
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.

Dear Unitholder,

HSBC Collective Investment Trust (the “Fund”)

- **HSBC Asia High Income Bond Fund**
- **HSBC China Multi-Asset Income Fund**
- **HSBC Euro Multi-Asset Income Fund**
- **HSBC All China Bond Fund**
- **HSBC Asia Pacific ex Japan Equity Volatility Focused Fund**
- **HSBC Asia Multi-Asset Income Fund**
(each a “Sub-Fund”, collectively, the “Sub-Funds”)

We, as the Manager of the Fund and the Sub-Funds, would like to inform you of the following changes.

Terms otherwise not defined in this letter will have the same meaning as those defined in the current Explanatory Memorandum of the Fund.

1. Amendments to reflect requirements under the revised Code on Unit Trusts and Mutual Funds

Background

The Fund and the Sub-Funds are subject to the Code on Unit Trusts and Mutual Funds (“Code”) issued by the Securities and Futures Commission in Hong Kong (“SFC”). The Code has been revised. The Trust Deed has been amended by way of a deed of amendment and substitution (“Deed of Amendment and Substitution”) and the Explanatory Memorandum and/or the Product Key Facts Statements of the Sub-Funds have been revised to reflect the requirements under the revised Code.

Changes pursuant to the revised Code

The following key changes have been made to the Trust Deed, the Explanatory Memorandum and/or the Product Key Facts Statements of the Sub-Funds (where applicable) to reflect the requirements under the revised Code, with immediate effect.

1. Trustee and Manager - additional obligations of the Trustee and the Manager under Chapters 4 and 5 respectively of the revised Code.
2. Investment Restrictions: Core Requirements - amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in Annexure A enclosed with this letter.

The net derivative exposure of each Sub-Fund may be up to 50% of each Sub-Fund's latest available net asset value. The net derivative exposure is calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of a Sub-Fund are converted into their equivalent positions in their underlying assets.

3. Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including the following:
 - (a) enhanced disclosures relating to the collateral policy of the Sub-Funds;
 - (b) amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements; and
 - (c) enhanced disclosures on arrangements in handling unclaimed proceeds of Unitholders where a Sub-Fund is terminated.

In addition, the investment policies of HSBC Asia High Income Bond Fund, HSBC China Multi-Asset Income Fund, HSBC Euro Multi-Asset Income Fund, HSBC All China Bond Fund and HSBC Asia Multi-Asset Income Fund have been amended to provide that each Sub-Fund may invest less than 30% of its net asset value in debt instruments with loss-absorption features (e.g. contingent convertible securities).

From 31 January 2020 (“Effective Date”), the redemption gate mechanisms applicable to the Sub-Funds will be changed in light of the revised Code. Currently, the Manager may, with the approval of the Trustee, limit the number of Units of each Sub-Fund redeemed on any Dealing Day to 10% of the total number of Units of that Sub-Fund in issue. From the Effective Date, such redemption gate may be imposed by reference to the total net asset value of the relevant Sub-Fund instead of by reference to the total number of Units of the relevant Sub-Fund.

Please refer to the revised Explanatory Memorandum and the Deed of Amendment and Substitution for further details.

2. Possibility for investors to cancel the realisation requests not effected as a result of redemption gate

Currently, if the Manager, with the approval of the Trustee, limits the number of Units in any Sub-Fund realised on any Dealing Day to 10% pursuant to its power provided in the Trust Deed, the part of the realisation requests not effected on the relevant Dealing Day will be deferred to the next Dealing Day.

From the Effective Date, it will be provided that investors may cancel any part of the realisation requests not effected on the relevant Dealing Day, which will otherwise be deferred to the next Dealing Day.

It is in the interest of the investors to provide an additional flexibility to cancel realisation requests not effected as a result of imposing a redemption gate.

3. Change of investment policy of the Sub-Funds in relation to use of financial derivative instruments

From the Effective Date, the investment policy of the Sub-Funds will be amended so that they may invest in financial derivative instruments (including embedded financial derivatives) for investment and hedging purposes, subject to the applicable investment restrictions. For details of the changes, please refer to Annexure B enclosed with this letter.

You may refer to the section entitled “Derivative risk” in the revised Explanatory Memorandum for details of the risks in relation to financial derivative instruments.

4. Change of investment policy of HSBC Asia Pacific ex Japan Equity Volatility Focused Fund in relation to investment in China

Currently, HSBC Asia Pacific ex Japan Equity Volatility Focused Fund does not invest in China A-Shares, China A-Shares Access Products (“CAAPs”) or B-Shares.

From the Effective Date, HSBC Asia Pacific ex Japan Equity Volatility Focused Fund may directly access China A-Shares through the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect or indirectly access China A-Shares through China A-Shares Access Products (“CAAPs”). The Sub-Fund’s total exposure to China A-Shares and B-Shares will be less than 20% of its net asset value.

You may refer to the sections entitled “Mainland China market risks”, “China A-shares access products risks”, “China A-shares and B-shares risks” and “Stock Connect risks” in the revised Explanatory Memorandum for details of the risks in relation to such investments.

5. Consolidation of the standalone explanatory memorandum of HSBC Asia Pacific ex Japan Equity Volatility Focused Fund into the Explanatory Memorandum of the Fund

The standalone explanatory memorandum of HSBC Asia Pacific ex Japan Equity Volatility Focused Fund has been consolidated into the Explanatory Memorandum of the Fund. Investors of HSBC Asia Pacific ex Japan Equity Volatility Focused Fund may refer to the revised Explanatory Memorandum for information on the Sub-Fund.

Effect of changes set out above

Save and except as set out above, there will be no other change in the operation and/or manner in which the Sub-Funds are being managed and there will be no other impact on the features and risk profile of the Fund and the Sub-Funds. There will be no increase to the fee level / cost in managing the Sub-Funds (such as current and maximum trustee and management fees). The changes will not materially prejudice the Unitholders’ rights or interests.

The fees and expenses incurred in connection with the changes in this letter will be borne by the relevant Sub-Funds (except those set out in section 5 which will be borne by the Manager); in particular, the fees and expenses in connection with changes set out in section 2 above (including the costs of preparing the Deed of Amendment and Substitution, the costs of preparing and printing the revised offering documents as well as the legal fees in relation to the foregoing) are estimated to be approximately HKD60,000 and will be borne by each Sub-Fund equally.

If, as a consequence of the above changes, you wish to redeem your holding in the Sub-Funds, you may do so free of charge* in accordance with the procedures stated in the revised Explanatory Memorandum.

The Deed of Amendment and Substitution, the revised Explanatory Memorandum and Product Key Facts Statements of the Sub-Funds containing the above-mentioned amendments will be available for inspection, free of charge, at the registered office of the Manager stated below. If you have any questions, 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 full 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

* Please note that some distributors, payment agents, correspondent banks or intermediaries might charge transaction fees or expenses at their own discretion.

ANNEXURE A

SUMMARY OF KEY REVISED INVESTMENT RESTRICTIONS

The key amendments to the investment restrictions are as follows:

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of its latest available net asset value:
 - (i) investments in securities issued by that entity;
 - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments.
- (b) subject to the requirements under the revised Code, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards) through the following may not exceed 20% of its latest available net asset value:
 - (i) investments in securities issued by those entities;
 - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
 - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.
- (c) the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available net asset value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code.
- (d) a Sub-Fund may not invest in physical commodities unless otherwise approved by the SFC.
- (e) subject to the requirements under the revised Code, a Sub-Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (f) the maximum borrowing of each of HSBC Asia Multi-Asset Income Fund, HSBC Asia Pacific ex Japan Equity Volatility Focused Fund, HSBC China Multi-Asset Income Fund and HSBC Euro Multi-Asset Income Fund has been reduced to 10% of its latest available net asset value. For the avoidance of doubt, securities lending transactions and repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (g) a Sub-Fund may acquire financial derivative instruments for hedging purposes.
- (h) a Sub-Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that such Sub-Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available net asset value.

Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement.

- (i) to limit the exposure to each counterparty, a Sub-Fund may receive collateral from such counterparty, provided that the collateral complies with the requirements in the revised Code.

ANNEXURE B

Change of investment policy of the Sub-Funds in relation to use of financial derivative instruments

Sub-Funds	Until 30 January 2020:	From 31 January 2020:
HSBC Asia High Income Bond Fund	<p>The Sub-Fund may use financial derivative instruments e.g. options, futures, swaps (such as credit default swaps) and foreign exchange forwards (including non-deliverable forwards), etc. for hedging purposes only.</p> <p>The Sub-Fund's primary currency exposure is to the US dollar through including but not limited to foreign exchange positions (i.e. use of financial derivative instruments for hedging purposes only, cash and/or deposits). The Sub-Fund may also have exposure to non-US dollar currencies including Asian currencies (up to 30% of its net asset value) through direct holding of fixed income securities, cash and/or deposits.</p>	<p>The Sub-Fund may also invest in financial derivative instruments (including embedded financial derivatives) for investment and hedging purposes, subject to the provisions set out under the section "Fund Restrictions" in the revised Explanatory Memorandum.</p> <p>The Sub-Fund's primary currency exposure is to the US dollar through, including but not limited to, direct holding of fixed income securities, use of financial derivative instruments (e.g. FX forwards), cash and/or deposits. The Sub-Fund may also have exposure to non-US dollar currencies including Asian currencies (up to 30% of its net asset value) through, including but not limited to, direct holding of fixed income securities, use of financial derivative instruments (e.g. FX forwards), cash and/or deposits.</p>
HSBC China Multi-Asset Income Fund	<p>The Sub-Fund may use derivative instruments such as deliverable / non-deliverable forwards for hedging purposes.</p> <p>Save as mentioned above, the Sub-Fund will not invest in other derivative instruments or structured deposits or products for investment purposes.</p>	<p>The Sub-Fund may also invest in financial derivative instruments (including embedded financial derivatives) for investment and hedging purposes, subject to the provisions set out under the section "Fund Restrictions" in the revised Explanatory Memorandum. Save as mentioned above, the Sub-Fund will not invest in other structured deposits or products.</p>
HSBC Euro Multi-Asset Income Fund	<p>The Sub-Fund uses financial derivative instruments e.g. options, futures, swaps, forward currency exchange contracts, etc. for hedging purpose only.</p>	<p>The Sub-Fund may also invest in financial derivative instruments (including embedded financial derivatives) for investment and hedging purposes, subject to the provisions set out under the section "Fund Restrictions" in the revised Explanatory Memorandum.</p>
HSBC All China Bond Fund	<p>The Sub-Fund will invest in structured products and derivative instruments for hedging purposes only.</p>	<p>The Sub-Fund may also invest in financial derivative instruments (including embedded financial derivatives) for investment and hedging purposes, subject to the provisions set out under the section "Fund Restrictions" in the revised Explanatory Memorandum.</p>
HSBC Asia Multi-Asset Income Fund	<p>The Sub-Fund may use financial derivative instruments e.g. options, futures, swaps (such as credit default swaps) and foreign exchange forwards (including non-deliverable forwards), etc. for hedging purposes only.</p>	<p>The Sub-Fund may also invest in financial derivative instruments (including embedded financial derivatives) for investment and hedging purposes, subject to the provisions set out under the section "Fund Restrictions" in the revised Explanatory Memorandum.</p>
HSBC Asia Pacific ex Japan Equity Volatility Focused Fund	<p>The Sub-Fund may use derivative instruments such as deliverable/non-deliverable forwards for hedging purpose.</p> <p>The Sub-Fund may also use on-exchange traded index futures for hedging purposes and non-hedging purposes such as cash flow management and cash equitisation. Cash equitisation refers to the use of idle cash of the portfolio to simulate equity exposure with the prospect of generating additional gains from the long-term growth in equity markets. The Sub-Fund may use on-exchange traded index futures for up to 15% of the net asset value of the Sub-Fund for purposes other than hedging.</p> <p>Financial derivative instruments may also be embedded in other instruments used by the Sub-Fund (for example, CAAPs, participation notes and convertible bonds). The Sub-Fund may use such instruments for up to 15% of the net asset value of the Sub-Fund for purposes other than hedging.</p> <p>Save as mentioned above, the Sub-Fund will not invest in other derivative instruments for investment purposes.</p>	<p>The Sub-Fund may also invest in financial derivative instruments (including embedded financial derivatives) for investment and hedging purposes, subject to the provisions set out under the section "Fund Restrictions" in the revised Explanatory Memorandum.</p>