



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

Capitalised terms in this notice have the same meaning as in the Explanatory Memorandum of the Fund unless otherwise specified.

15 December 2016

Dear unitholder,

**HSBC Investment Funds Trust (the “Fund”) –
HSBC China Momentum Fund
HSBC China Growth Fund (each a “Sub-Fund”, together the “Sub-Funds”)**

We would like to inform you of certain changes to the Sub-Funds.

I. CHANGES TO THE INVESTMENT POLICY OF THE SUB-FUNDS

Currently, the Sub-Funds may (1) obtain exposure to China A-shares indirectly through equity linked securities and instruments linked to China A-shares issued by institutions that have obtained the QFII status (such securities and instruments are referred to as “ELN”) and (2) invest in and have direct access to certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect.

Due to the launch of the Shenzhen-Hong Kong Stock Connect programme, with effect from and including 5 December 2016, the investment policy of the Sub-Funds has been revised such that the Sub-Funds may also invest in and have direct access to eligible China A-Shares via the Shenzhen-Hong Kong Stock Connect. The exposure via Shenzhen-Hong Kong Stock Connect together with Shanghai-Hong Kong Stock Connect is limited to 10% of the net asset value of each Sub-Fund. For the avoidance of doubt, each Sub-Fund’s maximum exposure to China A-Shares including all types of investments remains unchanged (i.e. up to 50% of the net asset value for HSBC China Momentum Fund and up to 30% of the net asset value for HSBC China Growth Fund).

The Explanatory Memorandum of the Fund will subsequently be updated to reflect these changes.

Shenzhen-Hong Kong Stock Connect eligible investments

Under the Shenzhen-Hong Kong Stock Connect, Hong Kong and overseas investors (including the Sub-Funds) are able to trade certain stocks listed on the Shenzhen Stock Exchange (“SZSE”). These include all the constituent stocks of the SZSE Component Index and SZSE Small / Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion, and all the SZSE-listed China A-Shares which have corresponding H-Shares listed on SEHK, except the following:

- SZSE-listed shares which are not traded in RMB; and
- SZSE-listed shares which are included in the “risk alert board”.

Risks associated with the Shenzhen-Hong Kong Stock Connect

Please note that investments through the Shenzhen-Hong Kong Stock Connect are subject to similar risks as those applicable to the Shanghai-Hong Kong Stock Connect, including risks and uncertainties associated with the application of China’s tax rules and regulations. When investing in eligible China A-Shares through the Shenzhen-Hong Kong Stock Connect, the Sub-Funds are also subject to the risk associated with small-capitalisation / mid-capitalisation companies and risks associated with the Small and Medium Enterprise Board and / or the ChiNext Board of the SZSE.

Further, the Sub-Funds’ investments through northbound trading under Shenzhen-Hong Kong Stock Connect are not covered by Hong Kong’s Investor Compensation Fund.

Taxes associated with the Shenzhen-Hong Kong Stock Connect

Pursuant to the “Circular on the Taxation Policy of the Pilot Programme for the Mutual Stock Market Access between Shenzhen and Hong Kong Stock Markets” promulgated by the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on 1 December 2016: (1) corporate income tax shall be exempt on a temporary basis on the gains earned by Hong Kong market investors (including corporate and individual investors) from the transfer of China A-shares listed on the SZSE and (2) during the business tax to value-added tax transformation pilot programme, value-added tax shall be exempt on the income earned by Hong Kong market investors (including entity and individual investors) from the trading of China A-shares listed on the SZSE. Based on the foregoing circular, the Manager has decided that the Sub-Funds will not withhold any amount of realized or unrealized gains on their investments in China A-shares through Shenzhen-Hong Kong Stock Connect as tax provisions.

II. REVERSAL OF PRC TAX OVERPROVISION AND TAX REFUND

The Sub-Funds invest in ELN linked to China A-shares issued by institutions that have obtained the QFII status. The Sub-Funds have retained (or have requested the ELN issuers to retain) a tax provision with respect to realized gains on their investments in ELN up to and including 14 November 2014.

Since then the Manager has monitored, evaluated and reviewed, upon the receipt of professional tax advice, the tax policies, positions and provisions of the Sub-Funds with respect to the Sub-Funds’ tax liability with respect to their investment in ELN.

1. HSBC China Momentum Fund

(i) Refund of provisions by ELN issuers

The Sub-Fund has settled its PRC enterprise income tax liability with respect to its investment in ELN and has received refunds of tax provisions previously withheld by the ELN issuers with respect to certain ELN in which the Sub-Fund invested (“**Tax Refund**”) on 19 May 2016 and 23 September 2016 respectively. The impact on the net asset value of the Sub-Fund is as follows:

Date of refund	Actual increase on the net asset value as of the date of refund	Amount expressed as a percentage of the net asset value as of the date of refund	Amount per unit of the net asset value as of the date of refund
19 May 2016	USD6,046.83	0.01%	USD0.0040
23 September 2016	USD643,125.85	0.95%	USD0.4657

(ii) Release of provisions at the Sub-Fund’s level

In addition, upon the receipt of professional tax advice and consultation with the trustee of the Fund, this Sub-Fund had an over-provision of tax totaling USD 6,092,629.36 (“**Tax Overprovision**”) with respect to certain ELN in which the Sub-Fund invested and such Tax Overprovision was released and recognised as a gain in the books of the Sub-Fund on 28 November 2016, 29 November 2016, 30 November 2016 and 1 December 2016 respectively resulting in the following impact on the net asset value of the Sub-Fund:

Date of release	Actual increase on the net asset value as of the date of release	Amount expressed as a percentage of the net asset value as of the date of release	Amount per unit of the net asset value as of the date of release
28 November 2016	USD1,523,157.34	2.41%	USD1.1433
29 November 2016	USD1,523,157.34	2.36%	USD1.1433
30 November 2016	USD1,523,157.34	2.31%	USD1.1433
1 December 2016	USD1,523,157.34	2.26%	USD1.1433

The aggregate effect of the Tax Overprovision of this Sub-Fund is, as of 1 December 2016, USD4.5733 per unit or 9.03% of the net asset value.

The Manager is awaiting calculations from issuers of some ELN held by this Sub-Fund in relation to the payable enterprise income tax amount and reserves the right to make adjustments to the net asset value of the Sub-Fund as appropriate, taking into account advice from professional tax advisers. There may be a positive or negative impact on the net asset value of the Sub-Fund. The Manager will inform investors as soon as practicable once net asset value adjustment(s) has/have been made.

2. HSBC China Growth Fund

(i) Release of provisions at the Sub-Fund's level

Upon the receipt of professional tax advice and consultation with the trustee of the Fund, this Sub-Fund had an over-provision of tax of USD41,788.86 (also “**Tax Overprovision**”) with respect to certain ELN in which the Sub-Fund invested and such Tax Overprovision was released and recognised as a gain in the books of the Sub-Fund on 28 November 2016 resulting in an actual increase of USD32,012.66 for Class AC-USD (USD0.0011 per unit or 0.01% of the net asset value of such class of units) and USD9,776.20 (equivalent to HKD75,827.14) for Class AC-HKD (USD0.0001 (equivalent to HKD0.0011) per unit or 0.01% of the net asset value of such class of units) as of 28 November 2016.

The Manager will review and make adjustments to its tax provision policy as and when it considers necessary from time to time upon the receipt of professional tax advice and as soon as practicable upon issuance of further notices or clarification issued by the PRC tax authority in respect of the application of the applicable tax regulations/laws and the respective implementation rules. There is a possibility that the current tax laws, rules, regulations and practice in mainland China and/or the current interpretation or understanding thereof may change in the future and such change(s) may have retrospective effect. The Sub-Funds could become subject to additional taxation that is not anticipated as at the date hereof or when the relevant investments are made, valued or disposed of. Any of those changes may reduce the income from, and/or the value of, the relevant investments in the Sub-Funds.

Please note that any tax provision (if made) may be more than or less than the Sub-Funds' actual tax liabilities and will be reflected in the net asset value of the Sub-Funds at the time of debit or release of such provision and thus will only impact on units which remain in the Sub-Funds at the time of debit or release of such provision. Units which are redeemed prior to the time of debit of such provision will not be affected by reason of any insufficiency of the tax provision. Likewise, such units will not benefit from any release of excess tax provisions.

Investors may be advantaged or disadvantaged depending upon how gains on securities linked to China A-shares (such as ELN) will ultimately be taxed and when the investors subscribed for and/or redeemed the units of the Sub-Funds. Investors should note that no unitholders who have redeemed their units in the Sub-Funds before the release of any excess tax provision shall be entitled to claim in whatsoever form any part of the tax provision or withholding amounts released to the Sub-Funds, which amount will be reflected in the net asset value of units of the Sub-Funds.

Documents and Enquiries

Copies of the offering documents containing information of the above Fund and Sub-Funds will be updated to reflect the abovementioned changes.

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 Manager accepts full responsibility for the accuracy of the information contained in this letter as at the date of its issuance.

The Manager
HSBC Investment Funds (Hong Kong) Limited