

7 November 2022

IMPORTANT INFORMATION ABOUT YOUR INVESTMENT IN THE WORLD SELECTION PORTFOLIOS

Dear Investor,

We are writing to advise you that, with effect from 1 October 2022, we introduced discounts to our range of World Selection Portfolios (in this letter each Portfolio is referred to as a “Fund” and the Portfolios together are referred to as the “Funds”).

The discounts are designed to benefit the investors in each Fund by passing on some of the economies of scale savings that are achieved when a Fund increases significantly in size. These savings may arise, for example, when the costs that are incurred by us and/or service providers, in managing and operating a Fund, remain broadly the same as the Fund increases in size.

The operation of the discounts is described in more detail below, but in summary discounts are applied to the Annual Management Charge (“AMC”), for certain share classes of each Fund, when the Fund reaches a certain size. The AMC is a payment to us for carrying out our duties and responsibilities in managing the Funds and is reflected in the Funds’ daily share prices. Where discounts are applied, this has the effect of reducing the overall charges paid by investors in that Fund.

Given the current size of the Funds, we started to apply discounts to the AMC of the World Selection – Balanced Portfolio, the World Selection – Conservative Portfolio and the World Selection – Dynamic Portfolio from 1 October 2022. Discounts are not currently being applied to the AMC of the World Selection – Adventurous Portfolio, the World Selection – Cautious Portfolio, the World Selection – Dividend Distribution Portfolio and the World Selection – Interest Income Portfolio again given the current size of the Funds. We have shown this in more detail in the Appendix to this letter.

Why did we make this change?

Our Assessment of Value Report (the ‘Report’), published in October 2021, highlighted that economies of scale savings negotiated with the Funds’ service providers were being passed on to investors through the variable operational costs that apply to the Funds. The Report also highlighted that registration fees had been removed from the Funds.

However, the Report indicated that we would investigate whether additional economies of scale savings could be passed on to investors through a discount to the AMC, especially on some of our larger and more profitable fund ranges.



We have now completed our review and we have therefore introduced the discounts to pass on some of the economies of scale savings that we found are achieved as the size of each Fund increases. This further increases the level of value delivered for investors.

How are the discounts applied?

The discounts to the AMC that apply for each Fund are based on the size of the Fund, as measured by its total Net Asset Value (“NAV”), being the value of the assets of the Fund (less any liabilities). Where they apply, discounts are only made to the AMC of the Income C and Accumulation C share classes of the Fund and no other share classes are affected. The discounts are applied in tiers with the rates determined by the proportion of the Fund’s total NAV that falls within the ranges shown in the table below. A weighted average of the overall discount rate that applies is then calculated and applied to the AMC. This means that only the proportion of the Fund’s NAV that falls within each range receives the applicable discount for that tier.

NAV range	Discount applied based on the proportion of Fund’s NAV falling within the range shown
£0 – up to £0.75 billion	0.00%
In excess of £0.75 billion – up to £1.50 billion	0.02%
In excess of £1.50 billion – up to £2.25 billion	0.04%
In excess of £2.25 billion – up to £3.00 billion	0.06%
In excess of £3.00 billion – up to £3.75 billion	0.08%
In excess of £3.75 billion – up to £4.50 billion	0.10%
In excess of £4.50 billion – up to £5.25 billion	0.12%
In excess of £5.25 billion – up to £6.00 billion	0.14%
In excess of £6.00 billion – up to £6.75 billion	0.16%
In excess of £6.75 billion	0.18%

Further detail on the methodology is included in the Prospectus of the Funds, but we have included a worked example below to illustrate how the discounts may apply.

Example

A Fund has a NAV of £1.90 billion, with an AMC of 0.55%.

A discount of 0% applies in relation to the proportion of the NAV up to £0.75 billion.

A discount of 0.02% applies in relation to the proportion of the NAV in excess of £0.75 billion, up to £1.50 billion.

A discount of 0.04% applies in relation to the proportion of the NAV in excess of £1.50 billion, up to £1.90 billion (the total NAV for the fund).

The weighted average discount rate calculated from the above is 0.02%*.

The discounted AMC is therefore 0.53%*.

This means that an investor who holds Income C / Accumulation C shares with a value of £10,000 in the fund will effectively pay an AMC of £53.37 per year, instead of £55 per year.

* For illustrative purposes the weighted average discount rate and AMC quoted here have been rounded to two decimal places. In practice the discount rate and AMC are calculated and applied without rounding, as reflected in the monetary example.

How can I find out the NAV of the Funds going forward?

The Net Asset Value for each of the Funds is shown on our website, www.assetmanagement.hsbc.co.uk, select "Fund Centre" and locate and select the relevant Fund from the list of funds. Alternatively, this can be obtained by contacting us as shown below.

How can I find out the discounts that apply going forward?

Information about the discounts that apply are shown on our website, www.assetmanagement.hsbc.co.uk, select "Fund Centre", locate and select the relevant Fund from the list of funds. The discount information on our website will be updated every six months. Alternatively, this can be obtained by contacting us as shown below.

The AMCs that have been applied, allowing for any discounts, will also be shown in the Report and Accounts for the relevant reporting period.

How do the discounts affect the Ongoing Charges Figures for the Fund?

Where discounts apply this will reduce the Ongoing Charges Figure ('OCF') for the Income C and Accumulation C share classes of the Fund. The OCF is a measure of the total charges of a Fund, including the AMC (allowing for any discounts) and other operational costs, but excluding portfolio transaction costs (the costs incurred when buying and selling assets for the Funds).

What will happen to the discounts if a Fund decreases in size?

Although the discounts are designed to pass on economies of scale savings where each Fund increases in size, discounts will cease to apply where a Fund is decreasing in size and its Net Asset Value falls below the level required to benefit from the applicable discount.

What do I need to do?

You do not need to take any action. This letter is for information only.

Where can I obtain further information about these changes?

If you have any questions or would like more detail about the changes you can call us on 0800 358 3011** or you can send an e-mail to HSBCenquiries@ntrs.com.

If you are unsure whether the Fund will continue to meet your needs, you should contact your financial adviser.

Yours sincerely



Jeff Webb
Senior Product Manager
HSBC Global Asset Management (UK) Limited

** Lines are open 9.00 am to 5.00 pm Monday to Friday (excluding public holidays). To help us to continually improve our service and in the interest of security, we may monitor and/or record your communications with us.

Appendix

These are the discounts that we started to apply to each of the Funds from 1 October 2022, based on the NAV of the Funds as at 30 September 2022:

World Selection - Adventurous Portfolio

- The Fund has a NAV of £160,113,576.79. The AMC for the Income C and Accumulation C share classes is 0.55%.
- **No discounts currently apply.**
- **The AMC that applies therefore remains at 0.55%.**

World Selection - Balanced Portfolio

- The Fund has a NAV of £4,007,581,597.67. The AMC for the Income C and Accumulation C share classes is 0.55%.
- A discount of 0% applies in relation to the proportion of the NAV up to £750,000,000.
- A discount of 0.02% applies in relation to the proportion of the NAV in excess of £750,000,000, up to £1,500,000,000.
- A discount of 0.04% applies in relation to the proportion of the NAV in excess of £1,500,000,000, up to £2,250,000,000.
- A discount of 0.06% applies in relation to the proportion of the NAV in excess of £2,250,000,000, up to £3,000,000,000.
- A discount of 0.08% applies in relation to the proportion of the NAV in excess of £3,000,000,000, up to £3,750,000,000.
- A discount of 0.10% applies in relation to the proportion of the NAV in excess of £3,750,000,000, up to £4,007,581,597.67 (the total NAV for the Fund).
- **The weighted average discount rate calculated from the above is 0.04%*.**
- **The AMC that applies is therefore discounted to 0.51%*.**
- **This means that an investor who holds Income C / Accumulation C shares with a value of £10,000 in the Fund will effectively pay an AMC of £50.61 per year, instead of £55 per year.**

* For illustrative purposes the weighted average discount rate and AMC quoted here have been rounded to two decimal places. In practice the discount rate and AMC are calculated and applied without rounding, as reflected in the monetary example.

World Selection – Cautious Portfolio

- The Fund has a NAV of £589,199,900.98. The AMC for the Income C and Accumulation C share classes is 0.55%.
- **No discounts currently apply.**
- **The AMC that applies therefore remains at 0.55%.**

World Selection – Conservative Portfolio

- The Fund has a NAV of £1,167,607,656.77. The AMC for the Income C and Accumulation C share classes is 0.55%.
- A discount of 0% applies in relation to the proportion of the NAV up to £750,000,000.

- A discount of 0.02% applies in relation to the proportion of the NAV in excess of £750,000,000, up to £1,167,607,656.77 (the total NAV for the Fund).
- **The weighted average discount rate calculated from the above is 0.01%*.**
- **The AMC that applies is therefore discounted to 0.54%*.**
- **This means that an investor who holds Income C / Accumulation C shares with a value of £10,000 in the Fund will effectively pay an AMC of £54.28 per year, instead of £55 per year.**

* For illustrative purposes the weighted average discount rate and AMC quoted here have been rounded to two decimal places. In practice the discount rate and AMC are calculated and applied without rounding, as reflected in the monetary example.

World Selection – Dividend Distribution Portfolio

- The Fund has a NAV of £368,432,954.22. The AMC for the Income C and Accumulation C share classes is 0.55%.
- **No discounts currently apply.**
- **The AMC that applies therefore remains at 0.55%.**

World Selection – Dynamic Portfolio

- The Fund has a NAV of £1,490,835,899.85. The AMC for the Income C and Accumulation C share classes is 0.55%.
- A discount of 0% applies in relation to the proportion of the NAV up to £750,000,000.
- A discount of 0.02% applies in relation to the proportion of the NAV in excess of £750,000,000, up to £1,490,835,899.85 (the total NAV for the Fund).
- **The weighted average discount rate calculated from the above is 0.01%*.**
- **The AMC that applies is therefore discounted to 0.54%*.**
- **This means that an investor who holds Income C / Accumulation C shares with a value of £10,000 in the Fund will effectively pay an AMC of £54.01 per year, instead of £55 per year.**

* For illustrative purposes the weighted average discount rate and AMC quoted here have been rounded to two decimal places. In practice the discount rate and AMC are calculated and applied without rounding, as reflected in the monetary example.

World Selection – Interest Income Portfolio

- The Fund has a NAV of £491,532,433.41. The AMC for the Income C and Accumulation C share classes is 0.55%.
- **No discounts currently apply.**
- **The AMC that applies therefore remains at 0.55%.**