

## GLOSSARY OF INVESTMENT WORDS AND PHRASES

“**Accumulation Share**” means a type of share where the income earned by a fund is retained in the fund

“**actively managed**” means where a fund manager uses their expertise to pick investments to achieve a fund's objectives

“**Annual Management Charge**” means the ongoing fee paid to the Authorised Corporate Director for managing a fund, usually charged as a percentage of the value of the fund

“**Approved Counterparty**” means an FCA approved company who the fund manager will deal with when investing in derivatives or entering into Securities Financing Transactions

“**Approved Security**” means classes of securities which a fund manager can invest in. e.g. shares in companies, bonds or other forms of securities debt and any other negotiable securities. For further details, please refer to Appendix 3 of the Company Prospectus

“**asset allocation**” means dividing the money invested in a fund across different assets, such as in different geographical areas or by industry sectors such as oil and gas or financial companies

“**asset backed bonds/securities**” means asset-backed securities which will include credit card receivables, home equity loans, student loans and auto loans as well as mortgage-backed securities which are pooled mortgages sold to investors. These types of investment sit within the fixed-income sector

“**associate**” means a subsidiary of the HSBC Group

“**blue chip companies**” means nationally recognised, well-established and financially sound companies. Blue chips generally sell high-quality, widely accepted products and services

“**bond(s)**” means a loan, usually to a company or government, that pays interest

“**bond index futures**” means a contract stating that the holder agrees to purchase a bond index at a particular price on a specified future date

“**collateralised bonds**” means a type of bond whose income payments and value are derived from and backed by a specified pool of underlying assets

“**collective investment scheme**” means a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property

“**commodities**” means basic goods or services, for example oil

“**contingent convertible bonds/securities**” means bonds that are issued by a company that may be converted to shares of a company if a pre-specified event occurs

“**contract for differences**” means a derivative that pays the differences between the settlement prices of the opening and closing trades of the contract

“**convertible bonds/securities**” means bonds that are issued by a company that may be converted to shares of the company

“**covered bonds**” means bonds that are issued by a bank or mortgage company that are covered by a pool of assets in case the issuer becomes insolvent

“**credit rating**” means an assessment of the credit risk of a company, government or other organisation. It seeks to measure how likely it is that the issuer of a bond will be able to continue to make interest payments and repay the money loaned to it

“**currency forward contracts**” means a contract in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date

“**Depository Receipt**” means a certificate issued by a bank representing shares in a foreign company traded on a local stock exchange. The depository receipt gives an investor the opportunity to hold shares in the equity of foreign countries and gives them an alternative to trading on an international market

“**derivative(s)**” means an investment whose value is linked to another investment, or to the performance of a stock exchange or to some other variable factor, such as interest rates

“**developed markets**” means countries with relatively high levels of personal income and established economies

“**dilution adjustment**” means an amount an investor pays to cover the dealing costs incurred by a fund when it buys or sells investments as a result of the investor buying or selling shares in a fund. It is normally only charged when those

costs are large enough to have a negative impact on the value of the shares remaining in the fund and is used to protect the existing investors

**“diversification”** means holding a variety of investments that typically perform differently from one another

**“duration”** means a measure of how long it takes in years for an investor in a bond to recoup the price they paid for the bond from its interest payments. It provides an indication of how much bond prices are likely to change if and when interest rates change

**“efficient portfolio management (EPM)”** means managing a fund in a way that is designed to reduce risk or cost and/or generate income or growth

**“eligible institution”** means one of certain institutions being a CRD credit institution authorised by its Home State Regulator or a MiFID investment firm authorised by the FCA or an EEA MiFID investment firm authorised by its Home State Regulator

**“emerging markets”** means countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body

**“equity”** or **“equities”** means shares issued by a company

**“equity index futures”** means a contract stating that the holder agrees to purchase an equity index at a particular price on a specified future date

**“ESG”** means environmental, social and governance factors which can be considered as non-financial performance indicators which include ethical, sustainable and corporate governance issues

**“exchange traded”** means a type of investment that is traded on a stock exchange

**“exchange traded futures”** means a contract traded on a stock exchange stating that the holder agrees to purchase a security or an index at a particular price on a specified future date

**“growth”** means the increase in the value of investments

**“Hard Currency”** means money that is issued by a country that is viewed as politically and economically stable, for example US Dollars

**“hedge fund”** means an investment fund that pools money from investors and invests in a variety of assets, often with complex investment strategies and risk management techniques

**“hedge”** or **“hedging”** means using derivative type investments as a way to reduce risk

**“high yield bond”** means a bond paying a higher level of interest but which has a lower credit rating than investment grade

**“HSBC Group”** means HSBC Holdings plc and its subsidiaries, as defined in Section 1159 of the Companies Act 2006

**“income”** means money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or retained in the fund and reinvested

**“Income Share”** means a type of share where the income earned by a fund is paid out to you

**“infrastructure”** means the basic facilities such as transport, power supplies and buildings that service a country or organisation

**“Initial Charge”** means an up-front fee paid to the Authorised Corporate Director for an Open Ended Investment company when you buy shares

**“investment grade”** means a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it

**“liquidity”** means the degree to which an investment can be quickly bought or sold on a market without affecting its price

**“Local Currency”** means money that is issued by a country in its own currency. The currency may fluctuate more in value where the status of the country is politically or economically uncertain

**“market capitalisation indices”** or **“market capitalisation-weighted index”** means a type of market index whose components, or securities, are weighted according to the total market value of their outstanding shares. Every day an individual stock's price changes and thereby changes a stock index's value

**“market indices”** means a hypothetical portfolio of investment holdings which represents a segment of the financial market that has specific characteristics, for example equity indices or bond indices

**“money market instruments”** means investments usually issued by banks or governments that are a loan to the issuer by the buyer, held over a short period of time. The buyer receives interest and the return of the original amount at the end of a certain period

**“Ongoing Charges Figures (OCF)”** means a measure of what it costs to invest in a fund. It includes the fee paid to the Authorised Corporate Director and other operating costs

**“over-the-counter”** means a contract that is traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary

**“preference shares”** means shares of a company which entitle the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends. Preference shares may be convertible to the ordinary shares of a company

**“private equity”** means investment funds, generally organised as limited partnerships, that buy and restructure companies that are not publicly traded

**“property-related securities”** means shares of property companies, that own, manage or develop property and Real Estate Investment Trusts (REITs), which are investment companies that own buildings and land

**“return(s)”** means the money made or lost on an investment

**“securities lending” or “stocklending”** means the process whereby those holding securities (investments), such as a Fund, lend them to other parties who pay a fee for borrowing

**“Securities Financing Transactions” or “SFTs”** means repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions, and margin lending transactions, where such are transactions within the scope and defined in Article 3(11) of SFTR

**“Share” or “Shares”** means an equally valued holding in a fund of a company, representing part ownership of that fund, (including larger denomination shares and smaller denomination shares)

**“Share Class(es)”** means one of the types of share representing part ownership of a fund that is different to other share classes for some reason, such as it pays out income rather than retaining it in the fund

**“stewardship”** means the responsible allocation, management and oversight of investors' capital and seeks to enhance long-term value for investors and mitigate risks. The ACDs approach to stewardship is available at [www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com)

**“supranational”** means international groups such as the European Union or World Trade Organisation

**“sustainable investment strategies”** means considering financial returns alongside environmental, social and governance factors

**“tracking error”** means the volatility of the difference between the return of the Fund and the return of the index or indices it tracks. In general, the lower the tracking error, the more consistent the Fund's performance is relative to the index, and vice-versa

**“value creation”** means, in financial terms, actions undertaken by a company that generate revenue for the company greater than its expenses or, more broadly, actions that increase sales of goods or services by a company and so increase the value of its brand

**“volatility”** means a measure of the size and frequency of changes in the value of an investment over a short space of time

**“yield”** means the income from an investment, usually stated as a percentage of the value of the investment

These Funds are sub-funds of HSBC Investment Funds, HSBC Index Tracker Investment Funds, HSBC OpenFunds and HSBC Universal Investment Funds, each an Open Ended Investment Company that is authorised in the UK by the Financial Conduct Authority. From 29 July 2024, the Authorised Corporate Director is HSBC Asset Management (Fund Services UK) Limited and the Investment Manager is HSBC Global Asset Management (UK) Limited (HSBC Global Asset Management (France) in respect of the Europe Ex UK Equity Fund). All applications are made on the basis of the relevant Company prospectus, Key Investor Information Document (KID), Supplementary Information Document (SID) and most recent annual and semi annual report, which can be obtained upon request free of charge from HSBC Global Asset Management (UK) Limited, 8, Canada Square, Canary Wharf, London, E14 5HQ, UK, or the local distributors. Investors and potential investors should read and note the risk warnings in the prospectus and relevant KID and additionally, in the case of retail clients, the information contained in the supporting SID.

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