

## 1. Description of the ILP Sub-Fund

HSBC Portfolios – World Selection 3 (the "**ILP Sub-Fund**") is an investment-linked policy sub-fund offered by HSBC Life (Singapore) Pte. Ltd. ("**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 Portfolios – World Selection 3 (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 Portfolios – World Selection 3 | SGD      | HSBC Portfolios – World Selection 3 – AC SGD Hedged | 3                      |
| HSBC Portfolios – World Selection 3 | USD      | HSBC Portfolios – World Selection 3 – AC USD        | 3                      |

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 (UK) Limited is the investment adviser (the "**Investment Adviser**") of the Sub-Fund.

The Investment Adviser, in accordance with the investment objectives and investment and borrowing restrictions of the Sub-Fund, makes and implements asset management and portfolio selection recommendations in connection with the investment and reinvestment of the assets of Sub-Fund. Formally established in 1994 in United Kingdom, HSBC Global Asset Management (UK) Limited has been involved in the management of client funds since 1973 and is wholly owned by the HSBC Group. As at 31 December 2020, HSBC Global Asset Management (UK) Limited had USD 114 billion worth of assets under management. The regulatory authority is Financial Conduct Authority. The Management Company may, with the approval of the Board, terminate the Investment Adviser in the event of the insolvency of the Investment Adviser.

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 aims to provide long term total return by investing in a portfolio of fixed income and equity securities consistent with a medium risk investment strategy.

### 5.2 Investment Focus and Approach

The Sub-Fund invests (normally a minimum of 90% of its net assets) in or gains exposure to:

- fixed income and equity securities directly into markets and/or through investments in UCITS and/or other Eligible UCIs.
- other asset classes including, but not limited to, real estate, private equity, hedge fund strategies and commodities through investments in equities securities issued by companies based or operating in developed or Emerging Markets, UCITS and/or other Eligible UCIs.

The Sub-Fund invests in Investment Grade and Non-Investment Grade rated fixed income and other similar securities issued or guaranteed by governments, government agencies or supranational bodies of developed markets, such as OECD countries, and/or Emerging Markets or by companies which are based in or carry out the larger part of their business activities in a developed or Emerging Market. These securities are denominated either in US dollar, in other developed markets currencies hedged into US dollar, or in local Emerging Markets currencies. The Sub-Fund may also invest in unrated fixed income securities.

The aggregate investment in securities that are (i) unrated; or (ii) Non-Investment Grade will not exceed 20% of the Sub-Fund's net assets.

The Sub-Fund invests in equities and equity equivalent securities issued by companies which are based or operating in developed and/or Emerging Markets. The Sub-Fund normally invests across a range of market capitalisations.

The Sub-Fund may invest up to 100% of its assets in units or shares of UCITS and/or other Eligible UCIs. The Sub-Fund's exposure to such holdings will normally be between 40% and 90%. 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 Sub-Fund will not invest more than 10% of its net assets in securities issued by or guaranteed by any single sovereign issuer with a credit rating below Investment Grade.

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

The Sub-Fund's primary currency exposure is to the US dollar.

#### Asset class exposure limits

For the specific groups of asset class described in the table below, the Sub-Fund has a total maximum exposure limit as follows:

| Asset class             | Maximum exposure |
|-------------------------|------------------|
| Equity                  | 85%              |
| Fixed income            | 80%              |
| Total of the following: | 30%              |
| • Real estate*          | 15%              |
| • Private equity        | 10%              |
| • Commodity             | 10%              |
| • Hedge fund            | 15%              |
| • Absolute return       | 10%              |

\*The Sub-Fund will not invest in direct real estate.

#### Investment Policy

In carrying out the investment objectives of the Sub-Fund, the directors at all times seek to maintain an appropriate level of liquidity in the assets of the Sub-Fund so that redemptions of shares under normal circumstances may be made without undue delay upon request by the shareholders.

Whilst using their best endeavours to attain the investment objectives, the directors cannot guarantee the extent to which these objectives will be achieved. The value of the shares and the income from them can fall as well as rise and investors may not realise the value of their initial investment. Changes in the rates of exchange between currencies may also cause the value of the shares to diminish or to increase.

The directors may from time to time, by amendment of the Luxembourg Prospectus, establish further the Sub-Fund which may have different investment objectives and policies to those detailed in Section 3.2 “Portfolios details” of the Luxembourg Prospectus, subject however to these conforming to the UCITS status of the Sub-Fund.

#### Investment Focus and Approach

The asset allocation of the Sub-Funds is actively managed. Assets of the Sub-Funds are invested in a dynamic mix of investments to balance opportunities and downside risks through the economic cycle.

The Sub-Fund invest in the full spectrum of instruments available across geographic regions, investment sectors and investment styles to build the optimal portfolio.

The Sub-Fund may invest in fixed income and equity securities as well as in specialist asset classes including, but not limited to, real estate, private equity, hedge fund strategies and commodities.

Exposure to these assets classes may be achieved through investments directly into markets and/or investments in active and passive collective investment schemes (such as ETFs) including funds managed by the Investment Adviser and other HSBC entities.

The Sub-Fund may use financial derivative instruments for hedging purposes, cash flow management and tactical asset allocation as well as efficient portfolio management (as elaborated in paragraph 19 of the Sub-Fund’s Singapore Prospectus).

The Sub-Fund currently not uses securities financing transactions or total return swaps as defined in Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (the “SFT Regulation”). In case the Sub-Fund would subsequently be permitted to use securities financing transactions or total return swaps, the Sub-Fund’s Singapore Prospectus and the Luxembourg Prospectus will be updated.

The Investment Adviser will actively manage the risk exposure of the Sub-Fund.

The Investment Adviser may invest up to a maximum of 10% of the Net Asset Value of the Sub-Fund into Hong Kong domiciled funds or underlying funds which are managed out of Hong Kong.

### **5.3 Investor Profile**

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

- Are looking for a diversified investment solution
- Seek a reasonable level of capital growth over the medium to long term, while willing to accept a medium degree of risk
- Understand and are comfortable with the volatility and associated risks of investments in equities and bonds around the world
- 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 referred to below. 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.

You can download the Sub-Fund's Luxembourg Prospectus from website: [www.assetmanagement.hsbc.com/sg](http://www.assetmanagement.hsbc.com/sg).

**7.2 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.

**7.3 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.

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.

#### **7.4 Market Risk**

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-Funds. In particular, the value of investments may be affected by uncertainties such as international, political and economic developments or changes in government policies.

#### **7.5 Foreign Exchange Risk**

As the Sub-Funds' assets and liabilities may be denominated in currencies different to the base currency, the Sub-Funds 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 the Sub-Funds' Shares, the dividends and the gains and losses realised. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions.

If the currency in which a security is denominated appreciates against the 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.

#### **7.6 Liquidity Risk**

The Sub-Funds are exposed to the risk that a particular investment or position cannot be easily unwound or offset due to insufficient market depth or market disruption. This can affect the ability of a Shareholder to redeem funds from that Sub-Fund, and can also have an impact on the value of the Sub-Fund.

Although the Sub-Funds will invest mainly in the Collective Investment Arrangements in which the shareholders are entitled to redeem their shares within a reasonable timeframe, there may be exceptional circumstances in which such Collective Investment Arrangements cannot guarantee the liquidity of their shares/units. Absence of liquidity may have a determined impact on the Sub-Fund and the value of its investments.

This liquidity risk is mitigated as the Sub-Funds will have a well-diversified exposure to a broad range of assets classes.

In addition, the Sub-Fund manages a robust risk management process effective on a daily basis in identifying, measuring, monitoring and controlling the liquidity risk for all assets classes including, but not limited to, Emerging Markets equities, Investment Grade, high yield and Emerging Markets debt securities, real estate, hedge fund, private equity and absolute return strategies.

#### **7.7 Interest Rate Risk**

A Sub-Fund that has exposure to bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

#### **7.8 Credit Risk**

A Sub-Fund which has exposure to bonds and other fixed income securities, is subject to the risk that issuers may not make payments on such securities. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security, may also offset the security's liquidity, making it more difficult to sell. Sub-Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**7.9 Emerging Market Risk**

Because of the special risks associated with investing in Emerging Markets, Sub-Funds which have exposure to 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 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 relevant Sub-Funds will therefore only invest up to 10% of their net asset value directly in Russian equity securities (except if they are listed on the RTS Stock Exchange, on the Moscow Interbank Currency Exchange in Russia and any other regulated markets in Russia which would further be recognised as such by the Luxembourg supervisory authority) while the Sub-Funds will invest in American, European and Global Depositary Receipts, respectively ADRs, EDRs or GDRs, where underlying securities are issued by companies domiciled in the Russian Federation and then trade on a Regulated Market outside Russia, mainly in the USA or Europe. By investing in ADRs, EDRs and GDRs, the Sub-Funds expect to be able to mitigate some of the settlement risks associated with the investment policy, although other risks, e.g. the currency risk exposure, shall remain.

**7.10 Duplication of costs when investing in Collective Investment Arrangements**

The Sub-Fund incurs costs of its own management and administration comprising the fees paid to the Management Company (which include among others the fees of the Depositary Bank, unless otherwise provided hereinafter) and other service providers. It should be noted that, in addition, the Sub-Fund incurs similar costs in its capacity as an investor in the Collective Investment Arrangements which in turn pay similar fees to their manager and other service providers. The Directors endeavour to reduce duplication of management charges by negotiating rebates where applicable in favour of the Sub-Fund with the Collective Investment Arrangements or their managers.

Further, the investment strategies and techniques employed by certain Collective Investment Arrangements may involve frequent changes in positions and a consequent sub-fund turnover. This may result in brokerage commission expenses which exceed significantly those of the Collective Investment Arrangements of comparable size.

The Collective Investment Arrangements may be required to pay performance fees to their manager. Under these arrangements the managers will benefit from the appreciation, including unrealised appreciation of the investments of such Collective Investment Arrangements, but they are not similarly penalised for realised or unrealised losses.

As a consequence, the direct and indirect costs borne by the Sub-Fund are likely to represent a higher percentage of the Net Asset Value than would typically be the case with Collective Investment Arrangements which invest directly in equity and bond markets (and not through other Collective Investment Arrangements).

#### **7.11 Withdrawal of the UK from the EU**

Following the UK Government's notification to the European Union (EU) of its intention to leave the Union (i.e. "Brexit"), on 23 January 2020, the UK Government enacted the European Union (Withdrawal Agreement) Act 2020 (WAA). The WAA implemented the withdrawal agreement into UK law. The EU also ratified the withdrawal agreement in accordance with its procedures, with the European Parliament consenting to the Withdrawal Agreement on 29 January 2020.

As part of the Withdrawal Agreement, the UK and the EU agreed a Transition Period (referred to in the UK as an 'Implementation Period') in order to provide continuity and certainty. During this time, the UK will generally continue to apply EU law as it does now. UK domiciled UCITS will continue to be referred to as UCITS and enjoy the rights conferred by the UCITS Directive during the Transition Period. EU UCITS will continue to use their cross-border passporting rights to passport into the UK.

Currently, the Transition Period will run from 12:00 midnight CET on 31 January 2020 until 12:00 midnight CET on 31 December 2020. Under the Withdrawal Agreement, before 1 July 2020, the UK Government and the EU are able to agree to extend the Transition Period for up to one or two years. However, the UK Government's stated policy is that it will not seek an extension and so it is highly likely that the Transition Period will end on 31 December 2020.

Investors should note that during the Transition Period references to the EU in the Sub-Fund's Luxembourg Prospectus shall be taken to include the UK.

Once the Transition period expires, all cross-border passporting rights to the UK for EU UCITS funds will cease; however, the UK's commitment to a Temporary Permission Regime will mitigate the cliff-edge risks associated with a no-deal end of the Transition Period. The UK Government has also committed to bringing forward domestic legislation to streamline the process to allow overseas (including EU) investment funds to be sold in the UK post-Brexit.

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

It is possible that there will be more divergence between UK and EU regulations post-Brexit, limiting what cross-border activities can take place. However, it is unlikely to affect the Sub-Fund's ability to receive portfolio management services. At the date of the Luxembourg Prospectus, the Sub-Fund continue to be recognised by the FCA and can be marketed to UK investors. The nature and extent of the impact of any Brexit related changes are uncertain, but may be significant. The information provided in this section is correct as at the date of the Sub-Fund's Luxembourg Prospectus.

#### **7.12 Conflicts**

There are potential conflicts of interest which may arise between the Sub-Fund and those persons and entities which are involved as managers of the Collective Investment Arrangements. Managers normally manage assets of other clients that make investments similar to those made on behalf of the Sub-Fund and such clients could thus compete for the same trades or investments. Whilst available investments or opportunities are generally allocated to each client in a manner believed to be equitable, some of those allocation procedures may adversely affect the price paid or received for investments or the size of positions obtained or disposed of. Conflicts may also arise as a result of

other services provided by the affiliates of the HSBC Group which may provide advisory, custodial or other services to other clients and to some of the Collective Investment Arrangements in which the Sub-Fund invests.

The Sub-Fund may also invest in other Collective Investment Arrangements which are managed by the Management Company or Investment Advisers of the Sub-Fund. The directors of the Management Company may also be directors of the Collective Investment Arrangements and the interest of such Collective Investment Arrangements and of the Sub-Fund could result in conflicts. Generally, there may be conflicts between the best interests of the Sub-Fund and the interests of affiliates of the Management Company in connection with the fees, commissions and other revenues derived from the Sub-Fund or the Collective Investment Arrangements. In the event that such a conflict arises, the directors of the Management Company will endeavour to ensure that it is resolved in a fair manner.

### **7.13 Non-Investment Grade Debt / Unrated Debt**

A sub-fund which invests in Non-Investment Grade or unrated fixed-income securities carries higher credit risk (default risk and downgrade risk), liquidity risk and market risk than a sub-fund that invests in investments in Investment Grade fixed-income securities.

Credit risk is greater for investments in fixed-income securities that are rated below Investment Grade or unrated fixed income securities which are not of comparable quality with Investment Grade securities. It is more likely that income or capital payments may not be made when due. Thus the risk of default is greater. The amounts that may be recovered after any default may be smaller or zero and the Sub-Fund may incur additional expenses if it tries to recover its losses through bankruptcy or other similar proceedings.

Adverse economic events may have a greater impact on the prices of Non-Investment Grade and unrated fixed-income securities. Investors should therefore be prepared for greater volatility than for Investment Grade fixed-income securities, with an increased risk of capital loss, but with the potential of higher returns.

The market liquidity for Non-Investment Grade and unrated fixed-income securities can be low and there may be circumstances in which there is no liquidity for these securities, making it more difficult to value and/or sell these securities. As a result of significant redemption applications received over a limited period in a sub-fund invested in Non-Investment Grade or unrated fixed-income securities, the Board of Directors may invoke the procedure permitting the deferral of shareholder redemptions (See Section "Deferral of Redemption" in Section 2.3. "How to Sell Shares" of the Sub-Fund's Luxembourg Prospectus for further information).

### **7.14 Integration of Sustainability Risks into Investment Decisions**

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

The Management Company has adopted HSBC Global Asset Management's responsible investment policy (the "Policy") in relation to the integration of sustainability risks into investment decisions for the Sub-Fund. The Management Company has delegated the portfolio management of the Sub-Fund to the Investment Advisers, which have in turn adopted the Policy and therefore integrate sustainability risks into their investment decisions.

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

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

the Investment Advisers will conduct thorough financial analysis and comprehensive assessment of sustainability risks as part of a broader risk assessment for each Portfolio, where relevant.

For more information, please refer to the Policy which can be found on HSBC Global Asset Management’s website.  
*Likely impact of sustainability risks on returns*

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

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

### Actively managed portfolios

All actively managed portfolios integrate a consideration of sustainability risks in the investment decision-making process. The relevant Investment Adviser integrates sustainability risks by identifying ESG factors that could have a material financial impact on the performance of an investment. Exposure to sustainability risk does not necessarily mean that the relevant Investment Adviser will refrain from taking or maintaining a position in an investment. Rather, the Investment Advisers will consider the assessments of sustainability risks together with other material factors in the context of the investee company or issuer and the investment objective and policy of the Portfolio.

### Portfolios investing in financial derivative instruments and Securities Lending

Some portfolios may invest in financial derivative instruments and therefore, sustainability risks are harder to factor in as the portfolios are not directly investing in the underlying asset. Currently, no ESG integration methodology can be applied for the financial derivative instruments or in the securities lending arrangements, but the Investment Advisers are exploring how such a methodology can be applied.

### Consideration of principal adverse impacts

SFDR requires each Investment Adviser to determine whether it considers the principal adverse impacts of its investment decisions on sustainability factors. The Investment Advisers are supportive of the aim of this requirement, which is to improve transparency to investors and the market generally as to how the principal adverse impacts of investment decisions on sustainability factors are considered. However, the Investment Advisers are currently unable to consider principal adverse impacts of their investment decisions for certain investments where the underlying instruments are not directly being held by the relevant Portfolio, such as financial derivative instruments, as the data is not currently available. HSBC Global Asset Management is developing proprietary sustainability frameworks for financial derivative instruments, which will be finalised in 2021.

**Please refer to Section 1.3 of Sub-Fund’s Luxembourg Prospectus on General Risk considerations for a description of the other risk factors which should be considered by investors.**

## 8. Fees and Charges

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

|                |            |
|----------------|------------|
| Management Fee | 1.20% p.a. |
|----------------|------------|

|   |  |
|---|--|
| <b>Operating, Administrative and Servicing Expenses</b> | 0.25% p.a. The maximum rate for (i) the Operating, Administrative and Servicing Expenses and (ii) Operating Currency Hedged Share Class Fee is set at 0.275% of the net asset value of the relevant Share Class in the Sub-Fund. |
|---|--|

Payable by the underlying funds of the ILP Sub-Fund

|  |                     |
|--|---------------------|
| Annual Management Fee#                             | Between 0% to 2.5%^ |
| Expenses (including Trustee's Fee/Custodian's Fee) | Between 0% to 0.6%  |

# The Sub-Fund's investment in underlying funds will be subject to management fees and expenses. However, the Investment Adviser will seek to negotiate a reduction in such fees and any such reduction will be for the sole benefit of the Sub-Fund.

^ The total management fees charged by the Sub-Fund and the underlying fund shall not exceed 2.50% (excluding any performance fee).

Please refer to Singapore Prospectus of the Sub-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 the 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 30 June 2023.

### Average Annual Compounded Returns

| Fund Performance (%)                                       | 3mths (%) | 6mths (%) | 1yr (%) | 3yrs* (%) | 5yrs* (%) | 10yrs* (%) | Since Inception** (%) |
|--|-----------|-----------|---------|-----------|-----------|------------|-----------------------|
| <b>HSBC Portfolios – World Selection 3 – AC SGD Hedged</b> | 2.34      | 5.95      | 5.01    | N/A       | N/A       | N/A        | -7.02                 |

|   |      |      |      |     |     |     |       |
|---|------|------|------|-----|-----|-----|-------|
| <b>HSBC Portfolios – World Selection 3 – AC USD</b> | 2.72 | 6.68 | 6.20 | N/A | N/A | N/A | -6.28 |
|---|------|------|------|-----|-----|-----|-------|

\* Annualised Return

\*\* Since inception date of ILP Sub-Fund: 22 November 2021.

Benchmark: There are no benchmarks for the ILP Sub-Fund as there are no appropriate benchmarks to accurately represent the investment objectives.

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 Portfolios – World Selection 3 – AC SGD Hedged | 1.44%         | As at 30 June 2023. |
| HSBC Portfolios – World Selection 3 – AC USD        | 1.39%         |                     |

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 Portfolios – World Selection 3 – AC SGD Hedged | 0.39%          | As at 30 June 2023. |
| HSBC Portfolios – World Selection 3 – AC 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. The Investment Adviser will not accept or enter into soft-dollar commissions or arrangements unless such soft-dollar commissions or arrangements would, in the opinion of the Investment Adviser, assist the Investment Adviser in its management of the Sub-Fund, provided that the Investment Adviser shall ensure at all times that the transactions are executed at the best available terms taking into account the relevant market at the time for transactions of this kind and size concerned, and that no unnecessary trades are entered into in order to qualify for such soft-dollar commissions or arrangements. The Investment Adviser shall not receive goods and services such as travel accommodation and entertainment.

## 14. Conflicts of Interest

The Management Company and the Investment Adviser, the sales agents, the Administration Agent, the Registrar and Transfer Agent and the Depositary Bank may from time to time act as management company, investment manager or adviser, sales agent, administrator, registrar and transfer 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 or any Sub-Fund. It is therefore possible that any of them may, in the due course of their business, have potential conflicts of interest with the 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.

There is no prohibition on the Sub-Fund entering into any transactions with the Management Company or the Investment Adviser, the sales agents, the Administration Agent, the Registrar and Transfer Agent or the Depositary Bank or with any of their affiliates, or investing the assets of or reinvesting the cash collateral received by the Sub-Fund in any investment products or funds managed, launched or offered by any of the above-mentioned entities, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length. The Investment Advisers or any affiliates acting in a fiduciary capacity with respect to client accounts may recommend to or direct clients to buy and sell Shares of the Sub-Fund. If a client defaults on its obligation to repay indebtedness to the HSBC Group that is secured by Shares in the Sub-Fund, and the HSBC Group forecloses on such interest, the HSBC Group would become a Shareholder of the Sub-Fund. As a consequence, the HSBC Group and its affiliates could hold a relatively large proportion of Shares and voting rights in the Sub-Fund.

Affiliates of the HSBC Group may act as counterparties for certain forward foreign exchange and financial futures contracts. All such transactions are entered into in the ordinary course of business and on normal commercial terms. All transactions within the HSBC Group or where a conflict of interest exists will be conducted on an arm's-length basis. Other potential conflicts of interest are described in Section 2.12 of the Sub-Fund's Luxembourg Prospectus on Conflicts of Interest.

Actual and potential conflicts of interests relating to the Depositary Bank are described in Section 2.10 of the Luxembourg Prospectus on Conflicts of Interest.

## **15. Reports**

The financial year-end of the Sub-Fund is the 31st of July. 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 31<sup>st</sup> January each year. Copies of the latest audited financial statements and semi-annual reports are available at [www.assetmanagement.hsbc.com/sg](http://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.

### **16.1 Distribution of Income, Capital and Dividends**

The Sub-Fund does not intend to declare and pay dividends.

### **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.