HSBC

11 December 2019

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

Dear Unitholder,

HSBC Investment Funds Trust (the "Fund")

- **HSBC Asian Bond Fund**
- **HSBC China Momentum Fund**
- **HSBC China Growth Fund**
- **HSBC Asian High Yield Bond 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 Asian Bond Fund and HSBC Asian High Yield Bond 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. Unit consolidation in respect of "Payout" Classes

From the Effective Date, the Manager may, with the consent of the Trustee, decide to effect a consolidation of Units of Payout Classes. This means that a certain number of Units of Payout Classes are combined to equal a single Unit with equivalent value. A consolidation may be effected in the event that the Issue Price/Redemption Price of the relevant Unit is lower than 50% of its initial Issue Price in its Class Currency, where the Manager considers that a consolidation is in the interests of Unitholders of the relevant Sub-Fund.

Certain "Payout" Classes of Units may pay out of capital over a prolonged or indefinite period. Paying-out of capital represents a withdrawal of investors' initial investment. This may result in a substantial erosion in the net asset value per Unit of the "Payout" Class (and hence the Issue Price/Redemption Price) over the long term. As the net asset value per Unit reduces, the proportional significance of rounding errors during its calculation increases. Significant rounding errors result in "Payout" Classes experiencing increased price volatility and inaccuracy which results in unfair treatment between Unitholders. A consolidation of Units seeks to minimize the effect of rounding errors.

Unit consolidation will cause a reduction in the number of Units an investor holds and Unitholders will have less votes when conducting resolutions on a poll.

A consolidation of Units is intended to apply only to "Payout" Class Units to be launched. **Accordingly, existing Units held by Unitholders as of the date of this letter will not be subject to consolidation**.

3. 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.

4. Investment in China A-shares by HSBC China Growth Fund

Currently, HSBC China Growth Fund may invest up to 30% of its net asset value in China A-shares through equity linked instruments ("**ELN**") and up to 30% of its net asset value in China A-shares through the Stock Connects. The Sub-Fund's maximum total investment in China A-shares including all types of investments is 30% of its net asset value.

With effect from Effective Date, the investment policy of HSBC China Growth Fund will be amended so that the Sub-Fund may invest up to 70% of its net asset value in China A-shares through the Stock Connects, while the exposure to China A-shares through ELN will remain at 30% of the net asset value. The Sub-Fund's maximum total investment in China A-shares through all types of investments will be increased to 70% of its net asset value. The rationale of the above changes is to provide the Manager with the flexibility to capture the potential presented by China A-shares.

As a result of the above changes, HSBC China Growth Fund will be subject, to a greater extent, to risks associated with investment in Mainland China market and the Stock Connects and will also be subject to risks associated with ELN.

Investing in the securities markets in Mainland China is subject to the risks of investing in emerging markets generally and the risks specific to the Mainland China market in particular.

The relevant rules and regulations on Stock Connects are subject to change. The Stock Connects are subject to quota limitations. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in China A-shares or access Mainland China market through the programme will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

Investment in ELN can be illiquid and the Sub-Fund relies upon the counterparty to quote a price. The Sub-Fund is exposed to credit risk that the issuer may not settle a transaction due to credit or liquidity problem, thus causing the Sub-Fund to suffer loss. The value of the ELN may be affected by changes in exchange rates between the denominating currency of the underlying shares and the ELN.

For further details of the risks associated with investment in Mainland China market, the Stock Connects and ELN, please refer to the Explanatory Memorandum.

5. 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.

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

Other amendments to the investment policy of HSBC China Growth Fund

From the Effective Date, the investment policy of HSBC China Growth Fund will be amended such that the Sub-Fund will invest at least 70% of its *total net asset value* (instead of *non-cash assets* currently) in A-, B- and H shares, shares of red-chip companies, shares of companies deriving a preponderant part of their income and/or assets from Mainland China and securities linked to such shares.

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, in particular (i) the fees and expenses in connection with the changes set out in sections 2 and 3 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 HKD80,000 and will be borne by each Sub-Fund equally and (ii) the fees and expenses in connection with the changes set out in section 4 above (including 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 HKD 120,000 and will be borne by HSBC China Growth Fund.

If, as a consequence of the changes set out in sections 1, 2, 3 and 5, 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.

For investors in HSBC China Growth Fund, if, as a consequence of the changes set out in section 4, you wish to redeem or switch your holding in HSBC China Growth Fund into any other Sub-Funds of the Fund which are authorized by the SFC for sale to the public in Hong Kong, you may do so free of charge* during the waiver period between date of this notice and the dealing day before the Effective Date. For details of other Sub-Funds of the Fund, please refer to the Explanatory Memorandum. SFC authorisation is not a recommendation or endorsement of a fund nor does it guarantee the commercial merits of a fund or its performance. It does not mean the fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

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 switching and/or 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 China Growth Fund and HSBC China Momentum 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.