New Prospectus & Update – HSBC Uni-Folio Fund

3 September 2021

The attached documents are important and require the attention of Unit Holders. No action is required in response to these documents.

HSBC Management (Guernsey) Limited is the Designated Manager (the "Manager") of the Fund whilst the Investment Adviser is HSBC Alternative Investments Limited.

Further documentation, updated for use by certain Swiss investors, will be made available in due course.

Dear Investor,

Please find attached a new Prospectus dated 3 September 2021 (the “Prospectus” or the “Document”).

In summary, the changes described in this documents include:

- Changes to certain HSBC Management (Guernsey) Limited committees;
- Certain minor valuation policy amendments recommended by HSBC Securities Services (Guernsey) Limited as designated administrator;
- Minor amendments to the names of certain share classes with the inclusion of ‘Hedged’ in the title. The intention is to reinforce that the classes are actively hedged from US Dollars to the reference currency, as opposed to merely quoted in the reference currency;
- Removal of an unfunded share class
- Clarification of the wording that describes the use of the restricted share classes;
- Inclusion of a new marketing legend for Hong Kong;
- Updates to AIFMD Section 23 SFDR disclosure; and
- Adoption of 3 Month Adjusted Term Risk Free Rates as replacements for LIBOR where the manager expects that the new rates, when included in performance fee calculations, will have an economically similar effect to 3 month LIBOR rates that are currently used.

  Further details and background to this decision are contained within this update.

HSBC

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Detailed update on the decision to replace LIBOR with 3 Month Adjusted Term Risk Free Rates

It has been widely reported that industry regulators have determined that LIBOR in each of EUR, GPB and CHF will be demised on 31 December 2021 whilst LIBOR calculations in USD will cease in June 2023.

As certain share classes of the Fund have LIBOR references within their performance fee calculations, the Manager has, after a period of reflection, concluded to adopt 3 Month Adjusted Term Risk Free Rates as replacements for relevant LIBOR rates.

The Manager has instructed the Administrator of the Fund to use 3 Month Adjusted Term Risk Free Rates in the next four NAV calculations starting 30 September 2021.The Administrator will use these new rates alongside existing LIBOR rates and ensure that investors receive the most favourable outcome in each calculation. Following which, from 1 January 2022, when LIBOR in EUR, GBP and CHF are permanently demised, all impacted currencies including US Dollars will incorporate the new rates in their performance fee calculations.

The new rates are as follows:

3 Month Adjusted Term SONIA replaces GBP 3 Month LIBOR	3 Month Adjusted Term ESTR replaces EUR 3 Month LIBOR
3 Month Adjusted Term SOFR replaces USD 3 Month LIBOR	3 Month Adjusted Term SARON replaces CHF 3 Month LIBOR

HSBC Management (Guernsey) Limited, Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA, Channel Islands Registered in Guernsey no.15988. Regulated by the Guernsey Financial Services Commission

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Summary comparison of 3 Month LIBOR and 3 Month Adjusted Term Risk Free Rates

	3 Month LIBOR	**3 Month Adjusted Term Risk Free Rates (“RFR”)**
Summary	An estimate of the cost of borrowing for 3 months into the future	Average cost of borrowing for the past 3 months, compounded in arrears
Comprising RFR’s that are based on…	A largely judgement based daily calculation that is based views of panel banks where volumes can be in the region of US$600Mn	Actual transactions across real markets that in some cases have daily volumes in the region of USD2 trillion
***plus* a term premium that is based on…**	the theoretical prices that banks would charge one another for borrowing	the compounded value, calculated in arrears over the relevant tenor
***plus* a credit Spreads that are based on…**	Perceived credit risk as judged by panel banks	the median spread between the IBOR and the Adjusted RFR over the preceding five-year period
***with calculations* Administered by…**	Panel Banks and the Based on observed transactions in much deeper markets.	Central Banks.

In determining to adopt the new rates the Manager has sought to balance the following requirements:

- **Be consistent with regulator and central bank requirements**

It is clear to the Manager that the industry has been directed to use transaction based, risk free rates that are either calculated or administered by a central bank instead of LIBOR. For example, in March 2021 the BoE stated that “We have encouraged widespread adoption of SONIA compounded in arrears in derivative markets in particular, keeping use of Term SONIA limited to specific use cases primarily in cash markets, to provide the most robust foundations for sterling interest rate markets.” In an April 2021 FAQ, ARRC simply stated “SOFR is the ARRC’s preferred alternative to USD LIBOR”.

- **Treat customers fairly and not engineer or manufacture a fee increase**

Regulators, including the UK’s FCA, have made it clear that manufactures should not use the demise of LIBOR to manufacture fee increases.

The Managers believes that the adoption of 3 Month Adjusted Term Risk Free Rates will likely only have a small overall impact on fee loads and that this impact would not give either a long term increase or cut in fee.

In support of this, the Manager notes that the long term spread between 3 Month LIBOR and 3 Month Adjusted Term Risk Free Rates in US Dollars have been closely aligned and that the spread between the two indices has been an average of 3 bps spread since 2011.

- **Deliver an outcome that has the same or similar economic impact as LIBOR**

The Manager believes that the 3 Month Adjusted Term Risk Free Rates will deliver the same or a very similar effect to the corresponding 3 month LIBOR rates.

For example, over the 10 years to 1 June 2021 the average spread between US Dollar 3 Month LIBOR and 3 Month Adjusted Term SOFR has been around 3 bps, where the effect would be that the Fund would need to generate 3 bps more performance in order to generate a performance fee for HSBC.

Although less data exists for Euro, Sterling and Swiss Francs the Manager believes that a similar relationship would have existed over the long term. The Manager also notes that the 3 Month Adjusted Term Risk Free Rates in these currencies are also currently fractionally higher than the corresponding LIBOR tenors, again giving a marginal benefit to investors.

It's worth noting that whilst the current spread between the two indices is currently marginally in favour of investors the long term relationships will have shifted over time and that future comparisons will not be possible once LIBOR is demised as planned.

- **Use a rate that is calculated at arm's length to the Manger and is available from third party data houses**

The new rates, that are based on central bank administration, are readily available in the public domain, for example they can be found on Bloomberg as follows:

USD	VUS0003M
GBP	VBP0003M
CHF	VSF0003M
EUR	VEE0003M

- **Be in place by 31 December 2021 to coincide with the demise of LIBOR**

These new rates are already in place and can be used immediately, though as described the Manager will adopt them in parallel for four valuation points from 30 September 2021 following which the new rates will be adopted solely with effect 1 January 2022.

Next Steps

If you have any queries relating to any of the updates to the Fund documentation or the demise of LIBOR, please contact Stephen Rouxel at HSBC Management (Guernsey) Limited on +44 (0) 1481 759 000 or Noel von Kaltenborn at HSBC Alternative Investments Limited on +44 (0) 20 7860 3067 or noel.von.kaltenborn@hsbc.com.