HSBC Global Investment Funds– Managed Solutions - Asia Focused Income Fund Summary

1. Description of the ILP Sub-Fund

HSBC Global Investment Funds – Managed Solutions - Asia Focused Income (the "**ILP Sub-Fund**") is an investment-linked policy sub-fund offered by HSBC Insurance (Singapore) Pte. Limited ("**HSBC Life**").

Investment risk rating is a guide to determine the ILP Sub-Fund that is suitable to the risk profile as indicated in the HSBC Bank (Singapore) Limited's (the **"Bank"**) Risk Profile Questionnaire (RPQ). It is currently only applicable to customers of the Bank.

2. Structure of the ILP Sub-Fund

The ILP Sub-Fund is a single ILP sub-fund which invests 100% into HSBC Global Investment Funds – Managed Solutions - Asia Focused Income (the "**Sub-Fund**"). The Sub-Fund is incorporated in the Grand Duchy of Luxembourg and qualifying as an Undertaking for Collective Investment in Transferable Securities (UCITS) complying with the provisions of Part I of the 2010 Law.

ILP Sub-Fund	Currency	Share Class	Investment Risk Rating
HSBC Global Investment Funds – Managed Solutions - Asia Focused Income	SGD	HSBC Global Investment Funds – Managed Solutions - Asia Focused Income – AM3 SGD Hedged	2
HSBC Global Investment Funds – Managed Solutions - Asia Focused Income	USD	HSBC Global Investment Funds – Managed Solutions - Asia Focused Income – AM2 USD	2

The ILP Sub-Fund is not classified as an Excluded Investment Product (as defined within the MAS Notice 307 on Investment-Linked Policies (the "**MAS Notice 307**")).

3. Information on the Manager

The Management Company of the Sub-Fund is HSBC Investment Funds (Luxembourg) S.A (the "**Management Company**"). The Management Company is responsible on a day-to-day basis, under the supervision of the Directors, for providing administration, marketing, investment management and advice services in respect of all Sub-Funds.

HSBC Global Asset Management is the core global investment solutions platform of the HSBC Group. With a global network of dedicated offices, HSBC Global Asset Management is able to create and deliver solutions to clients worldwide. As at December 2020, HSBC Global Asset Management had USD 609 billion worth of assets under management.

HSBC Global Asset Management (Hong Kong) Limited is the investment adviser (the "**Investment Adviser**") of the Sub-Fund. The Investment Adviser was established in Hong Kong SAR in 1973 and has over 30 years of experience in managing discretionary funds and collective investment schemes. It is regulated by the Securities and Futures Commission (SFC) in Hong Kong SAR. As at December 2020, it had USD 105 billion worth of assets under management. The regulatory authority is Securities and Futures Commission of Hong Kong SAR.

The monies and assets of the ILP Sub-Fund are not expected to be affected by the insolvency of the Investment Adviser as monies and assets belonging to the ILP Sub-Fund are segregated from the Investment Adviser's assets through the maintenance of separate bank and custodian accounts for the ILP Sub-Fund, and it is not permissible for monies and assets of the ILP Sub-Fund to be used for payment of the Investment Adviser's debts and liabilities under law.

3.1 Information on the Depositary of the Fund

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.

4. The Auditor

The auditor of the Sub-Fund is PricewaterhouseCoopers Société Coopérative.

5. Investment Objectives, Focus and Approach

5.1 Investment Objectives

The Sub-Fund invests for income and moderate capital growth through an active asset allocation in a diversified portfolio of fixed income and equity securities as well as money market and cash instruments.

5.2 Investment Focus and Approach

The Sub-Fund will normally invest a minimum of 70% of its net assets in Asian (including Asia-Pacific and excluding Japan) based income oriented assets in both fixed income and equity markets including, but not limited to corporate bonds, sovereign bonds and higher yielding equities. The Sub-Fund may also invest in other non-Asian based assets such as global Emerging Markets bonds, US Treasuries and eligible closed-ended Real Estate Investment Trusts ("REITs"). Exposure to these assets may be achieved through direct investments and/or investment in units or shares of UCITS and/or other Eligible UCIs.

The Sub-Fund will invest in Investment Grade, Non-Investment Grade rated and unrated fixed income securities issued or guaranteed by governments, government agencies or supranational bodies worldwide or companies in both developed and Emerging Markets.

Investment in onshore Chinese fixed income securities include, but are not limited to, onshore fixed income securities denominated in RMB, issued within the People's Republic of China ("PRC") and traded on the China Interbank Bond Market ("CIBM"). The Sub-Fund may invest in the CIBM either through Bond Connect and/or the CIBM Initiative. The Sub-Fund may invest up to 20% of its net assets in onshore Chinese bonds issued by, amongst other, municipal and local governments, companies and policy banks. However, the Sub-Fund will not invest more than 10% of its net
assets in onshore fixed income securities which are rated below Investment Grade, BB+ or below (as assigned by a PRC local credit rating agency) or unrated.

The Sub-Fund will also invest in equity and equity equivalent securities, particularly those that offer above average dividend yields and/or the potential for sustainable dividend growth.

Investments in Chinese equities include, but are not limited to, China A-shares and China B-shares (and such other securities as may be available) listed on stock exchanges in the People's Republic of China ("PRC"). The Sub-Fund may directly invest in China A-shares through the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect, subject to applicable quota limitations. Furthermore, the Sub-Fund may gain exposure to China A-shares indirectly through China A-shares Access Products ("CAAP") such as, but not limited to, participation notes linked to China A-shares.

The Sub-Fund may invest up to 25% of its net assets in China A-shares through the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect and up to 25% of its net assets in CAAPs. The Sub-Fund's maximum exposure to China A-shares (through the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or CAAP) and China B-shares is 25% of its net assets. The Sub-Fund will not invest more than 10% of its net assets in CAAPs issued by any single issuer of CAAPs.

The Sub-Fund will not invest more than 10% of its net assets in REITs.

The Sub-Fund may invest up to 10% of its net assets in convertible bonds (excluding contingent convertible securities).

The Sub-Fund may invest up to 10% of its net assets in contingent convertible securities, however this is not expected to exceed 5%.

The Sub-Fund may invest up to 50% of its net assets in units or shares of UCITS and/or other Eligible UCIs (including other sub-funds of the HSBC Global Investment Funds). The Sub-Fund will invest in HSBC sponsored and/or managed UCITS and/or other Eligible UCIs unless an appropriate fund is not available.

The asset allocation may change over time depending on the Investment Adviser's view on market opportunities.

The Sub-Fund will normally be exposed to currencies of Asia-Pacific (excluding Japan) countries as well as other emerging and developed market currencies.

The Sub-Fund may use financial derivative instruments for hedging and cash flow management (for example, Equitisation). However, the Sub-Fund will not use financial derivative instruments extensively for investment purposes. The financial derivative instruments the Sub-Fund is permitted to use include, but are not limited to, futures and foreign exchange forwards (including non-deliverable forwards). Financial derivative instruments may also be embedded in other instruments in which the Sub-Fund may invest (for example, units or shares of UCITS and/or other Eligible UCIs). Financial derivative instruments may also be used for efficient portfolio management purposes.

The Sub-Fund may enter into Securities Lending transactions for up to 29% of its net assets, however this is not expected to exceed 25%.

The Sub-Fund is actively managed and is not constrained by a benchmark.

Asset Class Exposure Limits

For the specific group of asset classes described in the table below, the Sub-Fund will have a total maximum exposure limit as follows:

Asset Class*	Maximum Exposure
Equity	50%
Fixed Income, including Bonds, Money Market instruments, other Fixed Income Instruments and Cash**	100%
Others, including Real Estate	30%

* Exposure to these asset classes may be achieved through direct investments and/or investment in units or shares of UCITS and/or other Eligible UCIs.
** The aggregate exposure to money market instruments and cash will be less than 30% of the sub-fund's net assets.

Asset allocation to different income oriented assets will be managed to maximize the Sub-Fund's risk-adjusted yield and total return. Exposure to each asset class will be determined based on its level of expected yield premium (i.e. its yield above cash rate), risk and liquidity. In principle, the higher the risk-adjusted yield premium, the higher the exposure to such asset classes. Asset allocation will vary over market cycles as both the yield and risks of different asset classes evolve. The Sub-Fund will remain diversified among different asset classes to maintain a balance between risk, return and income. Within each asset class, the Investment Adviser seeks to add further value through security selection.

Investment Restrictions

In addition to the restrictions outlined under Appendix 2 "Restrictions on the Use of Techniques and Instruments" and Appendix 3 "Additional Restrictions" of the Sub-Fund's Luxembourg Prospectus, the Sub-Fund's investment in units or shares of UCITS and/or other Eligible UCIs shall be subject to the following restrictions:

- Not more than 10% of the net asset value of the Sub-Fund may be invested in units or shares of UCITS and/or other Eligible UCIs that are non-recognised jurisdiction schemes, as defined under the Hong Kong SAR Code on unit trust and mutual funds (the "Hong Kong SAR Code") and not authorised by the Securities and Futures Commission in Hong Kong SAR.

- No investment may be made in any UCITS or other Eligible UCI which invests primarily in investments prohibited by Chapter 7 of the Hong Kong SAR Code; and where the objective of the UCITS or other Eligible UCI is to invest primarily in investments restricted by Chapter 7 of the Hong Kong SAR Code, such holdings may not be in contravention of the relevant limitation.

Risk Management

The commitment approach is used to measure and monitor the level of risk for this Sub-Fund. Please refer to Section 1.6 of the Sub-Fund's Luxembourg Prospectus on *Risk Management Process* for further information on the commitment approach.

Investment Management Approach
The Investment Advisers aim to build portfolios that deliver value added performance over the long term. The approach to investment is based on the following investment philosophies:

(i) A generally consistently applied model within each asset class:

- Equity. The equity investment philosophy is based on the long-term relationship between valuation and profitability. We believe market inefficiencies lead to divergences between valuation and profitability that correct over time, thus potentially producing alpha. In-depth, fundamental research is the key to highlighting compelling investment opportunities in companies that exhibit above average profitability at below average valuations.

- Fixed Income. Our active fixed income investment approach is based on a clear understanding of risk, in-depth research and relative valuation via top down economic, political and market analysis and bottom-up, fundamental credit research. Primary alpha sources are sought via security and sector selection; duration positioning; yield curve positioning.

- Multi-Asset. Our multi-asset investment philosophy is based on the belief that active asset allocation based on valuation, seeks to benefit from market over-reaction, however such asset classes are excessively volatile compared to fundamentals. Portfolios aim for an optimal risk/return ratio through exposure to underlying asset classes via a range of value-add and/or efficient beta strategies within stated guidelines.

(ii) Shared resources in research, strategy and dealing: The investment teams are complemented by the belief in benefits of scale in areas such as research and strategy. The global, centralised research platform is extensively utilised by the investment teams, who regard it as a valuable tool.

(iii) Quality investing: Investment convictions are rooted in the shared belief in ‘quality investing’, which involves in-depth fundamental research, long-term focus and strong price discipline. The principle of intelligent investing, through good quality decisions based on thorough research and knowledge, means that the investment approach is simple and based on understanding fundamentals.

(iv) Performance-oriented people: Recruitment and retention strategies ensure that a sound investment culture is maintained throughout the teams.

5.3 Investor Profile

The ILP Sub-Fund is only suitable for potential investors who:

- Seek income and moderate capital growth over the long term
- Understand that a high proportion of the assets may be invested in equity, or equity–related securities, or in bonds rated below Investment Grade in markets which may be subject to moderately high volatility
- Are comfortable with the volatility and risks related to investing in Emerging Markets (Asia ex-Japan)
- Understand that the principal of the Sub-Fund will be at risk.

6. Central Provident Fund ("CPF") Investment Scheme

The ILP Sub-Fund is currently not included under the CPF Investment Scheme.

7. Risks

7.1 General Risks

Investment in the Sub-Fund carries with it a degree of risk, including, but not limited to those specifically referred to in Sections 1.4 and 3.3 of the Sub-Fund’s Luxembourg Prospectus. Potential investors should review the Luxembourg Prospectus in its entirety prior to making a decision to invest. There can be no assurance that the Sub-Fund will achieve their investment objectives and past performance should not be seen as a guide to future returns. Investors should remember that the price of shares and any income from them may fall as well as rise and they may not get back the full amount invested. An investment may also be affected by any changes in exchange control regulations, tax laws, withholding taxes and economic or monetary policies.

Please refer to Section 1.5 of the Sub-Fund’s Luxembourg Prospectus on General Risk Considerations for further details. You can download the Sub-Fund’s Luxembourg Prospectus from website: www.assetmanagement.hsbc.com/sg.

7.1.1 **Market Risk**

There is no guarantee in respect of repayment of principal and the value of investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Sub-Fund. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies.

7.1.2 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.

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

The sub-funds' investments are spread among a number of industries however the BRIC countries' markets are comprised of significant weightings in the natural resources sectors. This means that the sub-fund's investments may be relatively concentrated in these sectors and the performance of the sub-fund could be sensitive to movements in these sectors. Risks of sector concentration are outlined below. In selecting companies for investment, a company's financial strength, competitive position, profitability, growth prospects and quality of management will typically be evaluated.

7.1.3 Foreign Exchange Risk

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

If the currency in which a security is denominated appreciates against the Base Currency, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.
A sub-fund may engage in foreign currency transactions in order to hedge against currency exchange risk, however there is no guarantee that hedging or protection will be achieved. This strategy may also limit the sub-fund from benefiting from the performance of a sub-fund's securities if the currency in which the securities held by the sub-fund are denominated rises against the Base Currency. In case of a hedged class, (denominated in a currency different from the Base Currency), this risk applies systematically.

7.1.4 Counterparty Risk

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

For example, the Sub-Fund may enter into repurchase agreements, Securities Lending, forward contracts, options and swap arrangements or other derivative techniques, each of which expose the Sub-Fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In addition, some fixed income structures such as asset backed securities can incorporate swap contracts that involve counterparty risk. In the event of a bankruptcy or insolvency of a counterparty, the Sub-Fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Sub-Fund seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights.

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

The Sub-Fund employs a variety of mechanisms to manage and mitigate counterparty risk including but not limited to the following:

1. Counterparty approval using external credit ratings and/or a credit review consisting of three years' worth of audited financial accounts;
2. Counterparties are also reviewed at least annually to ensure that they remain appropriate for the requirements of the business. Counterparties are monitored on a continual basis and any adverse information concerning the credit worthiness of approved counterparties is considered as a matter of urgency;
3. Counterparty exposures are monitored on a daily basis by a function independent of the front office; Exposures may also be managed through a collateral and margining arrangement supported by appropriate and legally enforceable trading agreements.

7.1.5 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.

7.1.6 Volatility

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

7.1.7 Futures and Options

Under certain conditions, the Sub-Fund may use options and futures on securities, indices and interest rates for the purpose of investment, hedging and efficient portfolio management. In addition, where appropriate, the Sub-Fund may hedge market and currency risks using futures, options or forward foreign exchange contracts.

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

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

7.1.8 Credit Default Swaps

Credit default swaps may trade differently from the funded securities of the reference entity. In adverse market conditions, the basis (difference between the spread on bonds and the spread on credit default swaps) can be significantly more volatile.

7.1.9 Total Return Swaps

A sub-fund may utilise Total Return Swaps to, inter alia, replicate the exposure of an index or to swap the performance of one or more instruments into a stream of fixed or variable rate cash-flows. In such cases, the counterparty to the transaction will be a counterparty approved and monitored by the Management Company or the Investment Adviser. At no time will a counterparty in a transaction have discretion over the composition or the management of the sub-fund's investment portfolio or over the underlying asset of the Total Return Swap.

7.1.10 OTC Financial Derivative Transactions

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

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

7.1.11 Securities Lending and Repurchase Transactions

To the extent that the Sub-Fund uses any of the techniques and instruments set out in the Luxembourg Prospectus Appendix 2. "Restrictions on the Use of Techniques and Instruments", their use may involve certain risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

In relation to reverse repurchase transactions, investors must notably be aware that (a) in the event of the failure of the counterparty with which cash of a sub-fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (b) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the sub-fund to meet redemption requests, security purchases or, more generally, reinvestment; and that (c) reverse repurchase transactions will, as the case may be, further expose a sub-fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of this Prospectus.

In relation to repurchase transactions and Securities Lending transactions, investors must notably be aware that (a) if the borrower of securities lent by a sub-fund fail to return these there is a risk that the collateral received may realise less than the value of the securities lent out, whether due to inaccurate pricing, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (b) in case of reinvestment of cash collateral such reinvestment may yield a sum less than the amount of collateral to be returned; and that (c) delays in the return of securities on loans may restrict the ability of a sub-fund to meet delivery obligations under security sales or payment obligations arising from redemptions requests.

7.1.12 Liquidity Risk

Liquidity risk exists within most financial products including the investments held by the sub-funds. This means that a delay may occur in receiving sales proceeds from the investments held by a sub-fund, and those proceeds may be less than recent valuations used to determine the Net Asset Value per Share. This risk is greater in exceptional market conditions or when large numbers of investors are trying to sell their investments at the same time. In such circumstances, the receipt of sale proceeds may be delayed and/or take place at lower prices.

This may impact the ability of the sub-funds to immediately meet the redemption requests received from the shareholders.

7.1.13 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 Global Asset Management policy, the Sub-Fund will not invest in securities of certain companies (please refer to Luxembourg Prospectus Appendix 3. “Additional Restrictions” for further details). As this policy aims to prohibit investment in certain 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.

7.1.14 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 policy and the returns generated from the investment may not adequately compensate the sub-fund for the risks assumed.

7.1.15 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.

7.1.16 Cyber Security Risk

Security breaches of computer systems used by the Sub-Fund's service providers in respect of the Sub-Fund's activities (such as the Management Company, the Investment Advisers, the Administration Agent, the Depositary Bank and sub-custodians) have the potential to cause financial losses and costs for the Sub-Fund, for example by disrupting or preventing trading or interfering with the administrative systems used in relation to the Sub-Fund. While the Sub-Fund'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 Sub-Fund and cannot be totally eliminated.

7.1.17 Operational Risk

The Sub-Fund's operations (including investment management) are carried out by the service providers mentioned in this Prospectus. In the event of 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.

7.1.18 Legal Risk

There is a risk that it may not be possible to enforce agreements entered into by the Sub-Fund due to bankruptcy or a dispute as to the interpretation of the agreement. There is also a risk that legal agreements in respect of certain derivative transactions and Securities Lending transactions entered into by the Sub-Fund may be terminated due, for instance, to bankruptcy of the counterparty or a change in tax law. The Sub-Fund may incur a loss as a result.

7.1.19 Custody Risk

Assets of the Sub-Fund 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 restitute in a short time frame all of the assets of the Sub-Fund in the case of bankruptcy of the Depositary Bank. The assets of the Sub-Fund will be identified in the Depositary Bank's books as belonging to the Sub-Fund. Securities held by the Depositary Bank will be segregated from other assets of the Depositary Bank which mitigates the risk of non-restitution in case of bankruptcy. However, no such segregation applies to cash which increases the risk of non-restitution in case of bankruptcy.

7.1.20 Currency Hedged Share Classes

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

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

Movements in currency exchange rates can materially impact investment returns and investors should ensure they fully understand the difference between investment in Currency Hedged Share Classes versus investment in those Share Classes which are neither Portfolio Currency Hedged nor Base Currency Hedged (i.e. those Share Classes denominated in the Base Currency of the sub-fund as well as Reference Currency Share Classes).

Currency Hedged Share Classes are not recommended for investors whose Home Currency is different to the Reference Currency of the Currency Hedged Share Class. Investors who choose to convert their Home Currency to the Reference Currency of a Currency Hedged Share Class and subsequently invest in such a Share Class should be aware that they may be exposed to higher currency risks and may suffer material losses as a result of exchange rate fluctuations between the Reference Currency of the Currency Hedged Share Class and their Home Currency.

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

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

7.1.21 Cross-Class Liability Risk

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

For instance, sub-funds offering Currency Hedged Share Classes will have assets and liabilities related to the hedge which are attributable to the relevant Currency Hedged Share Classes. Moreover, these assets and liabilities may be denominated in various currencies introducing currency risk.

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

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

7.1.22 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 Sub-Fund'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 Sub-Fund 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.

7.2 Specific Risks

Investors in the Fund should carefully consider the following risks of the Fund.

A comprehensive description of the following risks can be obtained from Section 6 “Risks” in the Fund's Luxembourg Prospectus.

7.2.1 Currency Risk

Where the Base Currency of a sub-fund, the currencies of markets in which such sub-fund invests in, or the investor's base currency are different, unfavourable movements in foreign exchange rates may affect the value of the Sub-Fund's Shares, the dividends or interest earned, and any gains or losses realised.

The Sub-Fund may seek to minimise their exposure to currency fluctuations by the use of hedging and other techniques and instruments, but it may not be possible, practicable or considered appropriate by the Management Company to hedge against all currency risk exposure.

7.2.2 China

1) Chinese Markets Risk

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

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

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

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

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

The Shanghai and Shenzhen securities markets and the China Interbank Bond Market are all in the process of development and change. In addition, securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange and the government or the regulators may also implement policies that may affect the financial markets. This may lead to trading volatility, difficulty in the settlement and recording of transactions and difficulty in interpreting and applying the relevant regulations when trading China A-shares/B-shares. All these may have a negative impact on a sub-fund.

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

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

The Chinese government's control of currency conversion and future movements in exchange rates may adversely affect the operations and financial results of the companies invested in by the sub-funds, and the abilities of such companies to make payment of dividends declared in respect of the shares in the China companies.

- **Accounting and Reporting Standards**

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

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

- **Taxation in the PRC**

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

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

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

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

- **Direct Investment in China A-shares via Stock Connects**

On 14 November 2014, the PRC Ministry of Finance, State Administration of Taxation and CSRC jointly published a notice in relation to the taxation rule on the Shanghai Stock Connect under Caishui [2014] No.81 (“Notice No.81”). Under Notice No.81, Corporate Income Tax, Individual Income Tax and Business Tax will be temporarily exempted on gains derived by Hong Kong SAR and overseas investors (such as the sub-funds) on the trading of China A-shares through Shanghai Stock Connect with effect from 17 November 2014. However, Hong Kong SAR and overseas investors (such as the sub-funds) are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies.

Pursuant to the notice Caishui [2016] No. 36 issued jointly by the State Administration of Taxation and the Ministry of Finance in March 2016 effective from 1 May 2016, PRC Value-added Tax (“VAT”) replaced PRC Business Tax (“BT”) to cover all sectors that used to fall under the PRC BT. Gains derived by Hong Kong SAR Market investors from trading of China A-shares listed on the Shanghai Stock Exchange are exempted from VAT. Dividends are not subject to PRC VAT.

In addition, pursuant to the “Circular on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shenzhen and Hong Kong SAR Stock Markets” notice Caishui [2016] No.127 promulgated by the MoF, the SAT and the CSRC on 5 November 2016, under the BT to VAT transformation pilot program, gains derived by Hong Kong SAR Market investors from trading of China A-shares listed on the Shenzhen Stock Exchange will also be temporarily exempted from Corporate Income Tax, Individual Income Tax and VAT.

Based on notices above and based on professional and independent tax advice, the sub-funds will not make any tax provision on gross realised or unrealised capital gains derived from trading of China A-shares via Shanghai and Shenzhen Stock Connects. The sub-funds may further modify its tax provision policy based on new developments and interpretation of the relevant PRC tax regulations/laws in the PRC.

- **Indirect investment in China A-shares via China A-Share Access Products (“CAAPs”)**

On 14 November 2014, the PRC Ministry of Finance, State of Administration of Taxation and CSRC jointly published a notice in relation to the taxation rule on QFII and RQFII under Caishui [2014] No.79 (“Notice No.79”). Under Notice No.79, (i) Corporate income tax, will be temporarily exempted on gains derived by QFIIs and RQFIIs from the transfer of domestic shares and other equity interest investment in China with effect from 17 November 2014; and (ii) corporate income tax shall be imposed on such gains earned by QFIIs and RQFIIs before 17 November 2014 in accordance with the tax laws. The relevant dividends and/or bonus shares derived by QFIIs and RQFIIs are subject to tax at 10% (unless exempt or reduced under specific tax circulars or relevant tax treaty), which will be withheld and paid to the relevant authority by the listed companies.

Notice No. 79 is applicable for QFIIs and RQFIIs without any establishment or place in China or the income derived by the QFIIs and RQFIIs are not effectively connected with their establishment or place in China.

Also pursuant to Caishui [2016] No. 36 and No.70, gains derived by QFII or RQFII from securities trading carried out domestically are exempted from VAT. Dividends are not subject to PRC VAT.

Based on notices above and based on professional and independent tax advice, the sub-funds will not make any tax provision on gross realised or unrealised capital gains derived from trading of China A-shares via CAAPs issued by QFII or RQFII license holders. The sub-funds may further modify its tax provision policy based on new developments and interpretation of the relevant PRC tax regulations/laws in the PRC.

2) Fixed Income Securities

Corporate Income Tax (“CIT”)

a) Interest income

Currently, in respect of debt securities, except for interests derived from government bonds1 which are exempt from PRC Corporate Income Tax (“CIT”), a 10% withholding income tax is technically payable on interests derived from fixed income instruments issued and borne by PRC resident corporate entities (including those issued and borne by foreign enterprises but deemed as PRC tax resident) by a foreign investor which is deemed as a non-resident enterprise without Permanent Establishment (“PE”) in China for PRC CIT purposes. The entity distributing such interests is required to withhold such tax. If the foreign corporate investor is a tax resident of a country that has signed a tax treaty with China with a reduced treaty rate on interest income, it may submit a self-claim form (called record filing form) to enjoy the reduced PRC CIT rate under the tax treaty however, this is subject to post-submission review and discretion by the in-charge PRC tax authority.

Pursuant to the notice Caishui [2016] No. 36, interest income derived from bonds issued by PRC resident companies2 should technically be subject to 6% VAT plus surcharges from 1 May 2016, unless specifically exempted. Interest received from PRC government bonds and local government bonds are exempt from VAT.

Before the full transformation of Business Tax to VAT, there was a lack of clarity under Business Tax regulations but the State Administration of Taxation (“SAT”) has interpreted that such interest income should be technically subject to 5% Business Tax. However, in practice, the PRC tax authorities did not enforce the collection of Business Tax. Under VAT regime, Caishui [2016] No. 36 provides that the PRC payer of such interest shall withhold VAT when paying such interest to non-resident recipients. However, in practice, the PRC payers have not withheld VAT and the PRC tax authorities have not enforced the collection of VAT on such interest.

b) Capital gain

There are no specific tax rules governing the PRC CIT on capital gains derived by foreign investors from the trading of debt securities in the PRC.

On 8 November 2017, the People’s Bank of China (“PBOC”) released Operational Procedures for Overseas Institutional Investors to Enter China's Inter-bank Bond Market (“CIBM”). Pursuant to it, capital gain realized by Overseas Institutional Investors through CIBM direct scheme is temporarily exempt from CIT. In relation to trading debt securities via Bond Connect, no specific rule or guidance has currently been issued by the PRC tax authorities on the tax treatment. Consequently, the tax treatment is even less certain and so, in the absence of such specific rules, the expectation is that the PRC CIT treatment (or any other tax treatment) will be governed by the general tax provisions of the existing PRC domestic tax legislation.

Based on the current interpretation of the State Administration of Taxation (“SAT”) and professional tax advice, the Sub-Fund does not intend to provide for any PRC CIT in respect of the capital gains derived by a sub-fund from disposal of debt securities in the PRC. In light of the uncertainty on the CIT treatment on capital gains on debt securities trading in the PRC and for the purpose of meeting this potential tax liability of a Sub-Fund for capital gains from debt securities in the PRC, the Manager reserves the right to provide for CIT (or any other tax) on such gains or income and withhold the tax from the account of a sub-fund based on new developments and interpretation of the relevant regulations (after taking professional tax advice).
Pursuant to Caishui [2016] No. 36, gains realised from the trading of marketable securities in the PRC would generally be subject to VAT at 6% plus local surcharge, unless specifically exempted. Pursuant to Caishui [2016] No. 70, which is a supplementary notice to Caishui [2016] No. 36, gains realised by overseas institutional investors recognized by the People’s Bank of China from the trading of CIBM bonds are exempt from VAT.

VAT Surcharges

If VAT is payable on interest income and/or capital gains, there are also surcharges (which include City Construction and Maintenance Tax, Education Surcharge, Local Education Surcharge) to be charged on top of the 6% VAT payable. There may also be other levies imposed in some locations.

7.2.3 RMB Currency and Exchange Risk

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

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

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

In calculating the value of the investments denominated in RMB, the Investment Adviser will normally apply as appropriate the exchange rate for RMB traded outside or in Mainland China. The rate of the RMB traded outside Mainland China may be at a premium or discount to the exchange rate for RMB traded in Mainland China and there may be significant bid and offer spreads.

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

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

7.2.4 Chinese Equity

Investors should be aware of a number of special risk factors attendant on investment in Emerging Markets generally and the markets in China in particular.

1. Emerging Markets can be significantly more volatile than developed markets, so that the price of Shares may be subject to large fluctuations. The sub-fund's investments are subject to changes in regulations and tax policies going forward as China has now joined the WTO and engages in continuing market liberalisation.

2. The Chinese currency, the Renminbi, is not a freely convertible currency. The State Council's securities regulation body, the CSRC, also supervises the two official stock exchanges in China (the Shanghai Stock Exchange and the Shenzhen Securities Exchange) on which shares of Chinese issuers are listed in two categories, of which the "B" shares are quoted and traded in foreign currencies (currently Hong Kong Dollars and US Dollars) and are available to foreign investors.

3. The China "B" share market is relatively illiquid so that the choice of investments will be limited by comparison with that of major international stock exchanges.

4. The sub-funds will invest directly in securities quoted on the regulated Stock Exchanges in China and also in securities of companies listed in other Stock Exchanges which have substantial business or investment links in China. For this purpose, Chinese Equity will generally only invest in companies listed outside China where those companies are owned or controlled by Chinese interests, or where at least 40% of the earnings, production facilities, turnover, assets or investments of such companies are based in or derived from China.

5. Certain sub-funds may invest more than 5% of their net assets in China A-Shares which may be accessed by overseas investors via the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect, as detailed under (3) "Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect "of this section.

The Sub-Fund may invest in equity markets in China other than the Shanghai and Shenzhen exchanges once such markets have been established and approved by the authorities in China.

7.2.5 China A-Shares Access Products ("CAAP")

The Sub-Fund may invest in CAAP linked to China A-shares in the PRC. Issuers of CAAP may deduct various charges, expenses or potential liabilities from the prices of the CAAP (including but not limited to any actual or potential tax liabilities determined by the CAAP issuer at its discretion) and such deduction is not normally refundable.

CAAPs may not be listed and are subject to the terms and conditions imposed by its issuer. These terms may lead to delays in implementing the Investment Adviser's investment strategy. Investment in CAAPs can be illiquid as there may not be an active market in the CAAPs. In order to liquidate investments, the sub-fund relies upon the counterparty issuing the CAAPs to quote a price to unwind any part of the CAAPs.

An investment in a CAAP is not an investment directly in the underlying investments (such as shares) themselves. An investment in the CAAP does not entitle the holder of such instrument to the beneficial interest in the shares nor to make any claim against the Sub-Fund issuing the shares.

The Sub-Fund will be subject to credit risk of the issuers of the CAAPs invested by the Sub-Fund. The Sub-Fund may suffer a loss if the issuers of the CAAPs invested by the sub-fund becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties.

7.2.6 Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

The aim of Stock Connect is to achieve mutual stock market access between the PRC and Hong Kong SAR.

The Sub-Fund listed may invest more than 5% of their net assets and have direct access to certain eligible China A-shares via the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect (a “Stock Connect” or together the “Stock Connects”).

Shanghai-Hong Kong Stock Connect

The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links program developed by Hong Kong Exchanges and Clearing Limited (“HKEX”), Shanghai Stock Exchange (“SSE”) and China Securities Depositary and Clearing Corporation Limited (“ChinaClear”).

The Shanghai-Hong Kong Stock Connect comprises a Northbound Shanghai Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shanghai Trading Link, Hong Kong SAR and overseas investors (including the sub-funds of the Sub-Fund which are authorised to), through its Hong Kong SAR broker and a securities trading service company established by the Stock Exchange of Hong Kong (“SEHK”), may be able to trade eligible China A Shares listed on the SSE by routing orders to SSE.

Under the Shanghai-Hong Kong Stock Connect, the sub-fund, through its Hong Kong SAR broker may trade certain eligible shares listed on the SSE. These include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except the following:

- SSE-listed shares which are not traded in RMB; and
- SSE-listed shares which are included in the “risk alert board”.

Trading is subject to rules and regulations issued from time to time. Trading under the Shanghai-Hong Kong Stock Connect is subject to a daily quota (“Daily Quota”). Northbound Shanghai Trading Link and Southbound Hong Kong Trading Link under the Shanghai-Hong Kong Stock Connect will be subject to a separate set of Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Shanghai-Hong Kong Stock Connect each day.

Shenzhen-Hong Kong Stock Connect

The Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEX, Shenzhen Stock Exchange (“SZSE”) and ChinaClear.

The Shenzhen-Hong Kong Stock Connect comprises a Northbound Shenzhen Trading Link and a Southbound Hong Kong Trading Link. Under the Northbound Shenzhen Trading Link, Hong Kong SAR and overseas investors (including the sub-funds), through their Hong Kong SAR broker and a securities trading service company established by SEHK, may be able to trade eligible China A Shares listed on the SZSE by routing orders to the SZSE.

Under the Shenzhen-Hong Kong Stock Connect, the sub-funds, through its Hong SAR Kong brokers may trade certain eligible shares listed on the SZSE. These include any constituent stock of the SZSE Component Index and SZSE Small/Mid Cap Innovation Index which has a market capitalisation of RMB6 billion or above and all SZSE-listed shares of companies which have issued both China A Shares and H Shares. At the initial stage of the Northbound Shenzhen Trading Link, investors eligible to trade shares that are listed on the ChiNext Board of SZSE under the Northbound Shenzhen Trading Link will be limited to institutional professional investors as defined in the relevant Hong Kong SAR rules and regulations.

Trading is subject to rules and regulations issued from time to time. Trading under the Shenzhen-Hong Kong Stock Connect will be subject to a Daily Quota (unrelated to the Daily Quota of the Shanghai-Hong Kong Stock Connect). Northbound Shenzhen Trading Link and Southbound Hong Kong Trading Link under the Shenzhen-Hong Kong Stock Connect will be subject to a separate set of Daily Quota. The Daily Quota limits the maximum net buy value of cross-boundary trades under the Shenzhen-Hong Kong Stock Connect each day.

The Stock Connects

It is expected that the list of securities eligible for trading under the Stock Connects will be subject to review.

The Hong Kong Securities Clearing Company Limited ("HKSCC"), a wholly-owned subsidiary of HKEX, and ChinaClear will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and investors (including the sub-funds of the Sub-Fund). The China A Shares traded through Stock Connects are issued in scripless form, and investors will not hold any physical China A Shares.

Although HKSCC does not claim proprietary interests in the SSE and SZSE securities held in its omnibus stock accounts in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE and SZSE securities.

SSE-/SZSE-listed companies usually announce information regarding their annual general meetings/extraordinary general meetings about two to three weeks before the meeting date. A poll is called on all resolutions for all votes. HKSCC will advise the Hong Kong Central Clearing and Settlement System ("CCASS") participants of all general meeting details such as meeting date, time, venue and the number of resolutions.

Under the Stock Connects, Hong Kong SAR and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant Mainland Chinese authority when they trade and settle SSE Securities and SZSE securities.

Further information about the trading fees and levies is available online at the website:
www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm

In accordance with the UCITS requirements, the Depositary Bank shall provide for the safekeeping of the sub-fund's assets in the PRC through its Global Custody Network. Such safekeeping is in accordance with the conditions set down by the CSSF which provides that there must be legal separation of non-cash assets held under custody and that the Depositary Bank through its delegates must maintain appropriate internal control systems to ensure that records clearly identify the nature and amount of assets under custody, the ownership of each asset and where documents of title to each asset are located.

Further information about the Stock Connects is available online at the website:
www.hkex.com.hk/eng/csm/chinaConnect.asp?LangCode=en

In addition to risks regarding the Chinese market and risks related to investments in RMB, investments through the Stock Connects are subject to the following additional risks:

Quota Limitations

The Stock Connects are subject to quota limitations. In particular, the Stock Connects are subject to a daily quota which does not belong to the sub-funds and can only be utilised on a first-come-first-served basis. Once the daily quota is exceeded, buy orders will be rejected (although investors will be permitted to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the Sub-Funds' ability to invest in China A Shares through the Stock Connects on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment strategy.

Legal / Beneficial Ownership

The SSE and SZSE shares in respect of the Sub-Fund is held by the Depositary Bank/ sub-custodian in accounts in the CCASS maintained by the HKSCC as central securities depositary in Hong Kong SAR. HKSCC in turn holds the SSE and SZSE shares, as the nominee holder, through an omnibus securities account in its name registered with ChinaClear for each of the Stock Connects. The precise nature and rights of the sub-funds as the beneficial owners of the SSE and SZSE shares through HKSCC as nominee is not well defined under PRC law. There is lack of a clear definition of, and distinction between, "legal ownership" and "beneficial ownership" under PRC law and there have been few cases involving a nominee account structure in the PRC courts. Therefore the exact nature and methods of enforcement of the rights and interests of the sub-funds under PRC law is uncertain. Because of this uncertainty, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong SAR it is not clear if the SSE and SZSE shares will be regarded as held for the beneficial ownership of the sub-funds or as part of the general assets of HKSCC available for general distribution to its creditors.

Clearing and Settlement Risk

HKSCC and ChinaClear have established the clearing links and each has become a participant of the other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

As the national central counterparty of the PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote.

In the remote event of a ChinaClear default, HKSCC's liabilities in SSE and SZSE shares under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC should in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the sub-funds may suffer delay in the recovery process or may not fully recover its losses from ChinaClear.

Suspension Risk

Each of the SEHK, SSE and SZSE reserves the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator would be sought before a suspension is triggered. Where a suspension is effected, the Sub-Funds' ability to access the PRC market will be adversely affected.

Differences in Trading Day

The Stock Connects only operate on days when both the PRC and Hong Kong SAR markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the PRC market but the sub-funds cannot carry out any China A Shares trading via the Stock Connects. The sub-funds may be subject to a risk of price fluctuations in China A Shares during the time when any of the Stock Connects is not trading as a result.

Restrictions on Selling Imposed by Front-end Monitoring

PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise the SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

If the sub-funds intend to sell certain China A Shares it holds, it must transfer those China A Shares to the respective accounts of its broker(s) before the market opens on the day of selling ("trading day"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the sub-funds may not be able to dispose of its holdings of China A Shares in a timely manner.

Operational Risk

The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are permitted to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

The securities regimes and legal systems of the two markets differ significantly and market participants may need to address issues arising from the differences on an on-going basis.

There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the program could be disrupted. The sub-funds' ability to access the China A Share market (and hence to pursue its investment strategy) may be adversely affected.

Regulatory Risk

The current regulations relating to Stock Connects are untested and there is no certainty as to how they will be applied. In addition, the current regulations are subject to change which may have potential retrospective effects and there can be no assurance that the Stock Connects will not be abolished. New regulations may be issued from time to time by the regulators / stock exchanges in the PRC and Hong Kong SAR in connection with operations, legal enforcement and cross-border trades under the Stock Connects. The sub-funds may be adversely affected as a result of such changes.

Recalling of Eligible Stocks

When a stock is recalled from the scope of eligible stocks for trading via the Stock Connects, the stock can only be sold but restricted from being bought. This may affect the investment portfolio or strategies of the sub-funds, for example, if the Investment Manager / the Sub-Investment Manager wishes to purchase a stock which is recalled from the scope of eligible stocks.

Risks Associated with the Small and Medium Enterprise Board and/or ChiNext Market

The sub-funds may invest in the Small and Medium Enterprise ("SME") board and/or the ChiNext market of the Shenzhen Stock Exchange via the Shenzhen-Hong Kong SAR Stock Connect. Investments in the SME board and/or ChiNext market may result in significant losses for the sub-funds and its investors.

The following additional risks apply:

Higher fluctuation on stock prices

Listed companies on the SME board and/or ChiNext market are usually of emerging nature with smaller operating scale. Hence, they are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main board of the Shenzhen Stock Exchange.

Over-valuation risk

Stocks listed on the SME board and/or ChiNext may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares.

Differences in regulations

The rules and regulations regarding companies listed on ChiNext market are less stringent in terms of profitability and share capital than those in the main board and SME board.

Delisting risk

It may be more common and faster for companies listed on the SME board and/or ChiNext to delist. This may have an adverse impact on the sub-funds if the companies that it invests in are delisted.

Risk associated with Small-Capitalisation / Mid-Capitalisation Companies

The stocks of small-capitalisation / mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

7.2.7 China Interbank Bond Market

The China bond market is made up of the Interbank Bond Market and the exchange listed bond market. The China Interbank Bond Market ("CIBM") is an Over-The-Counter ("OTC") market, executing the majority of the Chinese onshore bond trading. The main securities traded on the CIBM include government bonds, central bank papers, policy bank bonds and corporate bonds.

The sub-funds listed above may invest in bonds traded on the CIBM via the Bond Connect (as defined below) and/or the CIBM Initiative (as defined below).

Bond Connect

Since July 2017, mutual bond market access between Hong Kong SAR and PRC ("Bond Connect") was established by China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS") and Hong Kong SAR Exchanges and Clearing Limited (amongst others). Bond Connect is governed by rules and regulations as promulgated by the PRC authorities. As at the date of this Prospectus, the rules and regulations that a sub-fund, intending to trade through Bond Connect, must abide by include:

- Appointing CFETS through Bond Connect Company Limited or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

- Transacting via an offshore custody agent recognised by the Hong Kong Monetary Authority (currently, the Central Moneymarkets Unit).

There are currently no quota restrictions. Such rules and regulations may be amended from time to time.

There are no specific rules or guideline issued by the mainland China tax authorities on the treatment of income tax and other tax categories payable in respect of trading in CIBM by eligible foreign institutional investors via Bond Connect. Hence it is uncertain as to the relevant sub-fund's tax liabilities for trading in CIBM via Bond Connect. For general information on PRC taxes and associated risks, please refer to Sub-Fund's Luxembourg prospectus section "Taxation in the PRC" in Section 3.3 "Sub-Fund Specific Risk Considerations".

CIBM Initiative

Since February 2016, PBOC has permitted foreign institutional investors to invest in the CIBM (the "CIBM Initiative") subject to complying with the applicable rules and regulations as promulgated by the PRC authorities, i.e., PBOC and SAFE. As at the date of this Prospectus, the rules and regulations that a sub-fund, intending to trade through the CIBM initiative, must abide by include:

- Appointing an onshore settlement agent who will be responsible for making relevant filings and account opening with relevant authorities.
- Generally only repatriating cash out of the PRC in a currency ratio approximately proportionate to the currency ratio of remitted cash into the PRC.

There are currently no quota restrictions. Such rules and regulations may be amended from time to time.

In addition to risks regarding the Chinese market and risks related to investments in RMB, investments in the CIBM are subject to the following additional risks:

Market and Liquidity Risks

Market volatility and potential lack of liquidity due to low trading volumes of certain debt securities may result in prices of certain debt securities traded on the CIBM to fluctuate significantly. The sub-funds investing in the CIBM are therefore subject to liquidity and volatility risks and may suffer losses in trading PRC bonds. The bid and offer spreads of the prices of such PRC bonds may be large, and the relevant sub-funds may therefore incur significant trading and realisation costs and may even suffer losses when selling such investments.

Chinese Local Credit Rating Risk

The sub-fund may invest in securities the credit ratings of which are assigned by Chinese local credit rating agencies. However, the rating criteria and methodology used by such agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies.

Investors should be cautious when they refer to ratings assigned by Chinese local credit agencies, noting the differences in rating criteria mentioned above. If assessments based on credit ratings do not reflect the credit quality of and the risks inherent in a security, investors may suffer losses, possibly greater than originally envisaged.

Counterparty and Settlement Risk

To the extent that a sub-fund invests in the CIBM, the sub-fund may also be exposed to risks associated with settlement procedures and default of counterparties.

There are various transaction settlement methods in the CIBM, such as the delivery of security by the counterparty after receipt of payment by the sub-fund; payment by the sub-fund after delivery of security by the counterparty, or simultaneous delivery of security and payment by each party. Although the Investment Adviser may endeavour to negotiate terms which are favourable to the sub-fund (e.g. requiring simultaneous delivery of security and payment), there is no assurance that settlement risks can be eliminated. Where its counterparty does not perform its obligations under a transaction, the sub-fund will sustain losses. The counterparty which has entered into a transaction with the sub-fund may default on its obligation to settle the transaction by delivery of the relevant security or by payment for value.

In the event that the relevant Chinese authorities suspend account opening or trading on the CIBM, a Sub-Fund's ability to invest in the CIBM will be limited and, after exhausting other trading alternatives, a sub-fund may suffer substantial losses as a result.

Operational Risk

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. The sub-fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where sub-fund invests in the CIBM through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

Quasi-Government / Local Government Bond Risk

The sub-fund may invest in securities issued by PRC quasi-government organizations. Investors should note that the repayment of debts issued by such organizations is typically not guaranteed by the PRC central government.

In 2014, the State Council approved debt issuance on a pilot basis covering local governments of a number of municipalities and provinces. Under the relevant PRC regulations, a local government covered in the pilot scheme will be able to issue debt securities directly, and the obligation of repayment rests with such local government. This is different from the debt issuance model in the past where the Ministry of Finance issues debts on behalf of local governments. Investors should note that debt securities under the pilot scheme are not guaranteed by the PRC central government. If there is a default by the local government issuing such debt securities, the sub-fund will suffer losses as a result of investing in such securities.

Although the pilot scheme provides an alternative platform for local governments to raise funds, it should be noted that local governments have also taken on debts in other forms, including issuing urban investment bonds through local government financing vehicles.

Worsening financial conditions may lead to a default in the local government's debt obligations.

Under the relevant PRC regulations, a local government may conduct debt issuance up to the limit prescribed by the State Council for the current year. Further, a local government is required to arrange for credit rating for the debts by a credit rating agency. Investors should note the limits of credit ratings in general and the relevant risks regarding credit ratings given by PRC local credit rating agencies.

Urban Investment Bonds Risk

The sub-funds may invest in bonds issued by PRC local government financing vehicles (LGFVs), i.e. also known as “urban investment bonds”. This may subject the sub-fund to additional risks.

In view of limitations on directly raising funds, local governments in the PRC have set up numerous entities known as “Local Government Financing Vehicles” (LGFVs) to borrow and fund local development, public welfare investment and infrastructure projects. LGFV bonds have grown rapidly in size in recent years and have become a significant bond sector in the PRC.

Many LGFVs invest in urban development projects which involve substantial initial investment through high financial leverage and this causes cash flow mismatch for the LGFVs. In such cases LGFVs may not be able to service debts solely through their own operating revenue, and local governments may need to offer financial subsidies to the LGFVs to ensure on-going debt-servicing. However, a LGFV may not be able to get adequate subsidies from its local government (for example in regions of low local revenue and heavy debt burden) and its local government is not obligated to subsidise the LGFV. In some cases LGFVs will take on further borrowing to pay existing debts and this can result in liquidity risks if re-financing costs increase.

Worsening financial conditions may lead to credit rating downgrade. Recent cases of downgrading have led to investors' concerns that the financial conditions of some LGFVs may be deteriorating. Downgrading in turn leads to higher financing costs for the LGFVs, making it more difficult for the LGFVs to sustain their debts.

Local governments may be seen to be closely connected to urban investment bonds, as they are shareholders of the LGFVs issuing such bonds. However, urban investment bonds are typically not guaranteed by the relevant local governments or the central government of the PRC. As such, local governments or the central government of the PRC are not obligated to support any LGFVs in default. The LGFVs' ability to repay debts depends on the financial condition of the LGFVs, and the extent to which the relevant local governments are prepared to support such LGFVs. However, slower revenue growth at some local governments may constrain their capacity to provide support, while regulatory constraints may also limit local governments' ability to inject land reserves into LGFVs. Further, local governments have taken on debt in various other forms, and recent analyses show that increased financing activities have posed a risk to local government finances.

Although in some cases collateral such as land is provided, in case of default of a LGFV, it may be difficult for bond holders (such as the sub-fund) to enforce its right to the collateral. In most cases, collateral is not provided, and the bond holders will be fully exposed to the credit/insolvency risk of LGFVs as an unsecured creditor. In the event that the LGFVs default on payment of principal or interest of the urban investment bonds, the sub-fund could suffer substantial loss and the net asset value of the sub-fund could be adversely affected.

Though most LGFVs disclose basic financial information regularly (e.g. through audited annual report and credit rating report), timely disclosure of other relevant information, such as material asset allocation and capital injection, is still uncertain. Imperfect disclosure of financial information could lead to biased investment judgment, adding to the risks for investment in LGFV securities.

Bonds issued by LGFVs normally have lower liquidity than other government issued fixed income instruments (such as Central Bank Notes / Bills and Treasury Bonds), and the sub-fund's investment in bonds issued by LGFVs is subject to liquidity risk as disclosed in the paragraphs under "Liquidity Risk" in this section.

LGFVs take on loans in a substantial amount from Chinese banks, and the total outstanding loans have risen rapidly in recent years. This has led the China Banking Regulatory Commission to require banks to limit their holdings of bonds sold by LGFVs. If LGFVs default on their repayment obligations, this may in turn pose a risk to the stability of the banking system in China.

It was announced that the National Audit Office would start a nationwide assessment of government liabilities in order to address concerns about rising debts from local development projects. However, there is no assurance that the extent of local government debts can be comprehensively and accurately assessed.

Regulatory Risk

The CIBM is also subject to regulatory risks. The People's Bank of China and the China Central Depositary & Clearing Co. may impose additional requirements on account opening or the trading / settlement flows of CIBM and therefore the CIBM account opening may be a prolonged process and also trading / settlement of CIBM may be subject to regulatory changes from time to time. As a result the sub-funds' ability to invest in the CIBM could be limited and the sub-funds maybe disadvantaged. Alternatively the sub-funds which are already invested in the CIBM could potentially suffer from material losses if the trading and/or settlement rules are changed.

7.2.8 Contingent Convertible Securities (CoCos)

The Sub-Fund may invest in contingent securities structured as contingent convertible securities (including Additional Tier 1 and Tier 2 capital instruments) also known as CoCos.

Contingent convertible securities are risky and highly complex instruments that are comparatively untested. Depending on their category, income payments may be cancelled, suspended or deferred by the issuer and they are more vulnerable to losses than equities.

Contingent convertible securities are hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Upon the occurrence of a predetermined event (known as a trigger event), contingent convertible securities can be converted into shares of the issuing company, potentially at a discounted price, or the principal amount invested may be lost on a permanent or temporary basis. Contingent convertible securities are also subject to additional risks specific to their structure including:

Trigger Level Risk

Trigger levels differ and determine exposure to conversion risk. It might be difficult for the Investment Adviser of a sub-fund invested in contingent convertible securities to anticipate the trigger events that would require the debt to convert into equity or the write down to zero of principal investment and/or accrued interest.
Trigger events may include:

- a reduction in the issuing bank's Core Tier 1/ Common Equity Tier 1 (CT1/CET1) ratio or other ratios;
- a regulatory authority, at any time, making a subjective determination that an institution is "non-viable", i.e. a determination that the issuing bank requires public sector support in order to prevent the issuer from becoming insolvent, bankrupt or otherwise carry on its business and requiring or causing the conversion of the contingent convertible securities into equity or write down, in circumstances that are beyond the control of the issuer; or
- a national authority deciding to inject capital.

Coupon Cancellation

Coupon payments on some contingent convertible securities are entirely discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

The discretionary cancellation of payments is not an event of default and there are no possibilities to require re-instatement of coupon payments or payment of any passed missed payments. Coupon payments may also be subject to approval by the issuer's regulator and may be suspended in the event there are insufficient distributable reserves. As a result of uncertainty surrounding coupon payments, contingent convertible securities may be volatile and their price may decline rapidly in the event that coupon payments are suspended.

Conversion Risk

Trigger levels differ between specific contingent convertible securities and determine exposure to conversion risk. It might be difficult at times for the Investment Adviser of the relevant sub-fund to assess how the contingent convertible securities will behave upon conversion. In case of conversion into equity, the Investment Adviser might be forced to sell these new equity shares since the investment policy of the relevant sub-fund may not allow the holding of equity securities. Given the trigger event is likely to be some event depressing the value of the issuer's common equity, this forced sale may result in the sub-fund experiencing some loss.

Valuation and Write Down Risk

Contingent convertible securities often offer attractive yield which may be viewed as a complexity premium. The value of contingent convertible securities may need to be reduced due to a higher risk of overvaluation of such asset class on the relevant eligible markets. Therefore, a sub-fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.

Coupon Payments and Coupon Cancellation

Coupon payments on contingent convertible securities (Additional Tier 1 CoCos) are discretionary and may be cancelled by the issuer at any point for any reason and for any length of time. On the contrary, for Tier 2 CoCos, coupons are must-pay.

Capital structure inversion risk

Contrary to the classic capital hierarchy, investors in contingent convertible securities may suffer a loss of capital when equity holders do not, for example when the loss absorption mechanism of a high trigger/ write down of a contingent convertible security is activated. This is contrary to the normal order of the capital structure where equity holders are expected to suffer the first loss.

Call Extension Risk

Some contingent convertible securities are issued as perpetual instruments and are only callable at pre-determined levels upon approval of the competent regulatory authority. It cannot be assumed that these perpetual contingent convertible securities will be called on a call date. Contingent convertible securities are a form of permanent capital.

The investor may not receive return of principal as expected on call date or indeed at any date.

Subordinated Instruments

Contingent convertible securities will, in the majority of circumstances, be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the contingent convertible securities, such as a sub-fund, against the issuer in respect of or arising under the terms of the contingent convertible securities shall generally rank junior to the claims of all holders of unsubordinated obligations of the issuer.

Unknown Risk

The structures of contingent convertible securities are innovative yet untested. In a stressed environment, when the underlying features of these instruments will be put to the test, it is uncertain how they will perform.

7.2.9 Real Estate

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

Exposure to real estate will normally be achieved by investment in either closed-ended REITs or in other open or closed-ended collective investment schemes (including other UCITS).

7.2.10 Real Estate Investment Trusts (REITS)

Investors should note that insofar as the Sub-Fund directly invests in Real Estate Investment Trusts ("REITs"), any dividend policy or dividend payout at the Sub-Fund level may not be representative of the dividend policy or dividend payout of the relevant underlying REIT.

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

8. Fees and Charges

8.1 Payable through deduction from asset value of the ILP Sub-Fund

Management Fee	1.25% p.a.
Operating, Administrative and Servicing Expenses	0.35% p.a. The maximum rate for (i) the Operating, Administrative and Servicing Expenses and (ii) Operating Currency Hedged Share Class Fee is set at 1% of the net asset value of the relevant Share Class in the Sub-Fund.

Please refer to Singapore Prospectus of the Fund under Section 5 "Fees and Charges" for the details of other charges.

8.2 Payable by cancellation of units

Please refer to Section 5 of the Product Summary.

9. Suspension of Dealings

9.1 HSBC Life may suspend the issue, realisation and/or cancellation of units by the Policyholder as and when the issue, realisation and/or cancellation of units of the Fund is suspended.

9.2 The circumstances under which the issue, realisation and/or cancellation of units of the Fund may be suspended are set out in the Singapore Prospectus of the Fund (as may be supplemented or replaced from time to time).

9.3 In addition, HSBC Life may suspend the issue, realisation and/or cancellation of units by the Policyholder under the following circumstances:

(a) any 48-hour period (or such longer period as HSBC Life may agree) prior to the date of any meeting of Policyholders (or any adjourned meeting thereof);

(b) any period when the dealing of units is suspended pursuant to any order or direction of the MAS; or

(c) any period when the business operations of HSBC Life in relation to the operation of the ILP Sub-Fund is substantially interrupted or closed as a result of or arising from pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

9.4 Such suspension shall take effect forthwith upon the declaration in writing thereof by HSBC Life and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension shall have ceased to exist and no other conditions under which suspension is authorized under this paragraph shall exist upon the declaration in writing thereof HSBC Life.

10. Performance of the ILP Sub-Fund

Performance of the ILP Sub-Fund against its benchmark as at 31 July 2021.

Average Annual Compounded Returns

Period	HSBC Global Investment Funds – Managed Solutions - Asia Focused Income – AM3 SGD Hedged (%)	HSBC Global Investment Funds – Managed Solutions - Asia Focused Income – AM2 USD (%)
Year-to-Date	-3.01	-2.85
1-year	4.84	5.22
3-year	4.49	5.24
5-year	4.17	4.90
10-year	N.A	N.A
Since Inception*	3.47	4.75

*Share Class AM3 SGD Hedged inception date: 2 November 2012; Share Class AM2 USD inception date: 25 May 2012.

Benchmark: The ILP Sub-Fund is managed through active asset allocation corresponding to market changes without reference to any benchmark.

Source: HSBC Global Asset Management.

Note: The performance of the ILP Sub-Fund is not guaranteed and the value of investments and income from them may fall as well as rise. Past performance of the ILP Sub-Fund is not necessarily indicative of future performance.

10.1 Basis of Calculating the Return

The performance figures are calculated in Singapore Dollars and U.S Dollars using NAV-to-NAV prices, with any income or dividends reinvested. Fees and charges payable through deduction of premium or cancellation of units are excluded from this calculation.

11. Expense Ratio

ILP Sub-Fund	Expense Ratio	Period
HSBC Global Investment Funds – Managed Solutions - Asia Focused Income – AM3 SGD Hedged	1.63%	From 1 April 2019 to 31 March 2020
HSBC Global Investment Funds – Managed Solutions - Asia Focused Income – AM2 USD	1.60%	

The expense ratio of the ILP Sub-Fund does not include charges for insurance coverage, brokerage and other transactions costs, interest expenses, performance fee, foreign exchange gains and losses, front and back end loads and other costs arising from the purchase or sales of other funds, tax deducted at source or arising out of income received and dividends and other distributions to shareholders. The expense ratio of the ILP Sub-Fund is calculated in accordance to the Investment Management Association of Singapore’s guidelines as required by MAS Notice 307.

12. Turnover Ratio

ILP Sub-Fund	Turnover Ratio	Period
HSBC Global Investment Funds – Managed Solutions - Asia Focused Income – AM3 SGD Hedged	80.95%	From 1 April 2019 to 31 March 2020
HSBC Global Investment Funds – Managed Solutions - Asia Focused Income – AM2 USD		

The turnover ratios of the ILP Sub-Fund and the Portfolio are calculated based on the lesser of purchases or sales expressed as a percentage over average daily net asset value.

13. Soft Dollar Commissions/Arrangements

HSBC Life does not receive any soft dollar commission in respect of the ILP Sub-Fund. Soft dollar refers to arrangements under which products or services, other than the execution of securities transactions, are obtained from or through a broker in exchange for the direction by the manager of transactions to the broker.

All transactions are executed in compliance with applicable regulatory requirements and in accordance with the best execution policy of the Fund. Transactions of the Fund 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 Fund (e.g. research) as long as transactions generating such commission are made in good faith and in strict compliance with applicable laws and regulations.

14. Conflicts of Interest

The Management Company and the Sub-Fund Investment Adviser, the sales agents, the Administration Agent, the Registrar and Transfer Agent, 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 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 Sub-Fund.

In such event, each will at all times have regard to its obligations under any agreements to which it is party or by which it is bound in relation to the 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.

Affiliates of the HSBC Group act as counterparties for certain forward foreign exchange and financial futures contracts. The Sub-Fund utilises the brokerage services of HSBC Securities and HSBC Investment Bank, both part of HSBC Bank plc, which is a fellow subsidiary of the Management Company, within the HSBC Group. All such transactions are entered into in the ordinary course of business and on normal commercial terms.

Other potential conflicts of interest are described in Section 2.13 of the Sub-Fund’s Luxembourg Prospectus on Depositary and Paying Agent under the sub-heading “Conflicts of Interest” and Section 2.18 of the Sub-Fund’s Luxembourg Prospectus on Conflicts of Interest.

15. Reports

The financial year-end of the Sub-Fund is the 31st of March. The annual audited report should be available within 4 months after the end of the financial year and the un-audited semi-annual reports within 2 months after 30th September each year. Copies of the latest audited financial statements and semi-annual reports are available at www.assetmanagement.hsbc.com/sg

HSBC Life’s financial year-end for the ILP Sub-Fund is 30 June. The annual audited financial statements will be prepared and made available by 30 September, i.e. 3 months from the financial year end.

HSBC Life’s financial half year-end for the ILP Sub-Fund is 31 December. The semi-annual report will be prepared and made available by 28 February, i.e. 2 months from the date of the financial half-year end.

These financial statements and/ or the reports, when available, will be accessible from the HSBC Life’s website at http://www.insurance.hsbc.com.sg/annualreport. A copy will be provided to Policyholders upon request.

16. Other material information

The Fund Summary must be read in conjunction with the Product Highlights Sheet and the Product Summary.

The Fund's Annual Report and Prospectus are available for download at www.assetmanagement.hsbc.com/sg

16.1 Distribution of Income, Capital and Dividends

The Sub-Fund intends to declare and pay dividends monthly. Investor should be aware of the following:

- The distribution of dividends may be made out of income and/or capital gains and/or capital. Dividends may therefore impact their tax position and accordingly investors are encouraged to seek appropriate tax advice in relation to investment in the different distribution Share Classes.

- The distribution of dividends out of capital may exceed the gains of the share class and this could result in an erosion of an investor's initial investment.

- The distribution of dividends out of capital will normally continue during periods of negative performance of the Sub-Fund, resulting in a more rapid fall in the value of a Share Class than would occur if dividends were not being paid.

16.2 Investment Guidelines and Restrictions

The investment guidelines that have to be complied with by the ILP Sub-Fund are set out within MAS Notice 307 on Investment-Linked Policies, where applicable.

Please refer to Section "Other Material Information" of the Fund's Singapore Prospectus for details on the investment restrictions.

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