



**IMPORTANT: If you are in any doubt about the contents of this letter, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

Capitalised terms in this document have the same meaning as in the Explanatory Memorandum of the Funds dated June 2014 (“Explanatory Memorandum”) unless otherwise specified.

## **HSBC MANAGED FUNDS SERIES**

**HSBC Managed Stable Fund  
HSBC Managed Stable Growth Fund  
HSBC Managed Balanced Fund  
HSBC Managed Growth Fund  
(collectively the “Funds”)**

13 April 2015

Dear Unitholder,

### **Changes to the Funds**

We, as the Manager of the Funds, would like to inform you of the following changes to the Funds.

#### **D) Calculation of Issue Price and Redemption Price – Swing Pricing**

The Manager proposes to amend the Trust Deeds of the Funds to allow bid and offer prices to be adjusted in accordance to a “swing pricing” mechanism.

When subscriptions and redemptions in a Fund do not balance each other, trading costs may be incurred in order to buy or sell the underlying securities to accommodate dealing requests. The price at which investors subscribe or redeem a Fund’s units only reflects the value of the relevant Fund’s assets and does not take into account such trading costs. Accordingly, the costs incurred will fall on the relevant Fund and may result in some dilution in the value of the holdings of existing unitholders in the relevant Fund.

Swing pricing seeks to protect the unitholders from dilution and mitigate the effects of transaction costs, in particular but not limited to, bid-offer spreads, brokerage, taxes and government charges. This is achieved by adjusting the bid and offer prices up or down (taking into account the bid and offer prices of the underlying investments and dealing costs as further explained below) depending on the direction of net subscription/redemption amount for a particular Fund. Significant net subscriptions will cause an upward swing in the bid and offer prices, and vice versa. Accordingly, investors subscribing or redeeming at a volume that would materially impact the existing unitholders in the relevant Fund, will bear the associated trading cost (as reflected in the adjusted bid or offer prices) and such cost will not fall on the relevant Fund and affect the non-dealing unitholders.

Swing pricing is implemented when the net subscription or redemption amount exceeds a threshold determined by the Manager, beyond which the Manager believes the amount of dilution caused by transaction costs could be material to the Funds.

The effective date on which swing pricing is implemented for the Funds is 12 May 2015. As from this date, the Manager will use swing pricing in place of fiscal charges (which is currently in place) in calculating the bid and offer prices of units of the Funds. Adjustment of bid and offer prices of units will be made if the Manager considers it in the interest of unitholders. The extent of such adjustment is based on a swing factor set by the Manager after considering various factors, including but not limited to, the cost of trading and slippage (i.e. the difference between the expected price of a trade and the actual price of execution, which may occur during periods of higher volatility), net broker commissions paid by a Fund, fiscal charges and exchange fees. The adjustment rate may be significantly higher in special circumstances, for example, when a tax or levy is imposed on a large proportion of the assets of the relevant Fund by a regulator or tax authority or where market spreads widen due to a financial crisis. However, the adjustment rate is capped at 2% of the net asset value of a Fund in any event.

## **II) Change in definition of “Dealing Day”**

To standardize the definition of Dealing Day across the funds that are managed by HSBC Global Asset Management (Hong Kong) Limited, the Investment Adviser of the Funds, with effect from 12 May 2015, the definition of Dealing Day for the Funds will be amended as bold and underlined below:

“Dealings in units will take place on each Dealing Day being every day (other than a Saturday) on which banks in Hong Kong are open for normal banking business (a “Business Day”) **and which is also, for the Fund, a day where stock exchanges and regulated markets in countries where the Fund is materially invested are open for normal trading,** or such other day or days as may be notified by the Manager to the unitholders.”

The change of the definition of Dealing Day will not result in any increment in the current fees payable by the Funds and will not result in any change in the way in which the Funds are being managed.

## **III) New “Z” Class Units**

As from 13 April 2015, “Z” Class Units shall be created in respect of the Funds. “Z” Class Units are offered to investors making investment through a discretionary management agreement entered into with an HSBC group entity and to investors selected by the Manager at its discretion.

The new “Z” Class Units will be available for subscription on each Dealing Day or such other day(s) as determined by the Manager. Please refer to the dealing procedures set out in the Explanatory Memorandum, as amended or supplemented from time to time.

## **IV) Updated list of directors of the Manager**

With immediate effect, the list of directors of the Manager shall be updated as follows:

BERRY, Stuart Glenn  
BOTELHO BASTOS, Pedro Augusto  
CONXICOEUR, Patrice Pierre Henri  
MALDONADO-CODINA, Guillermo Eduardo  
NG, Kai Man Edgar  
TAM, Chun Pong, Stephen

## **Amendments to Trust Deed (in connection with changes in sections (I) and (III) above)**

The Trust Deed of each Fund will be amended by way of a supplemental deed in connection with the changes set out in sections (I) and (III) above. In summary, in relation to each Trust Deed:

1. A new rule for the valuation of units will be added to Schedule 1 of the Trust Deed to provide for the power to adjust the bid and offer prices of units to mitigate effects of transaction costs in situations set out in section (I) above. This rule will be applied where in the opinion of the Manager in good faith it is in the interest of unitholders to do so, having regard to the amount of subscription and realisation requests in respect of the relevant class of units received in relation to a Dealing Day.
2. Various parts of the Trust Deed will be amended to introduce “Z” Class Units as set out in section (III) above, including provisions concerning the initial issue price, valuation and the level of fees applicable to such units.

## **Enquiries**

The Trust Deeds (including the supplemental deeds), the Explanatory Memorandum and the Product Key Facts Statements containing information of the Funds are available for inspection, free of charge, at the registered office of the Manager. If you have any questions on any of the above matters, please direct them to your financial adviser or usual HSBC contact or alternatively you should contact the Manager at Level 22, HSBC Main Building, 1 Queen’s Road Central, Hong Kong (telephone number: (852) 2284 1229).

The directors of the Manager accept responsibility for the accuracy of the information contained in this letter as at the date of the mailing.

**The Manager**  
**HSBC Investment Funds (Hong Kong) Limited**

<sup>1</sup> Such notification may also be sent by the Manager to distributors which will in turn notify relevant unitholders who have subscribed for units in the Funds through such distributors.