

# HSBC ISLAMIC FUNDS

## Information Memorandum

April 2024

HSBC Islamic Funds – HSBC Islamic Global Equity Index Fund

**HSBC ISLAMIC FUNDS  
(THE “COMPANY”)**

**HSBC ISLAMIC FUNDS – HSBC ISLAMIC GLOBAL EQUITY INDEX FUND  
(THE “SUB-FUND”)**

**Offering Memorandum for Investors in Singapore dated 30 April 2024**

**This offering memorandum (“Offering Memorandum”) forms part of and should be read in conjunction with the attached Luxembourg Prospectus dated 26 April 2024 (the “Luxembourg Prospectus”).**

**Disclaimer**

The offer or invitation which is the subject of this Offering Memorandum does not relate to a collective investment scheme which is authorised under Section 286 of the Securities and Futures Act 2001 (the “SFA”) or recognised under Section 287 of the SFA. Offers of Shares made pursuant to this Offering Memorandum are only allowed to be made to accredited investors, institutional investors, and other relevant persons in accordance with the conditions of any other applicable provisions of the SFA (as amended from time to time), and not the retail public in Singapore. The Sub-Fund is separately recognised by the MAS under Section 287 of the SFA and offers of Shares are allowed to be made to the retail public in Singapore. A copy of the registered Singapore Prospectus for the Sub-Fund is separately available. This Offering Memorandum is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

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

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

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

Where the Shares are acquired under Section 305 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, the beneficiaries’ rights and interest (howsoever described)

in that trust shall not be transferred within 6 months after that trust has acquired the Shares under Section 305 except:

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

The Shares in the Sub-Fund are capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018), and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### Important Information

|  |   |
|--|---|
| <b>Investment Objective and Focus of the Sub-Fund / Investment Approach of the Investment Manager</b>              | Please refer to Section 3 “Sub-Fund Information” of the Luxembourg Prospectus.  |
| <b>Risk Factors</b>  | Please refer to Sections 1.3 “General Risk Considerations” and 3 “Sub-Fund Information” of the Luxembourg Prospectus.   |
| <b>Title and Jurisdiction of the Legislation regulating the Company</b>  | The Company is an open-ended investment company incorporated on 3 April 2000 in Luxembourg under the laws of the Grand Duchy of Luxembourg as an Undertaking for Collective Investment in Transferable Securities under Part I of the Luxembourg law of 17 December 2010 implementing the Directive 2009/65/EC into Luxembourg Law.   |
| <b>Name and place of incorporation of the Manager (termed as “Management Company” in this Offering Memorandum)</b> | HSBC Investment Funds (Luxembourg) S.A.<br>18 Boulevard de Kockelscheuer<br>L-1821 Luxembourg<br>Grand Duchy of Luxembourg  |
| <b>Name and place of incorporation of the Custodian (termed as “Depositary Bank” in this Offering Memorandum)</b>  | HSBC Continental Europe, Luxembourg<br>18 Boulevard de Kockelscheuer<br>L-1821 Luxembourg<br>Grand Duchy of Luxembourg  |
| <b>Name and Contact Details of the regulatory authority of the Company, the Manager and the Custodian</b>          | <p><u>Regulatory Authority of the Company and the Management Company</u></p> <p>Commission de Surveillance du Secteur Financier (CSSF)<br/>283, route d’Arlon<br/>L-1150 Luxembourg<br/>Tel: (+352) 26 25 1 - 1<br/>Fax: (+352) 26 25 1 – 601</p> <p><u>Regulatory Authorities of the Depositary Bank</u></p> <p>European Central Bank<br/>60640 Frankfurt am Main<br/>Germany<br/>Tel: (+49) 69 1344 0</p> <p>French Prudential Supervisory and Resolution Authority<br/>(l’Autorité de Contrôle Prudentiel et de Résolution)<br/>31 rue Croix des Petits-Champs<br/>75001 Paris, France<br/>Tel: (+33) 1 42 92 42 92</p> <p>French Financial Markets Authority<br/>(l’Autorité des Marchés Financiers)<br/>17, place de la Bourse<br/>75082 Paris Cedex 02<br/>France</p> |

|   |   |
|---|---|
|   | <p>Tel: (+33) 1 5345 6000<br/>Fax: (+33) 1 5345 6100</p> <p>Commission de Surveillance du Secteur Financier (CSSF)<br/>283, route d'Arlon<br/>L-1150 Luxembourg<br/>Tel: (+352) 26 25 1 - 1<br/>Fax: (+352) 26 25 1 – 601</p>   |
| <b>Maximum Redemption Limit / Conditions for Redemption</b> | Please refer to Section 2.3 “Redemption of Shares” of the Luxembourg Prospectus.  |
| <b>Side Letter Policy</b>                                   | The Company and the Manager do not have side letter arrangements. However, the distributors appointed by the global distributor of the Company do receive a distribution fee. These distributors have the discretion to enter rebate agreements with sub-distributors or investors.   |
| <b>Past Performance of the Sub-Fund</b>                     | <p>Information on the past performance of the Sub-Fund may be obtained from the website at <a href="http://www.assetmanagement.hsbc.com/fundinfo">www.assetmanagement.hsbc.com/fundinfo</a>.</p> <p>In the event that the past performance figures are not found on the website, please contact the relevant distributors or management company directly to obtain the information.</p> |
| <b>Accounts</b>   | Please refer to Section 2.13 “Meetings and Reports” of the Luxembourg Prospectus.   |
| <b>Fees and Charges</b>                                     | Please refer to Section 3 “Sub-Fund Information” of the Luxembourg Prospectus.  |

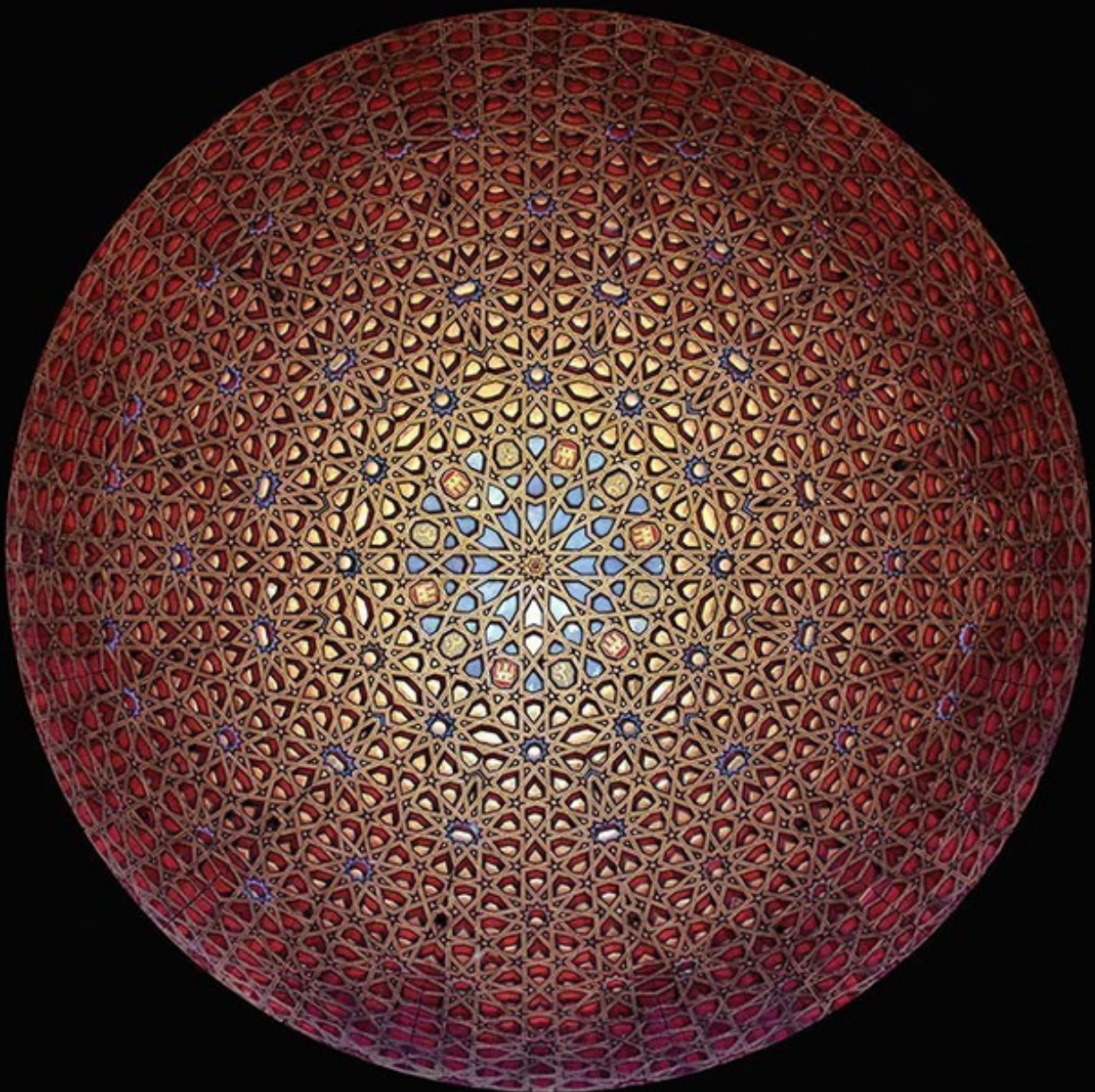
**Asset Management**

# HSBC Islamic Funds

Investment Company with Variable Capital Incorporated in  
Luxembourg

Prospectus

26 April 2024



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**HSBC**

Opening up a world of op

**VISA 2024/176183-2740-0-PC**

L'apposition du visa ne peut en aucun cas servir  
d'argument de publicité  
Luxembourg, le 2024-04-26  
Commission de Surveillance du Secteur Financier

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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**").

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.

For the avoidance of doubt and as applicable, the references to key investor information document ("Key Investor Information Document") in this Prospectus shall be understood as references to the packaged retail and insurance-based investment products key information document (as defined in regulation 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products ("PRIIPs") or the key investor information document as defined by Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council.

The Key Investor Information Document of each Class of each sub-fund, 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.



## Bank Holding Company Act ("BHCA")

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

For example, in order to comply with the BHCA a sub-fund may be:

1. restricted in its ability to make certain investments;
2. restricted in the size of certain investments;
3. subject to a maximum holding period on some or all of its investments; and/or
4. required to liquidate certain of its investments.

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

Any actions required pursuant to the BHCA will be executed in compliance with applicable law and in a manner consistent with the best interests of the shareholders of each sub-fund. Investors should also refer to Section 2.14 "Conflicts of Interest".

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

## Canada

The Shares described in this Prospectus may be distributed in Canada exclusively through a distributor appointed by the Global Distributor or HSBC Securities Inc. 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 a distributor appointed by the Global Distributor or HSBC Securities Inc.

## 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 18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg, in compliance with applicable data protection laws, in particular Regulation (EU) 2016/679 of 27 April 2016, the "**General Data Protection Regulation**" (together the "**Data Protection Legislation**").

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

Personal Data will be processed by the Controllers and disclosed to, and processed by, service providers acting as processors on behalf of the Controllers such as the Depositary Bank, Paying Agent and Administration Agent, the Registrar and Transfer Agent, the Corporate and Domiciliary Agent, the Investment Adviser, the Distributors and their appointed sub-distributors, legal and financial advisers (the "**Processors**"). This will be for purposes which include, but are not limited to (i) offering and managing investments and performing the related services (ii) developing and

maintaining the business relationship with the Processors, (iii) verifying shareholder identity as part of the client onboarding process (iv) carrying out shareholder instructions (v) keeping track of conversations with shareholders (by phone, in person, by email or any kind of communication including email screening and (vi) managing internal operational requirements for risk management, system or product development and planning, insurance, audit and administrative purposes (the "**Purposes**"). For more information please refer to the more detailed privacy notice.

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

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

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

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

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

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

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

Detailed data protection information is contained in the privacy notice available at [www.assetmanagement.hsbc.com/Luxembourg/privacy-notices](http://www.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 18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of 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 and the Investment Adviser have entered into an Agreement with HSBC Bank Middle East Limited under which the latter agrees to appoint the members of the Global Shariah Supervisory Committee (the "**Shariah Committee**"). The members of the Shariah Committee are disclosed in the Company's financial reports. The Shariah Committee is responsible for the following activities:

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

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

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

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

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

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

Under exceptionally unfavourable market conditions and on a temporary basis, and unless otherwise specified in Section 3. "Sub-Fund Information", this limit may be increased for a period of time strictly necessary, if justified in the interest of the investors.

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

## Sectoral and Financial Screens

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

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

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

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

## Financial Instruments Prohibition

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

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

## Dividend Purification

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

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

## 1.2. Types of Shares

### List of Share Classes

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

| Class   | Description   | Minimum<br>Minimum<br>(in US Dollar or equivalent<br>amount in a major currency) | Initial<br>Investment<br>Holding |
|---------|---|--|----------------------------------|
| Class A | A Shares are available to all investors.  | USD  | 5,000                            |
| Class B | <p>B Shares are available to:</p> <ul style="list-style-type: none"> <li>◆ Sub-distributors who are prohibited from accepting and retaining inducements from third parties under applicable laws and regulations or court rulings; or</li> <li>◆ Sub-distributors who have a separate fee arrangement with their clients in relation to the provision of investment services and activities (for example, in the European Union, services and activities performed under MiFID II) and who have opted not to accept and retain inducements from third parties.</li> </ul> | USD  | 5,000                            |
| Class E | <p>E Shares are available in certain countries, subject to the relevant regulatory approval, through certain distributors selected by the Global Distributor.</p> <p>E Shares will incur annual management fees of 0.30% plus 1.23% of the net asset value of Class E Shares, which will be paid to the selected distributors.</p>  | USD  | 5,000                            |
| Class I | I Shares are only available for investors qualifying as institutional investors within the meaning of article 174 of the 2010 Law.  | USD  | 1,000,000                        |
| Class R | <p>R Shares are available in certain countries, subject to the relevant regulatory approval, through distributors selected by the Global Distributor on application to the Company.</p> <p>R Shares will incur annual management fees of 0.375% plus 1% of the net asset value of Class R Shares, which will be paid to the selected distributors.</p>  | USD  | 5,000                            |
| Class S | <p>S Shares are available through certain distributors selected by the Global Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law.</p> <p>S Shares will incur no charges. All the fees and charges allocated to such class of Shares will be paid directly by members or affiliated entities of the HSBC Group.</p>  | USD  | 500,000                          |
| Class W | <p>W Shares are available through certain distributors selected by the Global Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law.</p> <p>W Shares will incur no charges. All the fees and charges allocated to such class of Shares will be paid directly by members or affiliated entities of the HSBC Group.</p>  | USD  | 100,000                          |
| Class Y | Y Shares are available to certain distributors selected by the Global Distributor provided that the investors qualify as institutional investors within the meaning of article 174 of the 2010 Law.   | USD  | 100,000                          |
| 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  | USD  | 1,000,000                        |

| Class | Description   | Minimum<br>Minimum<br>(in US Dollar or equivalent<br>amount in a major currency) | Initial<br>Investment<br>Holding |
|-------|---|--|----------------------------------|
|       | that such investors qualify as institutional investors within the meaning of article 174 of the 2010 Law. |  |                                  |

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

## 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

**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.**

**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.

## **Corporate Actions**

Investors should note that as a result of corporate actions relating to a company in which a sub-fund is invested, a sub-fund may be required or have the option to accept cash, underlying or newly issued securities which may not be part of its core investment universe as described in its investment objective (such as, but not limited to, equities for a bond sub-fund). Those securities may have a value less than the original investment made by the sub-fund. Under such circumstances, the relevant security may not be expressly covered by the relevant sub-fund's investment objective and the returns generated from the investment may not adequately compensate the sub-fund for the risks assumed.

## **Operational Risk**

The Company's operations (including investment management) are carried out by the service providers mentioned in this Prospectus. In the event of, but not limited to, a bankruptcy or insolvency of a service provider, investors could experience delays (for example, delays in the processing of subscriptions, conversions and redemption of Shares) or other disruptions.

## **Custody Risk**

Assets of the Company are safe kept by the Depositary Bank and shareholders are exposed to the risk of the Depositary Bank not being able to fully meet its obligation to reconstitute in a short time frame all of the assets of the Company in the case of bankruptcy of the Depositary Bank. The assets of the Company will be identified in the Depositary Bank's books as belonging to the Company. Securities held by the Depositary Bank will be segregated from other assets of the

Depository Bank which mitigates the risk of non-restitution in case of bankruptcy. However, no such segregation applies to cash which increases the risk of non-restitution in case of bankruptcy.

## **Reliance on Third Party Data Providers**

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

## **Cyber Security Risk**

Security breaches of computer systems used by the Company's service providers in respect of the Company's activities (such as, but not limited to, the Management Company, the Investment Adviser, the Administration Agent, the Depository Bank and sub-custodians) have the potential to cause financial losses and costs for the Company, for example by disrupting or preventing trading or interfering with the administrative systems used in relation to the Company. While the Company's service providers have established business continuity and disaster recovery plans and other systems and procedures organising technical security to minimise the impact of attempted security breaches, investors must be aware that the risk of losses to the Company and its sub-funds cannot be totally eliminated.

## **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.

## **Pandemic Risk**

An outbreak of an infectious disease, pandemic or any other serious public health concern could occur in any jurisdiction in which a sub-fund may invest, leading to changes in regional and global economic conditions and cycles which may have a negative impact on the Company's investments and consequently its net asset value. Any such outbreak may also have an adverse effect on the wider global economy and/or markets which may negatively impact a sub-fund's investments more generally. In addition, a serious outbreak of infectious disease may also be a force majeure event under contracts that the Company has entered into with counterparties thereby relieving a counterparty of the timely performance of the services such counterparties have contracted to provide to the sub-funds (the nature of the services will vary depending on the agreement in question). In a worst case scenario, this may result with the sub-funds being delayed in calculating their net asset value, processing dealing in Shares, undertaking independent valuations of the sub-funds or processing trades in respect of the sub-funds.

## **ESG Scoring Risk**

The Company and the Investment Adviser may rely on third parties to provide ESG scoring data where relevant. Therefore, the Company is subject to certain operational and data quality risks associated with reliance on third party

service providers and data sources. ESG data provided by third parties may not always be reliable, consistent or available and this may impact on a sub-fund's ability to accurately assess sustainability risks and effectively promote environmental and social characteristics, where relevant.

## SFDR categorisation and ESG data

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

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

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

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

However, the required disclosures may not always include the data required by the SFDR and/or Taxonomy Regulation due to the unavailability of such data. A lack of data could arise because a company does not provide this data at an entity and/or product level, or because the company's circumstances change and it ceases to provide particular information in future.

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

## 1.4. Integration of sustainability risks into investment decisions

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

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

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

The Investment Adviser has a duty to act in the best long-term interests of shareholders. The Investment Adviser believes that sustainability risks can affect the performance of investment portfolios across companies, sectors, regions and asset classes through time. While each sub-fund has its own investment objective, the Investment Adviser's goal is to provide shareholders with competitive risk-adjusted returns over the long term. To achieve this, the Investment

Adviser will conduct thorough financial analysis and comprehensive assessment of sustainability risks as part of a broader risk assessment for each sub-fund, where relevant.

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

## Article 6 SFDR sub-funds

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

All the sub-funds at the date of this Prospectus are classified as SFDR Article 6.

## Article 8 and 9 SFDR sub-funds

All sub-funds that promote environmental and/or social characteristics or which have a sustainable investment objective are required to comply with Article 8 or Article 9 of SFDR respectively.

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

## Likely impact of sustainability risks on returns

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

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

## Passively managed sub-funds

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

sub-fund's objective is to replicate the performance of the relevant index and decisions driven by ESG factors could be less effective in achieving this goal.

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

Some sub-funds use Shariah compliant financial derivative instruments and therefore, sustainability risks are harder to factor in as the sub-funds are not directly investing in the underlying asset. Currently, no ESG integration methodology can be applied for the Shariah compliant financial derivative instruments, but the Investment Adviser is exploring how such a methodology can be applied.

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

SFDR requires the Management Company to determine whether it considers the principal adverse impacts of its investment decisions on sustainability factors. The Investment Adviser implements this consideration on behalf of the Management Company. The Investment Adviser is supportive of the aim of this requirement, which is to improve transparency to investors and the market generally as to how the principal adverse impacts of investment decisions on sustainability factors are considered. However, the Investment Adviser is currently unable to consider principal adverse impacts of its investment decisions for certain investments where the underlying instruments are not directly being held by the relevant sub-fund, such as Shariah compliant financial derivative instruments, as the data is not currently available.

### **HSBC Thermal Coal Policy**

As part of HSBC Group's Net Zero Asset Managers commitment, the HSBC Group Thermal Coal Phase-Out Policy (the "HSBC Thermal Coal Policy") has been introduced to meet the dual objectives of phasing out coal-fired power and thermal coal mining (collectively "Thermal Coal") within science-based timeframes and of energy transition in more coal-reliant economies.

The HSBC Thermal Coal Policy is applicable to all sub-funds of the Company, and investors should refer to the latest version of the "*HSBC Asset Management Policy on Thermal Coal*" document available on HSBC Group's website at <https://www.assetmanagement.hsbc.com/about-us/responsible-investing/policies>.

## **1.5. Taxonomy Regulation**

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

The Taxonomy Regulation introduces additional disclosure requirements in respect of certain Article 8 and Article 9 SFDR sub-funds. For Article 6 SFDR sub-funds, the investments underlying these sub-funds do not take into account the EU criteria for environmentally sustainable economic activities. However, as disclosed above in the section "Integration of sustainability risks into investment decisions", the Investment Adviser integrates sustainability risk considerations into the management of these sub-funds.

## Section 2. Company details

### 2.1. Summary of Principal Features

|                                     |  |
|-------------------------------------|--|
| <b>Legal Structure</b>              | Open-ended investment company with multiple sub-funds incorporated in Luxembourg as a société anonyme qualifying as an undertaking for collective investment in transferable securities under Part I of the 2010 Law implementing the Directive 2009/65/EC into Luxembourg law. Each sub-fund corresponds to a distinct part of assets and liabilities. It exists for an unlimited period. |
| <b>Incorporation Date</b>           | 3 April 2000.  |
| <b>Registered Number</b>            | B 74.964 at the Registre de Commerce et des Sociétés of Luxembourg.  |
| <b>Articles of Incorporation</b>    | Published in the Mémorial on 12 May 2000. The Articles of Incorporation have been amended for the last time on 25 March 2022 and were published in the Recueil Electronique des Sociétés et Associations on 28 April 2022.   |
| <b>Dividends</b>                    | For distribution Shares, the Board of Directors expects to recommend distribution of a portion of each sub-fund's net investment income for the year.  |
| <b>Taxation</b>                     | Annual Luxembourg tax of 0.05%, payable quarterly and 0.01% for all I Share, S Share, W Share, Y Share and Z Share (for details see section "Taxation").   |
| <b>Investment Objectives</b>        | The Company provides investment in separate professionally managed pools of international securities distinguished by different geographical areas and currencies, with the opportunity for the investor to spread investment risk and provides the shareholders with the results of the management of its portfolio.  |
| <b>NAV Publication</b>              | Details can be obtained from distributors or the registered office of the Company. Generally available in various publications (for details see section "Prices of Shares").   |
| <b>Net Asset Value</b>              | Calculation as of each Dealing Day.  |
| <b>Base Currency of the Company</b> | USD  |
| <b>Year End</b>                     | 31 December.   |

### 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.

As a result of such provisions, the registrar and transfer agent of a Luxembourg undertaking for collective investment shall in principle ascertain the identity of the subscriber in accordance with Luxembourg laws and regulations. The Registrar and Transfer Agent may require subscribers to provide any document it deems necessary to effect such identification, including but not limited to an original duly completed and signed application form.

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

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

An application form will be completed by each new investor. The list of identification documents to be provided by each investor will be based on the Anti-Money Laundering ("AML") & Know Your Customer ("KYC") requirements as stipulated in the CSSF's circulars and regulations as amended from time to time and based on the AML & KYC Guidelines agreed between the Management Company and the Registrar and Transfer Agent. These requirements may be amended from time to time (for example, upon the instruction of new Luxembourg regulations).

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

Where a shareholder has been requested to provide further information for anti-money laundering purposes or other similar purposes as further disclosed in this Prospectus, the Company may decide to withhold any transfer request and any payment of the proceeds of any redemption request that has been processed, without interest accruing, until such information demand has been complied with to the satisfaction of the Company. In case of refusal by the investor to provide the documents required, the application will not be accepted.

Before redemption proceeds are released, the Registrar and Transfer Agent may require original documents or a true of original documents to comply with the Luxembourg regulations.

In accordance with the Luxembourg law of 13 January 2019 establishing a register of beneficial owners, shareholders are informed that the Company may need to communicate certain information to the register of beneficial owners in Luxembourg. The relevant authorities as well as the general public can access the register and the relevant information

of the beneficial owners of the Company, including the name, the month and year of birth, the country of residence and nationality. This law defines beneficial owners as a reference to economic beneficiaries under the Luxembourg Law of 12 November 2004 (as amended) on the fight against money laundering and terrorist financing as the shareholders who own more than 25% of the shares of the Company or who otherwise control the Company.

## Procedure for Application and Methods of Payment

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

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

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

Shares are provisionally allotted but not allocated until cleared funds have been received by the Company or to its order.

Cleared monies must be received by the Company in the appropriate Settlement Currency (as defined hereafter in Section 2.4. "Foreign Exchange Transactions") or by a correspondent bank to its order, no later than four Business Days after application for Shares is accepted unless the fourth Business Day is a day on which the banks in the principal financial centre for the Settlement Currency are closed for business, in which case receipt of cleared monies will be the next Business Day where the banks in the principal financial centre for the Settlement Currency are open for business.

**From 28 May 2024, cleared monies must be received by the Company in the appropriate Settlement Currency (as defined hereafter in Section 2.4. "Foreign Exchange Transactions") or by a correspondent bank to its order, no later than three Business Days after application for Shares is accepted, unless the third Business Day is a day on which the banks in the principal financial centre for the Settlement Currency are closed for business, in which case receipt of cleared monies will be the next Business Day where the banks in the principal financial centre for the Settlement Currency are open for business.**

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

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

## Method of Payment

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

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

## Share Confirmations

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

No Share certificate will be issued. A Share confirmation will be issued (normally in computerised form) by the Registrar and Transfer Agent which has the advantage that Shares may be converted or redeemed solely on written and/or electronic instructions to the Registrar and Transfer Agent. In addition, all registered shareholders are sent a shareholding statement twice a year confirming the number and value of registered Shares held by them in each sub-fund.

## 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

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 the fourth Business Day is a day on which the banks in the principal financial centre for the Settlement Currency are closed for business, in which case payment of the redemption proceeds will be the next Business Day where the banks in the principal financial centre for the Settlement Currency are open for business, provided all the required documentation has been furnished to and received by the Registrar and the Transfer Agent.

**From 28 May 2024, the Registrar and Transfer Agent will dispatch the redemption proceeds in the Reference Currency of the relevant sub-fund or the Share Class Reference Currency of the relevant Share class to which the Shares relate, within three Business Days after the relevant Dealing Day, unless the third Business Day is a**

**day on which the banks in the principal financial centre for the Settlement Currency are closed for business, in which case payment of the redemption proceeds will be the next Business Day where the banks in the principal financial centre for the Settlement Currency are open for business, provided all the required documentation has been furnished to and received by the Registrar and the Transfer Agent.**

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

Requests for redemption once made may only be withdrawn in the event of a suspension or deferral of the right to redeem Shares of the relevant sub-fund. At a shareholder's request, the Company may elect to make an in specie distribution subject to a special report from the Company's auditors (to the extent required by law), having due regard to the interests of all shareholders, to the industry sector of the issuer, to the country of issue, to the liquidity and to the marketability and the markets on which the investments distributed are dealt in and to the materiality of investments.

## **Gating and Partial Deferral of Redemption**

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

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

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

Payment of redemption proceeds may be delayed if (i) there are any specific statutory provisions such as, but not limited to, foreign exchange restrictions, or any circumstances beyond the Company's control which make it impossible to transfer the redemption proceeds to the country where the redemption was requested or (ii) the account of the shareholder requesting redemption is in non-compliance with anti-money laundering or KYC checks.

## **Prevention of Market Timing Practices**

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

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

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

- ◆ 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.

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

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

## 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.

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

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

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

## 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.

| 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 |

- b. The dealing price for Shares (the "Dealing Price") is calculated in the Reference Currency of the sub-fund concerned or in the Share Class Reference Currency of the relevant Share class and may be adjusted by the pricing adjustment (as described in Section 2.7. "Anti-Dilution Mechanisms") if applicable.

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

### Pricing Adjustment

The net asset value of a sub-fund may be adjusted up or down using the pricing adjustment rates.

Further information on the pricing adjustment is set out in Section 2.7. "Anti-Dilution Mechanisms".

### Offer Prices

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

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

## **Redemption (or Bid) Price**

The redemption (or Bid) price of Shares of each sub-fund (the "Redemption Price") is the Dealing Price and is designated in the Reference Currency of the sub-fund concerned and in the Share Class Reference Currency of the relevant class of Shares. Any rounding adjustment will accrue to the relevant class of Shares in the relevant sub-fund. Full details of the net asset value calculations are set out in the section "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 Redemption (Bid) Price be published on each Dealing Day or on each day the net asset value is calculated, in the relevant currencies in various international publications and on data providers' websites and platforms.

## **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. Anti-Dilution Mechanisms**

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

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

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



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

## Pricing Adjustment

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

The pricing adjustment mechanism has three main components:

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

These components may be different for each sub-fund.

The Company uses a partial swing pricing adjustment which means that the pricing adjustment is triggered when the difference between subscriptions and redemptions, as a percentage of the sub-fund's net asset value, exceeds the threshold on any particular Dealing Day. The net asset value of the sub-fund will be adjusted up or down using the adjustment rates (buy adjustment rate for net subscriptions or sell adjustment rate for net redemptions).

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

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

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

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

For the avoidance of doubt, it is clarified that fees other than the sales charge will continue to be calculated on the basis of the unadjusted net asset value.

## Anti-Dilution Levy

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

The anti-dilution levy has three main components:

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

These components may be different for each sub-fund.

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

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

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

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

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

## 2.8. Dividends

### **Declaration and payment of dividends**

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

- 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.

## 2.9. Charges and Expenses

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

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

### Management Fee

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

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

The Management Fee is accrued daily and payable monthly in arrears at the rates indicated in Section 3. "Sub-Fund Information".

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

For all sub-funds, in certain circumstances, the Management Company may instruct the Company to pay a portion of the Management Fee directly out of the assets of the Company to any of such service providers or identified persons. In such case, the Management Fee payable to the Management Company is reduced accordingly.

### Operating, Administrative and Servicing Expenses

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

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

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

- ◆ Management Company expenses
- ◆ Custody, depositary and safekeeping charges
- ◆ Transfer, registrar and payment agency fees
- ◆ Administration, domiciliary and fund accounting services
- ◆ Payment to HSBC Bank Middle East Limited for its services rendered with respect to the appointment of the Shariah Committee and reasonable related out-of-pocket expenses incurred in respect of the Shariah Committee's services. Details of the fees paid to HSBC Bank Middle East Limited will be disclosed in the Company's annual report.
- ◆ Legal expenses for advice on behalf of the Company

- ◆ Audit fees
- ◆ Registration fees
- ◆ *Taxe d'abonnement* – an annual subscription tax in Luxembourg
- ◆ Listing fees (if applicable)
- ◆ Company Directors' fees
- ◆ Documentation costs – preparing, printing, translating and distributing documents including, but not limited to, the Prospectus, Key Investor Information Documents, annual reports, semi-annual reports and other offering documents necessary under local regulations made available directly or through intermediaries to its shareholders in markets in which the sub-funds are registered for sale in compliance with local regulations.
- ◆ Formation expenses for current and new sub-funds including initial registration fees may be amortised over a period not exceeding 5 years from the formation date of the sub-fund
- ◆ Costs associated with the collection, reporting and publication of data about the Company, its investments and shareholders as required by laws and regulations from time to time
- ◆ Fees charged by third party vendors for publishing fund performance data
- ◆ Financial index licensing fees
- ◆ Any fees charged for sub-fund expense data analysis if specifically requested by the Company to be obtained from an independent third party
- ◆ Any industry association fees for the benefit of the Company.

To preserve shareholders from fluctuations in a sub-fund's operating, administrative and servicing expenses, the Company has agreed with the Management Company that the fee charged to cover operating, administrative and servicing expenses is normally set, for each sub-fund and/or Share class, at a fixed annual percentage of the net asset value of the relevant sub-fund or Share class as specified in Section 3. "Sub-Fund Information". The excess of such expenses above such annual percentage will be borne directly by the Management Company or its affiliates, and equally the Management Company or its affiliates may retain any surplus.

Exceptions to the fee structure above are described for each sub-fund and/or Share class in the "Fees, Expenses and Type of Shares" table in Section 3. "Sub-Fund Information" which details those Share classes where the operating, administrative and servicing expenses are paid on the basis of actual expenses up to a maximum rate of the net asset value per annum of the Share class. In this case, the Company will pay the expenses directly and as such the ongoing charge for each Share class will vary.

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

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

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

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

## Additional Charges

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

Additional charges consist of, but are not limited to, the following:

1. Duties, taxes and transaction costs associated with buying and selling the underlying assets of the Company
  2. Brokerage fees and commissions<sup>1</sup>
  3. Profit on financing and bank charges incurred in negotiating financing
  4. Payments incurred for the holding of financial derivative instruments for the purposes of investment, efficient portfolio management and hedging. Hedging includes currency hedging for the underlying assets of sub-fund or for the currency hedging of Share classes denominated in a currency other than the base currency
  5. Litigation expenses
  6. Any extraordinary expenses or other unforeseen charges.
1. All transactions are executed in compliance with applicable regulatory requirements and in accordance with the best execution policy of the Company. Transactions of the Company may be executed by the Management Company, Investment Adviser, or their Connected Persons. The Management Company, Investment Advisers and their Connected Persons will not receive cash or other rebates from brokers or dealers but may enter into soft commission arrangements or commission sharing agreements for the provision of services which are of demonstrable benefit to the Company (e.g. research) as long as transactions generating such commission are made in good faith and in strict compliance with applicable laws and regulations.

## Allocation of Charges and Expenses

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

### 2.10. Management Company and Investment Advice

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

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

The Management Company was incorporated on 26 September 1988 as société anonyme under the laws of the Grand Duchy of Luxembourg and its articles of incorporation are deposited with the Luxembourg Registre de Commerce et des Sociétés. The Management Company is approved as a management company regulated by chapter 15 of the 2010 Law. The share capital of the Management Company is GBP 1,675,000.00 and will be increased to comply at all times with article 102 of the 2010 Law.

As of the date of the Prospectus the Management Company has also been appointed to act as management company for other investments funds the list of which is available at the registered office of the Company.

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

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

The Management Company shall ensure compliance of the Company with the investment instructions and oversee the implementation of the Company's strategies and investment policy. The Management Company shall send reports to the Board of Directors on a quarterly basis and inform each member of the Board of Directors without delay of any non-compliance of the Company with the investment restrictions.

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

## 2.11. Depositary Bank, Central Paying Agent, Registrar and Transfer Agent, Domiciliary Agent and Administration Agent

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

The Depositary Bank is the Luxembourg branch of HSBC Continental Europe, a public limited company incorporated pursuant to the laws of France with company registration number 775 670 284 RCS Paris. HSBC Continental Europe is a wholly owned subsidiary of HSBC Holdings plc. The Depositary Bank's registered office is located at 18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg and the principal business activity of the Depositary Bank is the provision of financial services, including depositary services. HSBC Continental Europe is supervised by the European Central Bank, as part of the Single Supervisory Mechanism, the French Prudential Supervisory and Resolution Authority (l'Autorité de Contrôle Prudentiel et de Résolution) as the French national competent authority and the French Financial Markets Authority (l'Autorité des Marchés Financiers) for the activities carried out over financial instruments or in financial markets. When providing services to Luxembourg undertakings for collective investment, the Depositary Bank is subject to the supervision of the CSSF.

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

### Duties of the Depositary Bank

The Depositary Bank's key duties include the following:

1. Ensuring that the Company's cash flows are properly monitored and that all payments made by or on behalf of investors upon the subscription of Shares have been received and that all cash received has been booked in the correct cash accounts in accordance with the 2010 Law.
2. Safekeeping the assets of the Company, which includes (i) holding in custody all financial instruments that may be held in custody; and (ii) verifying the ownership of other assets and maintaining records accordingly.
3. Ensuring that sales, issues, repurchases, redemptions and cancellations of the Shares are carried out in accordance with applicable Luxembourg law and the Articles of Incorporation.

4. Ensuring that the value of the Shares is calculated in accordance with applicable Luxembourg law and the Articles of Incorporation.
5. Carrying out the instructions of the Company and/or the Management Company, unless they conflict with applicable Luxembourg law or the Articles of Incorporation.
6. Ensuring that in transactions involving the Company's assets any consideration is remitted to the Company within the usual time limits.
7. Ensuring that the Company's income is applied in accordance with applicable Luxembourg law and the Articles of Incorporation.

## **Delegation of functions**

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

An up-to-date list of the appointed sub-delegates is available in the Fund Centre on HSBC Global Asset Management's website at [www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com).

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

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

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

## **Conflicts of interest**

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

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

The Depositary Bank and any of its affiliates may effect, and make a profit from, transactions in which the Depositary Bank (or its affiliates, or another client of the Depositary Bank or its affiliates) has (directly or indirectly) a material interest or a relationship of any description and which involves or may involve a potential conflict of interest with the Depositary



Bank's duty to the Company. This includes for example circumstances in which the same entity to which the Depositary Bank or any of its affiliates or connected persons belong, acts as administration agent of the Company; provides stock lending services and foreign exchange facilities to the Company and/or a sub-fund and/or to other funds or companies; acts as prime broker, banker, derivatives counterparty of the Company and/or a sub-fund; acts in the same transaction as agent for more than one client; or earns profits from or has a financial or business interest in any of these activities.

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

## **Miscellaneous**

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

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

## **Administration Agent**

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

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

## **Registrar and Transfer Agent**

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

## **Domiciliary Agent**

ONE Corporate was appointed by the Company as Domiciliary Agent.

## **2.12. Distribution of Shares**

The Management Company, as Global Distributor has appointed different distributors, the names of which are listed in Appendix 4 "Directory". The distributors are entitled to receive any applicable sales charges and conversion charges on all Shares handled by it. The distributors may reallocate such charges at their absolute discretion.

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

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

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

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

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

## Representative and Distributor in Singapore

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

## 2.13. 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 within 6 months of the end of each accounting year.

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

Notices of general meetings may be communicated by registered mail (post) or in any manner as set forth in the Articles of Incorporation. Notices will specify the place and time of the meetings, the conditions of admission, the agenda, the quorum and the voting requirements. The requirements as to attendance, quorum and majorities at all general meetings will be those laid down in the Articles of Incorporation.

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

### Reports

The financial period of the Company ends on 31 December each year. The annual report containing the audited consolidated financial accounts of the Company expressed in USD in respect of the preceding financial period and with details of each sub-fund in the relevant currency in which its net asset value is available to holders of registered Shares at the Company's registered office, at least 8 days before the annual general meeting.

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

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

## 2.14. 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.

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

In such event, each will at all times have regard to its obligations under any agreements to which it is party or by which it is bound in relation to the Company or any sub-fund. In particular, but without limitation to its obligations to act in the best interests of the shareholders when undertaking any dealings or investments where conflicts of interest may arise, each will respectively endeavour to ensure that such conflicts are resolved fairly.

There is no prohibition on the Company entering into any transactions with the Management Company or 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.

## 2.15. 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 authorised as money market funds in accordance with Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds, hereinafter "Regulation (EU) 2017/1131", without prejudice to Article 175, letter b) of the Law of 2010. 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), (ii) that are authorised as short-term money market funds in accordance with Regulation (EU) 2017/1131 and (iii) that have obtained the highest possible rating from a recognised rating agency. If several Share classes are in issue in the relevant sub-fund meeting (ii) and (iii) above, only those Share classes meeting (i) above will benefit from this exemption;
- ◆ Any sub-fund, whose securities are reserved for (i) institutions for occupational retirement pension or similar investment vehicles, set up on one or more employers' initiative for the benefit of their employees and (ii) companies of one or more employers investing funds they hold, to provide retirement benefits to their employees and (iii) savers in the context of a pan-European personal pension product established under Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European personal pension product (PEPP);
- ◆ 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.

### 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**

### **Common Reporting Standard**

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.

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.

## DAC6

On 25 May 2018, the EU Council adopted a directive (2018/822 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation) that imposes a reporting obligation on parties involved in transactions that may be associated with aggressive tax planning ("DAC6"). DAC6 has been implemented in Luxembourg by the law of 25 March 2020 (the "**DAC6 Law**").

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

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

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

Intermediaries (or the case maybe, the taxpayer) may be required to report a Reportable Arrangement as soon as 30 January 2021.

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

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

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

## Foreign Account Tax Compliance Act (FATCA)

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.



## 2.16. Remuneration Policy

The Management Company has established a remuneration policy for those categories of staff, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Management Company or the Company.

The main features of the remuneration policy are as follows:

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

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

## 2.17. Benchmark Regulation

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

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

## Section 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.

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

#### ◆ Reference Currency

USD

#### ◆ Investment Objective

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

#### ◆ Derivatives

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

#### ◆ Investment Adviser

HSBC Global Asset Management (UK) Limited

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Methodology**

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

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

- **Maintenance**

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

- **Constituent Securities of the Index**

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

- ◆ **Replication**

The Investment Adviser will fully replicate the Index.

Full Replication refers to an investment strategy employed by index tracking sub-funds to track an index. The sub-fund will seek to invest in all of the securities or equivalent instruments (for example ADR and GDRs) of the Index and in the same proportions in which they are included in the Index. However, the sub-fund may need to hold a small proportion of their assets in cash in order to manage subscriptions and redemptions efficiently.

- ◆ **Tracking Error**

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

- ◆ **Concentration Risk**

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

- ◆ **Index Calculation Risk**

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

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

The Index is calculated by the Index Provider without any consideration to the performance of the sub-fund. The Index Provider makes no representation or warranty, express or implied, to investors in the sub-fund or other

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

#### ◆ **Composition of the Index Risk**

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

#### ◆ **Index Replication Risk**

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

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

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

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

# Appendices

## Appendix 1. Glossary

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

|                                  |  |
|----------------------------------|--|
| <b>2010 Law</b>                  | Luxembourg Law of 17 December 2010 on undertakings for collective investment, implementing the Directive into the Luxembourg law.  |
| <b>Administration Agent</b>      | HSBC Continental Europe, Luxembourg.   |
| <b>Articles of Incorporation</b> | Articles of incorporation of the Company, as amended from time to time.  |
| <b>Board of Directors</b>        | Board of directors of the Company.   |
| <b>Business Day</b>              | A day on which banks are open for normal banking business in Luxembourg.   |
| <b>CHF</b>                       | Swiss Franc.   |
| <b>Company</b>                   | HSBC Islamic Funds.  |
| <b>CSSF</b>                      | Commission de Surveillance du Secteur Financier, the Luxembourg supervisory authority.   |
| <b>Connected Person</b>          | <p>In relation to a company means:</p> <ul style="list-style-type: none"> <li>◆ any person or company beneficially owning, directly or indirectly, 20% or more of the ordinary share capital of that company or able to exercise directly or indirectly, 20% or more of the total votes in that company; or</li> <li>◆ any person or company controlled by a person who or which meets one or both of the descriptions given in (a); or</li> <li>◆ any member of the group of which that company forms part; or</li> <li>◆ any director or officer of that company or of any of its connected persons as defined in (a), (b) or (c).</li> </ul>  |
| <b>Dealing Currency</b>          | Any other currency, as determined by the Directors, that investments may be made in.   |
| <b>Dealing Day</b>               | <p>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).</p> <p>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.</p> <p>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.</p> |
| <b>Depository Bank</b>           | HSBC Continental Europe, Luxembourg.   |
| <b>Directive</b>                 | The European directive 2009/65/EC as amended.  |
| <b>Global Distributor</b>        | HSBC Investment Funds (Luxembourg) S.A., acting as global distributor of the Company.  |
| <b>Eligible State</b>            | Any Member State of the EU or any other state in Eastern and Western Europe, Asia, Africa, Australia, North America, South America and Oceania.  |

|                                     |   |
|-------------------------------------|---|
| <b>Emerging Markets</b>             | Emerging Markets are those markets in countries that are not amongst the following groups of industrialised countries: United States and Canada, Switzerland and Members of the European Economic Area, the UK, Japan, Australia and New Zealand, and may include those countries in the preceding groups that do not have fully developed financial markets.   |
| <b>ESG</b>                          | Environmental, social and governance factors which can be considered as non-financial performance indicators which include ethical, sustainable and corporate government issues.  |
| <b>EU</b>                           | European Union.   |
| <b>EUR</b>                          | Euro.   |
| <b>FSMA</b>                         | Financial Services and Markets Act 2000.  |
| <b>GBP</b>                          | Pound Sterling.   |
| <b>G20</b>                          | The informal group of twenty finance ministers and central bank governors from twenty major economies: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, UK, USA and the European Union.   |
| <b>Green Card Holder</b>            | An individual who is a US permanent resident (even if they do not actually reside in the US).   |
| <b>HSBC or HSBC Group</b>           | Collectively and individually, HSBC Holdings plc, its affiliates, subsidiaries, associated entities and any of their branches and offices, and any member of the HSBC Group.  |
| <b>Money market instruments</b>     | Shall mean instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time. In the case of the sub-fund, money market instruments are non-interest bearing and comply with the Shariah Screen.  |
| <b>Net Asset Value per Share</b>    | In relation to any Shares of any class, the value per Share determined in accordance with the relevant provisions described under the heading "Net Asset Value Determination" under section "Price of Shares".  |
| <b>Qualifying Day</b>               | Any day which is a Dealing Day for both sub-funds involved in a conversion.   |
| <b>Reference Currency</b>           | The base currency of the sub-fund, and the currency in which the net asset value of the sub-fund will ordinarily be calculated. Individual Share classes may have different currency denominations which denote the currency in which the Net Asset Value per Share is expressed.<br><br>However it does not necessarily correspond to the currency in which the Sub-Fund's assets are invested at any point in time.   |
| <b>Registrar and Transfer Agent</b> | HSBC Continental Europe, Luxembourg.  |
| <b>Regulated Market</b>             | A regulated market as defined in the Directive 2014/65/EU of 15 May 2014 on markets in financial instruments (Directive 2014/65/EU), namely a market which appears on the list of the regulated markets drawn up by each EU Member State, which functions regularly, is characterized by the fact that regulations issued or approved by the competent authorities define the conditions for the operation of the market, the conditions for access to the market and the conditions that must be satisfied by a financial instrument before it can effectively be dealt in on the market, requiring compliance with all the reporting and transparency requirements laid down by the Directive 2014/65/EU and any other market which is regulated, operates regularly and is recognised and open to the public in an Eligible State. |
| <b>SFDR</b>                         | Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector as amended, supplemented, consolidated, superseded or otherwise modified from time to time.<br><br>Under SFDR, sub-funds are classified as either Article 6, Article 8 or Article 9.   |

|  |  |
|--|--|
| <b>SGD</b>                             | Singapore Dollar.  |
| <b>Shares</b>                          | Shares in the Company.   |
| <b>Shariah</b>                         | Divine Islamic 'law' as revealed in (i) the <b>Qur'an</b> , which is the holy book of Islam, (ii) the <b>sunna</b> , or binding authority of the dicta and decisions of the Prophet Mohammed (peace be upon him), (iii) <b>ijma</b> , or 'consensus' of the community of Islamic scholars, and (iv) the <b>qiyas</b> , or analogical deductions and reasoning of the Islamic scholars with respect to the foregoing) (collectively, the " <b>Shariah</b> ") and as interpreted by the Shariah Committee.   |
| <b>Shariah Committee</b>               | The Global Shariah Supervisory Committee comprised of Islamic scholars and organised by HSBC Bank Middle East Limited. The Shariah Committee advises the Management Company and the Investment Adviser to ensure sub-funds' compliance with Shariah precepts.  |
| <b>Shariah Investment Restrictions</b> | All investments made by the Company shall be subject to the Shariah Screens. The Shariah Committee shall advise appropriate Shariah Screens to the Company which the Company then expects to adopt. The Shariah Screens are applied by the Investment Adviser and are subject to change as recommended by the Shariah Committee from time to time. In particular, the Company will adhere to the guidelines laid out by the Shariah Committee in all aspects of its activities, including (without limitation) the investment methodologies to be adopted in connection with the acquisition and disposal of assets and investments. The Shariah Screens may consist of sectoral, financial and any other screens as determined by the Shariah Committee, from time to time. |
| <b>Shariah Screens</b>                 | The Company intends that its policies, activities and investments will be in compliance with the principles and precepts of Shariah and will be conducted under the supervision and guidelines (the " <b>Shariah Screens</b> ") established by the Shariah Committee. Therefore, based upon current Shariah Screens criteria and subject to the standards established from time to time by the Shariah Committee, investments will be Shariah-compliant.   |
| <b>Taxonomy Regulation</b>             | Regulation EU 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment as amended, supplemented, consolidated, superseded or otherwise modified from time to time.  |
| <b>Transferable securities</b>         | <p>Shall mean:</p> <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> <p>excluding techniques and instruments relating to transferable securities and money market instruments.</p> <p>For all sub-funds, transferable securities are non-interest bearing securities which comply with the Shariah Screens.</p>  |
| <b>UCITS</b>                           | An Undertaking for Collective Investment in Transferable Securities authorised pursuant to the Directive.  |
| <b>other UCI</b>                       | An Undertaking for Collective Investment within the meaning of Article 1, paragraph (2), point (a) and point (b) of the Directive.   |
| <b>USD</b>                             | United States Dollar.  |
| <b>US Citizen</b>                      | An individual born in the US or an individual whose parent is a US citizen or a former alien who has been naturalised as a US citizen.   |
| <b>US Law</b>                          | The laws of the US, its territories, possessions and all other areas subject to its jurisdiction. US Law shall additionally include all applicable rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission.  |

**US Person**

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:

1. An individual (including a US Citizen or Green Card Holder) who is a resident of the US under any US Law;
2. An individual who is a US Citizen or Green Card Holder who has not formally renounced their US citizenship (including a person with dual or multiple nationality) even though they may reside outside of the US;
3. A corporation, partnership, limited liability company, collective investment vehicle, investment company, pooled account, or other business, investment, or legal entity:
  - a. Created or organised under US Law; and
  - b. Created (regardless of domicile of formation or organisation) principally for passive investment (for example, an investment company, fund or similar entity excluding employee benefit or pension plans); and
  - c. 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);
  - d. Where a USP is the general partner, managing member, managing director or other position with authority to direct the entity's activities;
  - e. 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
  - f. Where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by USPs;
  - g. That is an agency or branch of a non-US entity located in the US; or
  - h. That has its principal place of business in the US.
4. A trust created or organised under US Law; or where, regardless of domicile of formation or organisation:
  - a. Any settler, founder, trustee, or other person responsible in whole or in part for investment decisions for the trust is a USP;
  - b. the administration of the trust or its formation documents are subject to the supervision of one or more US courts; or
  - c. The income of which is subject to US income tax regardless of source.
5. An estate of a deceased person 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 where, regardless of the deceased person's residence while alive, an executor or administrator having sole or shared investment discretion is a USP or the estate is governed by US Law.
6. An employee benefit or pension plan that is established and administered in accordance with US Law; or established for employees of a legal entity that is a USP or has its principal place of business in the US.

A discretionary or non-discretionary or similar account (including a joint account) where one or more beneficial owners is a USP or held for the benefit of one or more USPs; or the discretionary or similar account is held by a dealer or fiduciary organised in the US.

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

The Company may, from time to time, waive or modify the above restrictions.



## Appendix 2. General information

### Incorporation and Registration

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

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

The Company's constitution deed was published in the **Mémorial** on 12 May 2000. The Articles of Incorporation have been amended for the last time on 25 March 2022. These amendments were published in the the **Recueil Electronique des Sociétés et Associations** on 28 April 2022.

### Sub-Funds

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

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

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

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

### Shares

#### 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.

- ii. The liquidators may transfer all assets and liabilities of the Company to a Luxembourg UCITS against the issue to shareholders of Shares of such entity proportionate to their shareholdings in the Company.
- iii. If the Company shall be voluntarily liquidated, its liquidation will be carried out in accordance with the provisions of the 2010 Law relating to collective investment undertakings which specifies the steps to be taken to enable shareholders to participate in the liquidation distribution(s) and in that connection provides for deposit in escrow at the *Caisse de Consignation* of any such amounts to the close of liquidation. Amounts not claimed from escrow within the prescription period would be liable to be forfeited in accordance with the provisions of Luxembourg law. In such event the forfeited escrow will, where possible, be paid to a nominated charity.
- iv. With the consent of 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 shall cease the issue, allocation, conversion, redemption and repurchase of the Shares forthwith upon the occurrence of an event causing it to enter into liquidation or upon the order of the Luxembourg supervisory authority.

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

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

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

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

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

The decision to liquidate will be published or notified to the shareholders by the Company to the extent possible prior to the effective date of the liquidation and the publication or notification will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Board of Directors otherwise decides in the interests of, or to keep equal treatment between, the shareholders, the shareholders of the sub-fund concerned may continue to request redemption or conversion of their Shares. Liquidation proceeds which cannot be distributed to their beneficiaries upon the close of the liquidation of the sub-fund concerned will be deposited with the Caisse de Consignation on behalf of their beneficiaries. The Board of Directors will endeavour to contact the beneficiaries concerned for a period of not less than nine months before transferring the unclaimed liquidation proceeds to the Caisse de Consignation.

Where the Board of Directors does not have the authority to do so or where the Board of Directors determines that the decision should be taken by the shareholders, the decision to liquidate a sub-fund may be taken at a meeting of the relevant shareholders instead of being taken by the Board of Directors. At such class meeting, no quorum shall be required and the decision to liquidate must be approved by shareholders with a simple majority of the votes cast. The decision of the meeting will be notified and/or published by the Company.

Any merger (i.e. national and/or cross-border mergers) or split of a sub-fund or class shall be decided upon by the Board of Directors unless the Board of Directors decides to submit the decision for a merger/split to a meeting of shareholders of the sub-fund or class concerned. No quorum is required for this meeting and decisions are taken by the simple majority of the votes cast.

In case of a merger of a sub-fund where, as a result, the Company ceases to exist, the merger shall be decided by a meeting of shareholders for which no quorum is required and the decision must be approved by the shareholders with a simple majority of the votes cast.

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

### **Auditor**

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

### **Other information**

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Representatives in Singapore:

- 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, 18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg.

## Appendix 3. General Investment Restrictions

### Company Investment Restrictions

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

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

- ◆ issued or guaranteed by a central, regional or local authority or by a central bank of an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EU Member States belong, or
- ◆ issued by an undertaking any securities of which are dealt in on Regulated Markets, or
- ◆ issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by the Community law, or by an establishment which is subject to and complies with prudential rules considered by the Luxembourg supervisory authority to be at least as stringent as those laid down by Community law, or
- ◆ issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least ten million euro (Euro 10,000,000) and which presents and publishes its annual accounts in accordance with the fourth directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

2. In addition, the Company may invest a maximum of 10% of the net assets of any sub-fund in transferable securities and money market instruments other than those referred to under (1) above.

II. The Company may hold ancillary liquid assets.

- III. a. i. The Company will invest no more than 10% of the net assets of any sub-fund in transferable securities or money market instruments issued by the same issuing body.
- ii. The Company may not invest more than 20% of the net assets of any sub-fund in deposits made with the same body. The risk exposure of a sub-fund to a counterparty in a Shariah-compliant OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in I. (1) d) above or 5% of its net assets in other cases.
- b. Moreover, where the Company holds on behalf of a sub-fund investments in transferable securities and money market instruments of issuing bodies which individually exceed 5% of the net assets of such sub-fund, the total of all such investments must not account for more than 40% of the total net assets of such sub-fund.

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

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

- ◆ investments in transferable securities or money market instruments issued by that single body;
  - ◆ deposits made with that body; or
  - ◆ exposure arising from OTC derivative transactions undertaken with that body.
- c. The limit of 10% laid down in sub-paragraph a) (i) above is increased to a maximum of 35% in respect of transferable securities or money market instruments which are issued or guaranteed by an EU Member State, its local authorities, or by another Eligible State or by public international bodies of which one or more EU Member States are members.
  - d. The limit of 10% laid down in sub-paragraph a) (i) is increased to 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State of the EU and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the

bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued return.

If a sub-fund invests more than 5% of its net assets in the bonds referred to in this sub-paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the net assets of the sub-fund.

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

The limits set out in paragraphs a), b), c) and d) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or in derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of any sub-fund's net assets.

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

The Company may cumulatively invest up to 20% of the net assets of a sub-fund in transferable securities and money market instruments within the same group.

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

- IV. a. Without prejudice to the limits laid down in paragraph V., the limits provided in paragraph III. are raised to a maximum of 20% for investments in shares and/or bonds issued by the same issuing body if the aim of the investment policy of a sub-fund is to replicate the composition of a certain stock or bond index which is sufficiently diversified, represents an adequate benchmark for the market to which it refers, is published in an appropriate manner and disclosed in the relevant sub-fund's investment policy.
- b. The limit laid down in paragraph a) is raised to 35% where this proves to be justified by exceptional market conditions, in particular on Regulated Markets where certain transferable securities or money market instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.
- V. a. The Company may not acquire shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body.
- b. The Company may acquire no more than:
  - ◆ 10% of the non-voting shares of the same issuer;
  - ◆ 10% of the debt securities of the same issuer;
  - ◆ 10% of the money market instruments of the same issuer.
- c. These limits under second and third indents may be disregarded at the time of acquisition, if at that time the gross amount of debt securities or of the money market instruments or the net amount of the instruments in issue cannot be calculated.

The provisions of paragraph V. shall not be applicable to transferable securities and money market instruments issued or guaranteed by a Member State of the EU or its local authorities or by any other Eligible State, or issued by public international bodies of which one or more Member States of the EU are members.

These provisions are also waived as regards shares held by the Company in the capital of a company incorporated in a non-Member State of the EU which invests its assets mainly in the securities of issuing bodies

having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the Company can invest in the securities of issuing bodies of that State provided that the investment policy of the company from the non-Member State of the EU complies with the limits laid down in paragraph III., V. and VI. a), b) and c).

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

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

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

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

If the Company invests in financial derivative instruments, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down in paragraph III above.

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

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

- VIII. a. The Company may not borrow for the account of any sub-fund amounts in excess of 10% of the net assets of that sub-fund, any such borrowings to be from banks and to be effected only on a temporary basis, provided that the Company may acquire foreign currencies by means of back to back loans.
- b. The Company may not grant loans to or act as guarantor on behalf of third parties.
- This restriction shall not prevent the Company from acquiring transferable securities, money market instruments or other financial instruments referred to in I. (1) c), e) and f) which are not fully paid.
- c. The Company may not carry out uncovered sales of transferable securities, money market instruments or other financial instruments.
- d. The Company may not acquire movable or immovable property.
- e. The Company may not acquire either precious metals or certificates representing them.



- IX. a. The Company needs not comply with the limits laid down in the above mentioned investment restrictions when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets. While ensuring observance of the principle of risk spreading, recently created sub-funds may derogate from paragraphs III., IV. and VI. a), b) and c) for a period of six months following the date of their creation.
- b. If the limits referred to in paragraph a) are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interest of its shareholders.

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

### **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

### Registered Office

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

### Board of Directors of the Company

#### **Anthony Jeffs** (Chairman)

Global Head of Product

HSBC Global Asset Management Limited

8 Canada Square, London E14 5HQ, United Kingdom

#### **Eimear Cowhey**

Independent Director

Dublin, Ireland

#### **Dr. Michael Boehm**

Chief Operating Officer

HSBC Global Asset Management (Deutschland) GmbH

Hansaallee 3, 40549 Düsseldorf, Germany

#### **Matteo Pardi**

Head of International Markets

HSBC Global Asset Management (France)

Italian Branch

Via San Prosato 3,

20121 Milano, Italy

#### **Carine Feipel**

Independent Director

Luxembourg, Grand Duchy of Luxembourg

#### **Timothy Palmer**

Independent Director

London, United Kingdom

### Management Company

HSBC Investment Funds (Luxembourg) S.A.

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

### Board of Directors of the Management Company

#### **Edmund Stokes** (Chairman)

Chief Operating Officer

HSBC Global Asset Management Limited

8 Canada Square, London E14 5HQ United Kingdom

#### **Richard Long**

Conducting Officer & Head of Global Fund Operations

HSBC Investment Funds (Luxembourg) S.A.

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

#### **Timothy Caverly**

Independent Director

18, rue Henri Hemes, L-8134 Bridel, Grand Duchy of Luxembourg

#### **Natasha Cork**

Chief Risk and Compliance Officer

HSBC Global Asset Management Limited

8 Canada Square, London E14 5HQ United Kingdom

#### **Cecilia Lazzari**

Conducting Officer & Chief Risk Officer

HSBC Investment Funds (Luxembourg) S.A.

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

#### **Susanne Van Dootingh**

Independent Director

6, Nekkedelle, 3090, Overrijse, Belgium

### Investment Adviser

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

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

## Share Distributors

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### Global Distributor

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

### United Kingdom Representative and Distributor

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

### Distributor for Continental Europe

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

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### Depository Bank

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

### Administration Agent

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

### Registrar and Transfer Agent

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

### Corporate Agent

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

### Domiciliary Agent

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

### Central Paying Agent

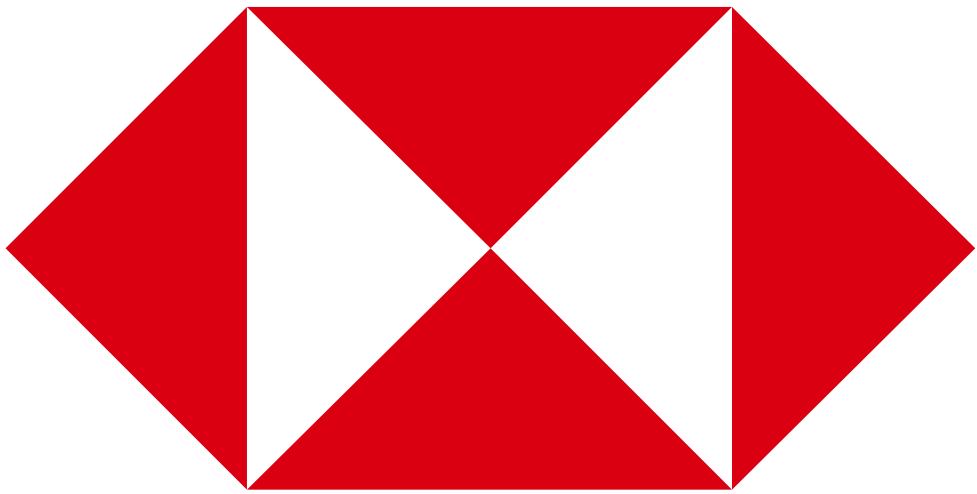
HSBC Continental Europe, Luxembourg  
18 Boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg

### Auditors

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg, Grand Duchy of Luxembourg

### Legal Advisers

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



**Issued by HSBC Global Asset Management (Singapore) Limited**

**Company Registration No.: 198602036R**