, or both. A reduced subscription tax rate of 0.01% per annum is also applicable to any sub-fund or Share classes provided that their shares are only held by one or more institutional investors within the meaning of article 174 of the 2010 Law (an "Institutional Investor").

A subscription tax exemption applies to:

- The portion of any 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;
- Any sub-fund (i) whose securities are only held by Institutional Investor(s), and (ii) whose sole object is the collective investment in money market instruments and the placing of deposits with credit institutions, and (iii) whose weighted residual portfolio maturity does not exceed 90 days, and (iv) that have obtained the highest possible rating from a recognised rating agency. If several Share classes are in issue in the relevant sub-fund meeting (ii) to (iv) above, only those Share classes meeting (i) above will benefit from this exemption;
- Any sub-fund, whose main objective is the investment in microfinance institutions;
- 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; and
- Any sub-fund only held by pension funds and assimilated vehicles.

### Withholding tax

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

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

### **► 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.

## **Taxation of Shareholders**

Prospective investors should ascertain from their professional advisers the consequences to them of acquiring, holding, redeeming, transferring, selling or converting Shares under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements.

These consequences will vary with the law and practice of a shareholder's country of citizenship, residence, domicile or incorporation and with his personal circumstances.

Prospective investors also should bear in mind that levels and bases of taxation may change.

### ► **Automatic Exchange of Information**

The OECD has developed a common reporting standard ("CRS") to achieve a comprehensive and multilateral automatic exchange of information AEOI on a global basis. On 9 December 2014, Council Directive 2014/107/EU amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation (the "**Euro-CRS Directive**") was adopted in order to implement the CRS among the Member States.

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 data protection section of the 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.

Under the CRS Law, the first exchange of information will be applied by 30 September 2017 for information related to the calendar year 2016. Under the Euro-CRS Directive, the first AEOI must be applied by 30 September 2017 to the local tax authorities of the Member States for the data relating to the calendar year 2016.

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

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

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

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

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

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

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

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

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

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



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

► **Luxembourg**

Subject to any tax obligations resulting from the automatic exchange of information regime mentioned above, shareholders are not, under current legislation, subject to any capital gains, income, withholding, estate, inheritance or other taxes in Luxembourg (except for those investors domiciled, resident or having a permanent establishment in Luxembourg).

If necessary, 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**

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

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

Shareholders, who are companies, that are resident in the United Kingdom or one which carries on a trade in the United Kingdom may be subject to tax under the loan relationship provisions of United Kingdom tax legislation during any accounting period of that shareholder when more than 60% of the investments of the sub-fund (in which the Shares are held) broadly comprise of interest bearing investments (including interests in collective investment schemes which themselves have more than 60% of their investments as interest bearing assets and financial derivative instruments whose subject matter is broadly linked to interest bearing investments, currency, creditworthiness or currency). 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.

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

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

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

Several Share classes of the Company have UK distributor status for period ending on or before 31 March 2010, details of which can be found on the HM Revenue & Customs' website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk). At the date of this Prospectus the exact location of this report is:

<https://www.gov.uk/government/publications/offshore-funds-list-of-distributing-funds>.

The Company has UK reporting fund status for certain Distributing and Accumulating Share classes for its accounting period beginning 1 April 2010 and forward. It is the intention of the Company that all Distributing and Accumulating Share classes will have UK Reporting Fund status from 1 April 2013 or from their date of launch, if later.

The Company intends to meet the reporting requirements by making available to shareholders the information required in The Offshore Funds (Tax) Regulations 2009 by 30 September each year. 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.

Details of which Share classes have UK reporting fund status can be found on the HM Revenue & Customs' website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk). At the date of this Prospectus the exact location of this list is:  
<https://www.gov.uk/government/publications/offshore-funds-list-of-reporting-funds>.

Shareholders in reporting status funds may be taxed on the reportable income arising in an accounting period whether or not that income is distributed to them. The amount taxable per Share will be the total reportable income (adjusted by any qualifying equalisation) for the period, divided by the relevant Shares in issue at the end of that period.

Reporting status must be applied for in advance or shortly after the start of the period for which it is required and (subject to a serious breach of the regulations governing the regime) provides a greater degree of confidence to shareholders as to the UK tax status of their shareholding.

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

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

### ► **Genuine Diversity of Ownership**

The intended category of investors in the Company is any investor that complies with the requirements set out in the "Anti-money Laundering and Prevention of Terrorist Financing" section, located in the countries and territories where the Shares are registered for distribution.

The Shares will be made widely available to investors of the intended category by the appointed Global Distributor and/or by local distributors as appointed from time to time. These distributors will actively promote investment in the Shares of the Company to a wide variety of investors of the intended category and make the Prospectus available to them. In addition, the Prospectus, the relevant Key Investor Information Documents and the application form can be obtained directly from the registered office of the Company, the Management Company and the distributors (details of which are provided in Appendix 4. "Directory"). Section "Subscription of Shares" also sets out how to buy Shares. As a consequence the Company considers it allows any investor, including but not limited to any investors of the intended category, the opportunity to obtain information about the Company and to subscribe for Shares.

The Company intends, through the local distributors in the countries concerned, for its Shares to be promoted and made available through those local distributors (acting as financial intermediaries) in a manner designed to attract investors of the intended category.

## **2.15. 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 <http://www.global.assetmanagement.hsbc.com/about-us/governance-structure>. A paper copy is available free of charge upon request at the Management Company's registered office.

## 2.16. Benchmark Regulation

The benchmark used by the sub-fund, the Dow Jones Islamic Market Titans 100 index, is as at the date of this Prospectus, provided by a benchmark administrator who benefits from the transitional arrangements set out in Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") and accordingly has not yet been included in the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmark Regulation. Benchmark administrators providing a benchmark on 30 June 2016 are required to apply for authorisation or registration as an administrator under the Benchmark Regulation before 1 January 2020. Updated information on this register should be available no later than 1 January 2020. The inclusion of an administrator of a benchmark used by a sub-fund within the meaning of the Benchmark Regulation in the ESMA register of benchmark administrators will be reflected in the Prospectus at its next update.

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 3. 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.

### HSBC ISLAMIC FUNDS – HSBC ISLAMIC GLOBAL EQUITY INDEX FUND

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▶ **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 "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*	A	B	I	S*	W*	Y**	Z
Management Fee (%)	0.75	0.375	0.375	0.00	0.00	0.00	0.00

\* 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.

\*\* Y Shares incur operating, administrative and servicing expenses fixed at 0.30% of net asset value per annum.

Please refer to the section "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 comprises securities of companies that have their registered office in, and/or with an official listing on a major stock exchange or other Regulated Market in a developed market or marginally in an Emerging Market anywhere in the world. The Dow Jones Islamic Market Titans 100 index comprises 102 constituents in 15 markets as of 31<sup>st</sup> December 2018.

Securities in the Dow Jones Islamic Market Titans 100 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 Dow Jones Islamic Market Titans 100 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 Dow Jones Islamic Market Titans 100 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 Dow Jones Islamic Market Titans 100 index.

▪ Methodology

The Dow Jones Islamic Market Titans 100 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 Dow Jones Islamic Market Titans 100 Index

As of 31<sup>st</sup> December 2018, the 10 largest constituents in the Dow Jones Islamic Market Titans 100 index were:

	Stock name	Exchange	Sector	Weighting %
1	Microsoft Corp	United States	Technology	6.68
2	Apple Inc.	United States	Technology	6.05
3	Johnson & Johnson	United States	Health Care	2.95
4	Alphabet Inc. C	United States	Technology	2.71
5	Facebook Inc. A	United States	Technology	2.68
6	Alphabet Inc. A	United States	Technology	2.66
7	Exxon Mobile Corp.	United States	Oil & Gas	2.46
8	Pfizer	United States	Health Care	2.15
9	Visa Inc.	Switzerland	Financials	1.97
10	Procter & Gamble	United States	Consumer Staples	1.95

- ▶ **Replication**

The Investment Adviser will fully replicate the Dow Jones Islamic Market Titans 100 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. However, the sub-funds 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 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-funds. 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 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 re-balances/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.

2010 Law	Luxembourg Law of 17 December 2010 on undertakings for collective investment, implementing the Directive into the Luxembourg law.
Administration Agent	HSBC France, Luxembourg Branch.
Articles of Incorporation	Articles of incorporation of the Company, as amended from time to time.
Board of Directors	Board of directors of the Company.
Business Day	A day on which banks are open for normal banking business in Luxembourg.
CHF	Swiss Franc.
Company	HSBC Islamic Funds.
CSSF	Commission de Surveillance du Secteur Financier, the Luxembourg supervisory authority.
Connected Person	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>
Dealing Currency	Any other currency, as determined by the Directors, that investments may be made in.
Dealing Day	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.
Depository Bank	HSBC France, Luxembourg Branch.
Directive	The European directive 2009/65/EC as amended.
Global Distributor	HSBC Investment Funds (Luxembourg) S.A., acting as global distributor of the Company.
Eligible State	Any Member State of the EU or any other state in Eastern and Western Europe, Asia, Africa, Australia, North America, South America and Oceania.
Emerging Markets	Emerging Markets are those markets in countries that are not amongst the following groups of industrialised countries: United States and Canada, Switzerland and Members of the European Economic Area, the UK, Japan, Australia and New Zealand, and may include those countries in the preceding groups that do not have fully developed financial markets.
EU	European Union.
EUR	Euro.
FSMA	Financial Services and Markets Act 2000.
GBP	Pound Sterling.
G20	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.

Money market instruments	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.
Net Asset Value per Share	In relation to any Shares of any class, the value per Share determined in accordance with the relevant provisions described under the heading "Net Asset Value Determination" under section "Price of Shares".
Qualifying Day	Any day which is a Dealing Day for both sub-funds involved in a conversion.
Reference Currency	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.
Registrar and Transfer Agent	HSBC France, Luxembourg Branch.
Regulated Market	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.
SGD	Singapore Dollar.
Shares	Shares in the Company.
Shariah	Divine Islamic 'law' as revealed in (i) the <i>Qur'an</i> , which is the holy book of Islam, (ii) the <i>sunna</i> , or binding authority of the dicta and decisions of the Prophet Mohammed (peace be upon him), (iii) <i>ijma</i> , or 'consensus' of the community of Islamic scholars, and (iv) the <i>qiyas</i> , 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.
Shariah Committee	The Shariah Committee will oversee the operations of the Company and ensure its compliance with Shariah precepts.
Shariah Investment Restrictions	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.
Shariah Screens	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.
transferable securities	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> 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.
UCITS	An Undertaking for Collective Investment in Transferable Securities authorised pursuant to the Directive.



other UCI	An Undertaking for Collective Investment within the meaning of Article 1, paragraph (2), point (a) and point (b) of the Directive.
USD	United States Dollar.
US Law	The laws of the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction. US Law shall additionally include all applicable rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission.
US Person	<p>Shares of the Company may not be offered or sold to any "US Person" ("USP"), for the purposes of this restriction, the term US Person shall mean the following:</p> <ol style="list-style-type: none"> <li>1) An individual who is a resident of the US under any US Law.</li> <li>2) A corporation, partnership, limited liability company, collective investment vehicle, investment company, pooled account, or other business, investment, or legal entity: <ol style="list-style-type: none"> <li>a. created or organized under US Law;</li> <li>b. created (regardless of domicile of formation or organisation) principally for passive investment (e.g. an investment company, fund or similar entity excluding employee benefit or pension plans): <ol style="list-style-type: none"> <li>i) and owned directly or indirectly by one or more USPs who hold, directly or indirectly, in aggregate a 10% or greater beneficial interest, provided that any such USP is not defined as a Qualified Eligible Person under CFTC Regulation 4.7(a);</li> <li>ii) where a USP is the general partner, managing member, managing director or other position with authority to direct the entity's activities;</li> <li>iii) where the entity was formed by or for a USP principally for the purpose of investing in securities not registered with the SEC unless such entity is comprised of Accredited Investors, as defined in Regulation D, 17 CFR 230.501(a), and no such Accredited Investors are individuals or natural persons; or</li> <li>iv) where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by USPs;</li> </ol> </li> <li>c. that is an agency or branch of a non-US entity located in the US; or</li> <li>d. that has its principal place of business in the US.</li> </ol> </li> <li>3) A trust: <ol style="list-style-type: none"> <li>a. created or organized under US Law; or</li> <li>b. where, regardless of domicile of formation or organisation: <ol style="list-style-type: none"> <li>i. any settlor, founder, trustee, or other person responsible in whole or in part for investment decisions for the trust is a USP;</li> <li>ii. the administration of the trust or its formation documents are subject to the supervision of one or more US courts; or</li> <li>iii. the income of which is subject to US income tax regardless of source.</li> </ol> </li> </ol> </li> <li>4) An estate of a deceased person: <ol style="list-style-type: none"> <li>a. who was a resident of the US at the time of death or the income of which is subject to US income tax regardless of source; or</li> <li>b. where, regardless of the deceased person's residence while alive, an executor or administrator having sole or shared investment discretion is a USP or the estate is governed by US Law.</li> </ol> </li> <li>5) An employee benefit or pension plan that is: <ol style="list-style-type: none"> <li>a. established and administered in accordance with US Law; or</li> <li>b. established for employees of a legal entity that is a USP or has its principal place of business in the US.</li> </ol> </li> <li>6) A discretionary or non-discretionary or similar account (including a joint account) where: <ol style="list-style-type: none"> <li>a. one or more beneficial owners is a USP or held for the benefit of one or more USPs; or</li> <li>b. the discretionary or similar account is held by a dealer or fiduciary organized in the US.</li> </ol> </li> </ol> <p>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).</p> <p>The Company may, from time to time, waive or modify the above restrictions.</p>

## APPENDIX 2. GENERAL INFORMATION

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### 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 amended for the last time on 5 February 2007 (with effect from 6 February 2007). These amendments were published in the *Mémorial* on 14 March 2007.

### 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

#### a) 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.

#### b) 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.

#### c) 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.

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.

- ii) 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.

- iii) With the consent of the shareholders expressed in the manner provided for by Articles 450-3 and 1100-2 of the 1915 Law, the Company may be liquidated and the liquidator authorised subject by any one month's prior notice to the shareholders and upon a decision by majority vote of two thirds of the Company 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 in the Company of Shares of such corporation or fund proportionate to their shareholdings in the Company.

d) 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:

- a) during any period when any market or stock exchange, which is the principal market or stock exchange on which a material part of the investments of the relevant sub-fund for the time being are quoted, is closed (otherwise than for ordinary holidays), or during which dealings are substantially restricted or suspended;
- b) during the existence of any state of affairs which constitutes an emergency as a result of which disposal of investments of the relevant sub-fund by the Company is not possible;
- c) 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;
- d) 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
- e) 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 may also suspend the issue and allocation of Shares relating to any sub-fund if the total of the net assets represented by such Shares is reduced for more than 30 days to less than USD 3,000,000 or equivalent amount in other currencies as appropriate and would not exceed such a sum by virtue of a new subscription.

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.

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

- i) 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 acting, without minimum quorum requirements, by a simple majority decision of the Shares represented at the meeting.
- ii) 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, 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.
- iii) In the event that for any reason the value at their respective net asset values of all outstanding Shares shall be less than USD 25 million or in case the Board of Directors deems it appropriate because of changes in the economic or political situation affecting the Company, or if the Board of Directors deems it to be in the best interests of the shareholders, the Board may, by giving prior notice to all holders of Shares, redeem on the next Dealing Day following the expiry of such notice period all (but not some) of the Shares not previously redeemed, at a price which shall reflect the anticipated realisation and liquidation costs but with no redemption charge. In such case, the Board of Directors shall forthwith convene an extraordinary shareholders' meeting to appoint a liquidator to the Company.

In the event that for any reason the net asset value of any assets relating to any sub-fund or class is lower than USD 5 million or in the case of a sub-fund denominated in a currency other than USD, the equivalent in that currency of such amount, or in case the Board of Directors deems it appropriate because of changes in the economic or political situation affecting the relevant sub-fund or class or if the Board of Directors deems it to be in the best interest of the shareholders concerned, the Board of Directors may, after giving prior notice to the shareholders concerned, redeem all (but not some) of the Shares of that sub-fund or class on the next Dealing Day following the expiry of such notice at a redemption price reflecting the anticipated realisation and liquidation costs on closing of the relevant sub-fund or class, but with no redemption charge, or merge that sub-fund or class with another sub-fund of the Company or with another UCITS. Termination of a sub-fund or class with compulsory redemption of all relevant Shares or its merger with another sub-fund of the Company, or with another UCITS, in each case for other reasons than the minimum size of its assets or than changes in the economic and political situation affecting the relevant sub-fund or class, may be effected only upon its prior approval by the shareholders of the sub-fund or class to be terminated or merged at a duly convened class or class meeting which may be validly held without quorum and decided by a simple majority of the Shares present or represented. The provisions on mergers of UCITS set forth in the 2010 Law and any implementing regulation shall apply.

A merger so decided by the Board of Directors or approved by the shareholders of the affected sub-fund or class will be binding on the holders of the Shares of the relevant sub-fund or class upon thirty days' notice thereof given to them during which period shareholders may redeem their Shares without redemption charge.

Liquidation proceeds not claimed by shareholders at the close of liquidation of a sub-fund or class will be deposited at the *Caisse de Consignation* in Luxembourg and shall be forfeited after thirty years.

### **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:

- a) the Articles of Incorporation;
- b) the material contracts.

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

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

## APPENDIX 3. GENERAL INVESTMENT RESTRICTIONS

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### 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.

### **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 or the Investment Adviser of the relevant sub-fund, 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.

### **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 the CESR's guidelines 10/788 in order to reduce global exposure. Beyond these netting rules and after application of hedging rules, it is not allowed to have a negative commitment on a financial derivative instrument to reduce overall exposure and as such, risk-exposure numbers will always be positive or zero.

## APPENDIX 4. DIRECTORY

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### Registered Office

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

### Board of Directors of the Company

- ▶ **George Efthimiou**  
Global Chief Operating Officer (Chairman)  
HSBC Global Asset Management Limited  
78 St James's Street, London SW1A 1HL, United Kingdom
- ▶ **Dr. Michael Boehm**  
Chief Operating Officer  
HSBC Global Asset Management (Deutschland) GmbH  
Königsallee 21/23, 40212 Düsseldorf, Germany
- ▶ **Jean de Courrèges**  
Independent Director  
Luxembourg, Grand Duchy of Luxembourg
- ▶ **Eimear Cowhey**  
Independent Director  
Dublin, Ireland
- ▶ **Peter Dew**  
Independent Director  
London, United Kingdom
- ▶ **Matteo Pardi**  
Chief Executive Officer  
HSBC Global Asset Management (France)  
Immeuble Coeur Défense - Tour A, 110 Esplanade du Général de Gaulle - La Défense 4,  
75419 Paris Cedex 08, France
- ▶ **John Li**  
Independent Director  
The Directors' Office S.A.  
19 rue de Bitbourg, L-1273 Luxembourg, Grand Duchy of Luxembourg
- ▶ **Anthony Jeffs,**  
Head of Product Platforms HSBC Global Asset Management Limited  
78 St James's Street, London SW1A 1HL, United Kingdom

### Management Company

HSBC Investment Funds (Luxembourg) S.A.

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

### Board of Directors of the Management Company

- ▶ **Edmund Stokes**  
Global Head of Product (Chairman)  
HSBC Global Asset Management Limited  
78 St James's Street, London, SW1A 1HL, United Kingdom
- ▶ **Timothy Caverly**  
Independent Director  
18, rue Henri Hemes, L-8134 Bridel, Grand Duchy of Luxembourg
- ▶ **Tony Corfield**  
Chief Operating Officer  
HSBC Global Asset Management (UK) Limited  
78 St James's Street, London, SW1A 1HL, United Kingdom
- ▶ **Cecilia Lazzari**  
Conducting Officer  
HSBC Investment Funds (Luxembourg) S.A.  
16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg

- ▶ **Richard Long**  
Head of Global Funds Operations  
HSBC Investment Funds (Luxembourg) S.A.  
16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg
- ▶ **Tim Palmer**  
Chief Risk Officer  
HSBC Global Asset Management Limited  
78 St James's Street, London SW1A 1HL, United Kingdom
- ▶ **Sylvie Vigneaux**  
Head of Regulatory and Wealth Engineering  
HSBC Global Asset Management (France)  
Immeuble Cœur Défense - Tour A, 110 Esplanade du Général de Gaulle - La Défense 4, 75419 Paris Cedex 08, France
- ▶ **John Christian Alldis**  
Independent Director  
6B, Route de Trèves, L-2633, Senningerberg, Grand Duchy Luxembourg

### **Investment Adviser**

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

### **Share Distributors**

- ▶ **Global Distributor**  
HSBC Investment Funds (Luxembourg) S.A.  
16, boulevard d'Avranches, L-1160 Luxembourg, Grand Duchy of Luxembourg
- ▶ **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
- ▶ **United Kingdom Representative and Distributor**  
HSBC Global Asset Management (UK) Limited  
8 Canada Square, London E14 5HQ, United Kingdom

### **Depository Bank**

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

### **Administration Agent**

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

### **Registrar and Transfer Agent**

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

### **Corporate Agent**

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

### **Domiciliary Agent**

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

### **Central Paying Agent**

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