

**Asset Management**

# **HSBC UCITS Common Contractual Fund – Developed World Equity Income Factor**

A Fund of HSBC UCITS Common Contractual Fund

Supplement to the Prospectus

10 February 2025



**HSBC**

Opening up a world of opportunity

This Supplement contains specific information in relation to HSBC UCITS Common Contractual Fund – Developed World Equity Income Factor (the **Fund**), a fund of HSBC UCITS Common Contractual Fund (the **CCF**), an open-ended umbrella type common contractual fund established under the laws of Ireland and authorised by the Central Bank of Ireland.

This Supplement forms part of the Prospectus of the CCF dated 10 February 2025 (the **Prospectus**) and should be read in the context of and together with the Prospectus.

An investment in the Fund should only be made by those persons who could sustain a loss on their investment. It should not constitute a substantial portion of an investment portfolio and may not be appropriate for all investors.

The Directors of the Manager, whose names appear under the section entitled **Directors of the Manager** in the Prospectus, accept responsibility for the information contained in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

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# 1. Investment Objective and Policy

## Investment Objective

The investment objective of the Fund is to invest for dividend yield whilst also maximising capital growth in global developed market equities.

## Investment Policy

The Fund will primarily invest in equities and equity related securities of issuers domiciled, listed or carrying out the preponderant part of their business in developed market countries. Equity related securities include American Depositary Receipts (**ADR**) and Global Depositary Receipts (**GDR**) – these are certificates typically issued by a bank or trust company evidencing ownership of shares of a non-US issuer.

The securities in which the Fund invests will typically be listed or traded on Regulated Markets, as defined in the Prospectus.

In certain circumstances, for instance to manage cash flows efficiently the Fund may also invest in units or shares of open-ended collective investment schemes subject to an aggregate limit of 10% of the Net Asset Value of the Fund.

The Fund may also use FDIs, including foreign exchange forwards and futures as set out in the Financial Derivative Instruments and Efficient Portfolio Management section below.

The Fund is actively managed and does not track a benchmark. The reference benchmark for the Fund is MSCI World Net.

The Investment Manager will use its discretion to invest in securities not included in the reference benchmark based on active investment management strategies and specific investment opportunities. It is foreseen that a significant percentage of the Fund's investments will be components of the reference benchmark. However, their weightings may deviate materially from those of the reference benchmark.

The magnitude of the Fund's performance relative to the benchmark is monitored, but not constrained, to a target range.

## Investment Process

The Investment Manager identifies stocks from a universe of investable securities from developed countries and ranks them based upon certain income characteristics (such as dividend yield, cash flow yield and return of investment capital), the universe of stocks is then screened according to the dividend payout ratio (the amount of dividends paid to stock holders relative to the amount of total income of a company). A proprietary systematic investment process is then used to create a portfolio which maximizes the exposure to stocks which have the most attractive income characteristics whilst minimizing the portfolio's risk characteristics through the application of a series of constraints, such as, for example, sector, country, stock weights.

## Integration of Sustainability Risks into Investment Decisions

The Fund has been classified as an Article 6 Fund under Regulation (EU) 2019/2088 of the European Parliament (as may be amended from time to time). The manner in which Sustainability Risks are integrated in the investment decision making process is described in the section of the Prospectus entitled **Integration of Sustainability Risks into Investment Decisions** in the Prospectus.

Please refer to the HSBC Global Asset Management's website for further information on the responsible investment policy and procedures.

## 2. Financial Derivative Instruments and Efficient Portfolio Management

The usage of FDIs and Efficient Portfolio Management (**EPM**) techniques applicable to the Fund are set out under the section entitled **Utilisation of FDIs and Efficient Portfolio Management** in the Prospectus.

The purpose of EPM is to achieve one or more of the following: the reduction of risk, the reduction of costs and the generation of additional capital or income for the Fund with an acceptably low level of risk.

The Fund may invest in FDIs subject to the conditions and limits laid down by the Central Bank.

The commitment approach will be used to calculate the daily global exposure of the Fund, being the incremental exposure and leverage generated through the use of FDIs, in accordance with the risk management process in respect of the Fund and the requirements of the Central Bank. While the Fund may be leveraged as a result of its investments in FDIs, the Fund's global exposure (as prescribed in the Central Bank's requirements) relating to FDIs (including any embedded FDIs), calculated using the commitment approach will be limited to 100% of Net Asset Value of the Fund.

The FDIs which the Fund may use include foreign exchange forwards (including non-deliverable forwards) and on-exchange traded index futures.

### Foreign Exchange Forwards

These instruments allow the holder to purchase one currency and sell another currency at a pre-determined rate of exchange at a pre-determined date in the future.

It is the intention of the Fund that foreign exchange forwards may be used for the hedging of a Currency Hedged Unit Class as further described in **Unit Class Hedging** below and EPM purposes.

### Futures

Futures are contracts to buy or sell a standard quantity of a specific asset (or, in some cases, receive or pay cash based on the performance of an underlying asset, instrument or index) at a pre-determined future date and at a price agreed through a transaction undertaken on an exchange. Since these contracts are marked-to-market daily, investors can, by closing out their position, exit from their obligation to buy or sell the underlying assets prior to the contract's delivery date.

It is the intention of the Fund that futures will be used for hedging and EPM purposes – specifically equity index futures may be used.

### Unit Class Hedging

Whilst the Fund may offer Unit Classes which are denominated in currencies other than the Fund Base Currency (the US Dollar), the Fund may also offer Unit Classes which seek to hedge the Base Currency of the Fund (and not the underlying portfolio currency exposures) back to the currency denomination of the Unit Class (individually a **Base Currency Hedged Unit Class**, collectively the **Base Currency Hedged Unit Classes**).

For example, in the case of a EUR denominated Unit Class where the Base Currency of the Fund is USD, following a EUR subscription into the Unit Class, the EUR will be converted into USD whilst entering into a USD/EUR currency forward transaction with the aim of creating a hedged exposure from USD back to EUR. When the underlying portfolio currency exposure is all, or nearly all, to the Base Currency then such a Unit Class would be suitable for investors whose day-to-day currency matches the currency of the Hedged Currency Unit Class (e.g. EUR) and who wishes to hedge their Base Currency (e.g. USD) exposure.

The successful execution of a hedging strategy cannot be assured. Any financial instruments used to implement such strategies with respect to one or more Currency Hedged Unit Class shall be assets/liabilities of the Fund as a whole but will be attributable to the relevant Currency Hedged Unit Class and the gains/losses on and the costs of the

relevant financial instruments will accrue solely to the relevant Currency Hedged Unit Class. Any currency exposure of a Unit Class may not be combined with or offset against that of any other Unit Class.

In the case of an Unhedged Currency Unit Class, a currency conversion will take place on subscriptions, redemptions, and exchanges at prevailing exchange rates. The value of the Unit expressed in the Class currency will be subject to exchange rate risk in relation to the Base Currency of the relevant Fund.

Movements in currency exchange rates can materially impact investment returns and investors should ensure they fully understand the difference between investment in Base Currency Hedged Unit Classes Unhedged Currency Unit Classes.

A complete list of launched Unit Classes is available from the Investment Manager.

### 3. Borrowing

In accordance with the general provisions set out in the Prospectus under the heading **Borrowing and Lending Powers and Restrictions**, the Fund may borrow up to 10% of its total Net Asset Value on a temporary basis and not for speculative purposes.

### 4. Investment Restrictions

The investment restrictions applicable to the Fund are set out under the section entitled **Investment Restrictions** in the Prospectus.

### 5. Profile of a Typical Investor

Prospective investors in the Fund should ensure that they understand fully the nature of the Fund, as well as the extent of their exposure to risks associated with an investment in the Fund and should consider the suitability of an investment in the Fund. The Fund is not available to natural persons.

The Fund may be suitable for institutional investors who are looking to gain exposure to developed market equities from across the world with improved income profile. Investors should have a long-term investment horizon.

As the Fund will primarily invest in equities and equity related securities, the volatility of the Fund is expected to be similar to that of equity markets, which may be high.

### 6. Risk Factors

The risk factors under the section entitled **Risk Factors** in the Prospectus apply to the Fund. These investment risks are not exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisors before making an application for Units.

For information in relation to the risks associated with the use of FDI, please refer to the **"Risk Factors – Derivatives and Techniques and Instruments Risk"** section of the Prospectus.

### 7. Gross Income Payment Policy

Gross Income payments will be made at the discretion of the Manager (following consultation with the Investment manager) in accordance with the provisions as outlined in the section entitled "Gross Income Payment Policy" in the Prospectus on at least an annual basis.

## 8. Key Information for Subscribing and Redeeming

### Base Currency

The Base Currency of Fund is US Dollar.

### Available Unit Classes, Minimum Investment and Unitholding

The following Unit Classes are available:

Unit Class	Minimum Initial Investment Amount (or equivalent in the relevant denominated currency)	Minimum Additional Investment Amount (or equivalent in the relevant denominated currency)	Minimum Unitholding
Class A	US\$100mn	US\$100,000	100,000 Units
Class B	US\$100mn	US\$100,000	100,000 Units
Class C	US\$100mn	US\$100,000	100,000 Units
Class D	US\$100mn	US\$100,000	100,000 Units
Class Z	US\$100mn	US\$100,000	100,000 Units

Each Unit Class listed in the table above may be offered:

- ◆ with Unit Class tax treatment which is treaty eligible or non-treaty eligible;
- ◆ denominated in the Base Currency of the Fund; or
- ◆ as a Currency Unit Class denominated in Australian Dollars (AUD), Euro (EUR), Pound Sterling (GBP), Japanese Yen (JPY), Swiss Franc (CHF), Hong Kong Dollars (HKD) or Singapore Dollars (SGD) which may be either a Hedged Currency Unit Class or an Unhedged Currency Unit Class.

The following additive suffixes will be included in the name of a Unit Class to identify the above characteristics of a Unit Class:

- ◆ Unit Class Tax Treatment: the number "0" to indicate that the Unit Class tax treatment is non-treaty eligible. A number between 1-99 to indicate that the Unit Class tax treatment is treaty eligible;
- ◆ Unhedged Currency Unit Class: the currency code of denomination of the Unit Class, for example AUD where the Class is denominated in Australian Dollars;
- ◆ Hedged Currency Unit Class: "H" followed by the currency code of denomination of the Unit Class to indicate that the Class is a Hedged Currency Unit Class.

A Unit Class denominated in the Fund's Base Currency will have no currency code included in the name of that Unit Class.

For example, Class A1HCHF indicates this Class is treaty eligible, denominated in Swiss Franc and is a Hedged Currency Unit Class:

A	1	HCHF
Class A	Treaty eligible	Denominated in Swiss Franc and Hedged Currency Unit Class.

The Directors of the Manager of the Fund (upon written confirmation to the Administrator) reserve the right to differentiate between Unitholders and to waive or reduce the Minimum Unitholding, Minimum Initial Investment Amount, and Minimum Additional Investment Amount for any such Unitholders or to refuse an application for any such Units in their absolute discretion.

The Manager may issue Units of any class and create new classes of Units on such terms as the Manager may from time to time determine and which may be differentiated by different charging structures and fee arrangements, or any other provisions determined by the Manager.

Additional classes of Units may be created in accordance with the requirements of the Central Bank.

## **Initial Offer Period & Issue Price**

The Initial Offer Period for Units in each Unit Class, other than Class A1, will commence at 9am (Irish time) on 11 February 2025 and end at 5pm (Irish time) on 8 August 2025 or such earlier or later time as the Directors of the Manager of the Fund may decide and notify the Central Bank. After the Initial Offer Period, Units will be continuously open for subscriptions at the Net Asset Value per Unit of the relevant Unit Class on the relevant Dealing Day.

The Initial Issue Price will be 100 per Unit in the denominated currency of the Unit Class other than JPY which will be 10,000.

Units in Class A1 are continuously open for subscriptions at the Net Asset Value per Unit on the relevant Dealing Day.

Information on the Unit Classes in issue can be obtained from the Distributor and the Administrator. Information in relation to Unit Classes in issue at the Fund's Accounting Date and semi-annual accounting date will be provided in the annual and semi-annual reports, respectively, and the Key Investor Information Document issued in respect of the relevant Class in the Fund.

## **Anti-Dilution Mechanism**

The Manager may, where there are Net Subscriptions or Net Redemptions, apply a Swing Pricing adjustment or an Anti-Dilution levy as further described in the Prospectus. The amount of the adjustment or levy may be reduced or waived at the absolute discretion of the Manager, either generally or in any specific case, to take account of actual expected costs.

## **Minimum Fund Size**

Subject to the Manager's discretion to waive the Minimum Fund Size, it shall be US\$100mn.

## **Currency of Payment**

Subscription and redemption monies are only payable in the denominated currency of the relevant Unit Class in respect of which Units are being subscribed for or redeemed.

## **Business Day**

A day other than a Saturday or Sunday on which commercial banks are open for business in the UK (excluding any day on which a Significant Market in respect of the Fund is closed) or such other days as may be determined by the Manager and notified in advance to Unitholders.

A "Significant Market" is any market and/or exchange or combination of markets and/or exchanges where the value of the Fund's investments in those markets and/or exchanges exceeds a threshold agreed with the Investment Manager, assessed on a yearly basis and recorded in the CCF's financial statements unless the Manager determines that a different threshold and/or assessment period should apply which it believes to be more appropriate.

## **Dealing Day**



A day other than a Saturday or Sunday on which commercial banks are open for business in the UK (excluding any day on which a Significant Market in respect of the Fund is closed) or such other days as may be determined by the Manager and notified in advance to Unitholders provided that there will be at least one dealing day per fortnight.

## Dealing Deadline

The Dealing Deadline is 2pm (Irish time) on the Dealing Day.

## Valuation Point

The Valuation Point is close of business in the relevant market that closes last on the relevant Dealing Day.

Applications for Units and requests for the redemption of Units must be received by the Administrator on or prior to the Dealing Deadline for the relevant dealing Day in accordance with the process detailed in the Prospectus. The Manager, in consultation with the Administrator, may however in its sole and absolute discretion accept applications for Units and/or requests for redemptions received after the Dealing Deadline provided that they are received before the close of business in the relevant market that closes first in respect of the relevant Dealing Day and before the relevant Valuation Point.

## Settlement Date

The Settlement Date for the receipt of monies for subscription for Units shall be the third Business Day following the relevant Dealing Day. The Settlement Date for the dispatch of monies for the redemption of Units will be the third Business Day after the relevant Dealing Day, unless the third Business Day is a day on which the banks in the principal financial centre for the settlement currency are closed for business, in which case payment of the Redemption Proceeds will be the next Business Day where the banks in the principal financial centre for the settlement currency are open for business, provided that all the required documentation has been furnished to and received by the Administrator.

## 9. How To Subscribe For Units

Requests for the subscription for Units should be made in accordance with the provisions set out in the section entitled **Subscription for Units** in the Prospectus.

## 10. How To Redeem Units

Requests for the redemption of Units should be made in accordance with the provisions set out in the section entitled **Redemption of Units** in the Prospectus.

## 11. How To Exchange Units

Requests for the exchange of Units should be made in accordance with the provisions set out in the section entitled **Exchange of Units** in the Prospectus.

## 12. Listing

An application may be made to Euronext Dublin for the Units of the Fund to be admitted to listing on the Official List and traded on the Main Securities Market of Euronext Dublin immediately following the closing of the Initial Offer Period. The Prospectus of the CCF and this Supplement, including all information required to be disclosed by the listing requirements of Euronext Dublin, shall constitute the listing particulars for the purpose of listing of the Units on Euronext Dublin. No application has been made to list the Units of the Fund on any other stock exchange.

## 13. Fees And Expenses

The following sections on fees should be read in conjunction with the section entitled **Fees and Expenses** in the Prospectus.

The Manager may instruct the Administrator to pay out of the assets of the Fund all fees, charges and expenses payable to the Depositary, the Administrator, the Manager and other service providers to the Funds including, but not limited to auditor fees, legal adviser fees and any financial index licensing fee, subject to maximum combined annual fees, charges and expenses not exceeding 0.20% of the Net Asset Value of each Unit Class of the Fund (the “**Capped Fee**”). Such fees and expenses will be accrued on each Valuation Day and paid monthly in arrears.

In addition, the Investment Manager and the Distributor shall be entitled to receive out of the assets of the Fund an annual fee, accrued on each Valuation Day and payable monthly in arrears, provided that the aggregate of the fee payable to the Investment Manager and the Distributor and the Capped Fee will not exceed 1.00% of the Net Asset Value of each Unit Class (the “**Maximum Capped Fee**”).

Subject to the Maximum Capped Fee, the Investment Manager and the Distributor may, with the agreement of the Directors and with prior notification to the Administrator, waive or reduce all or part of the investment management fee and the distribution fee charged to certain Unitholders and accordingly may differentiate between Unitholders of the Fund in that regard. Any such waiver or reduction shall be made by way of a rebate paid by or on behalf of the Investment Manager and the Distributor to the relevant Unitholder’s account. The Investment Manager and the Distributor will determine the rebate amount in each case, which will not exceed the Maximum Capped Fee based on the assets invested in the Fund or a Unit Class thereof, and accordingly, the investment management fee and the distribution fee charged to certain Unitholders may be reduced in accordance with the amount of fees rebated to the relevant Unitholders, subject to the prevailing Maximum Capped Fee applicable to Unitholders generally in the relevant Unit Class.

## 14. Miscellaneous

At the date of this Supplement, the other Funds of the CCF are:

HSBC UCITS Common Contractual Fund - Economic Scale Worldwide Equity

HSBC UCITS Common Contractual Fund – Islamic Global Equity Index Fund

