

**THE MARKS AND SPENCER UK SELECTION  
PORTFOLIO**

**PROSPECTUS**

**5 DECEMBER 2023**

**This document is the Prospectus of the Marks and Spencer UK Selection Portfolio, valid as at 5 December 2023. It contains the information the Financial Conduct Authority requires us to publish about the Marks and Spencer UK Selection Portfolio.**

**It is intended to provide comprehensive details to help investors make a balanced and informed decision about the merits of participating in the Fund.**

**The Financial Conduct Authority has made detailed rules that state exactly what we can, and cannot, include in this document. This means it contains a lot of technical information, much of which needs to be written in legal terms.**

**This document is important and you should read all the information contained in it carefully. You should note that there are risks associated with investments in this Fund. These are summarised in the section titled ‘Risks’ on page 30.**

**If you are in any doubt about its contents please telephone us on 0808 005 5555\* or contact your independent financial adviser.**

**\*Lines are open from 8am to 6pm Monday to Friday (closed weekends and public holidays). Opening hours may be restricted over the Christmas period. Please contact us for details. If you are calling from abroad, please call +44 1244 688632. Calls are recorded.**

**CONTENTS**.....

- 1. DEFINITIONS .....4
- 2. DESCRIPTION OF THE FUND .....8
- 3. INVESTMENT OBJECTIVE, POLICY AND STRATEGY .....8
- 4. BEST EXECUTION .....14
- 5. FUND PROPERTY – EXERCISING VOTING RIGHTS .....14
- 6. TYPICAL INVESTOR PROFILE .....14
- 7. HISTORICAL PERFORMANCE .....14
- 8. FUND DOCUMENTATION .....15
- 9. DISTRIBUTIONS .....15
- 10. TYPE OF UNITS .....15
- 11. UNITHOLDER VOTING RIGHTS .....16
- 12. MANAGER .....16
- 13. DELEGATED FUNCTIONS .....17
- 14. TRUSTEE .....17
- 15. INVESTMENT MANAGER .....19
- 16. AUDITOR .....20
- 17. REGISTRAR .....20
- 18. CONFLICTS OF INTEREST .....20
- 19. ONGOING CHARGES FIGURE .....21
- 20. FEES OF THE MANAGER .....22
- 21. FUND EXPENSES .....22
- 22. VALUATION OF FUND PROPERTY .....23
- 23. CLIENT MONEY .....23
- 24. PURCHASE AND REDEMPTION OF UNITS .....24
- 25. COMPULSORY TRANSFER AND REDEMPTION .....27
- 26. FORWARD PRICING .....27
- 27. GENERAL INFORMATION .....27
- 28. TAXATION .....28
- 29. COMPLAINTS AND COMPENSATION .....30
- 30. CHANGES .....30
- 31. RISKS .....30
- 32. INTEGRATION OF SUSTAINABILITY RISKS INTO INVESTMENT DECISIONS .....33
- 33. OTHER MATTERS .....33
- 34. APPENDIX 1: .....35

## 1. DEFINITIONS

“**Accumulation Unit**” means a type of Unit where the income earned by the Fund is retained in the Fund.

“**the Act**” means the Financial Services and Markets Act 2000

“**Annual Management Charge**” means the ongoing fee paid to the Authorised Fund Manager for managing the Fund, usually charged as a percentage of the value of the Fund.

“**Approved Bank**” has the meaning set out in the FCA Rules.

“**Approved Counterparty**” means an FCA approved company who the Investment Manager will deal with when investing in derivatives.

“**Associate**” means a subsidiary of the HSBC Group.

“**Auditors**” means KPMG Audit LLP.

“**Authorised Fund Manager**” means Marks and Spencer Unit Trust Management Limited.

“**Bank**” means any UK authorised bank where we have a Client Money bank account to hold uninvested cash.

“**Bond**” or “**Bonds**” means a loan, usually to a company or government that pays interest.

“**Business Day**” means any day other than a Saturday, a Sunday or a bank holiday in England and any other day at the Manager’s discretion.

“**Canadian Resident**” means:

1. An individual, if
  - (a) the individual’s primary principal residence is located in Canada; or
  - (b) the individual is physically located in Canada at the time of the offer, sale or other relevant activity.
2. A corporation, if
  - (a) the corporation’s head office or principal office is located in Canada; or
  - (b) securities of the corporation that entitle the holder to elect a majority of the directors are held by Canadian Resident individuals (as described above) or by legal persons resident or otherwise located in Canada; or
  - (c) the individuals that make investment decisions or provide instructions on behalf of the corporation are Canadian Resident individuals (as described above).
3. A trust, if
  - (a) the principal office of the trust (if any) is located in Canada; or
  - (b) the trustee, or in the case of multiple trustees, the majority of trustees, are Canadian Resident individuals (as described above) or are legal persons resident or otherwise located in Canada; or
  - (c) the individuals that make investment decisions or provide instructions on behalf of the trust are Canadian Resident individuals (as described above).
4. A partnership, if
  - (a) the partnership’s head office or principal office (if any) is located in Canada; or
  - (b) the holders of the majority of the interests of or in the partnership are held by Canadian Residents (as described above); or
  - (c) the general partner (if any) is a Canadian Resident (as described above); or
  - (d) the individuals that make investment decisions or provide instructions on behalf of the partnership are Canadian Resident individuals (as described above).

“**Client Money**” means money received and held by the Manager on behalf of Unitholders of the Fund.

“**Client Money Rules**” means the Client Asset Sourcebook (CASS) contained in the Financial Conduct Authority Rules.

“**Collective Investment Scheme**” means a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property.

“**Covered Bonds**” means bonds that are issued by a bank or mortgage company that are covered by a pool of assets in case the issuer becomes insolvent.

“**Currency forward contracts**” means a contract in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date.

“**Custodian**” means HSBC Bank plc.

“**Derivatives**” or “**Derivative**” means investments whose value is linked to another investment, or to the performance of a stock exchange or to some other variable factor, such as interest rates.

“**EEA**” means European Economic Area.

“**EEA UCITS**” means a collective investment scheme established in accordance with the UCITS Directive in the EEA.

“**Efficient Portfolio Management (EPM)**” means managing the Fund in a way that is designed to reduce risk or cost and/or generate income or growth.

“**Eligible Derivatives Markets**” means derivative markets which the Manager, after consultation with and notification to the Trustee, has decided are appropriate for the purpose of investment of or dealing in the scheme property in accordance with the FCA Rules.

“**Eligible Institution**” means one of certain institutions being a CRD credit institution authorised by its Home State regulator or a MiFID investment firm authorised by the FCA or an EEA MiFID investment firm authorised by its Home State Regulator.

“**Equity**” or “**Equities**” means shares issued by a company.

“**ESG**” means environmental, social and governance factors which can be considered as non-financial performance indicators which include ethical, sustainable and corporate governance issues.

“**EU**” means European Union

“**Exchange Traded**” means a type of investment that is traded on a stock exchange.

“**FCA**” means the Financial Conduct Authority, or its successor organisation.

“**FCA Rules**” means the rules of the FCA that apply to your unit holding.

“**Financial Crime**” means money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions and/or any attempts to circumvent or violate any laws relating to these matters.

“**Fund**” means the Marks and Spencer UK Selection Portfolio.

“**Growth**” means the increase in the value of investments.

“**Hedge**” or “**Hedging**” means using derivative type investments as a way to reduce risk.

“**HMRC**” means HM Revenue & Customs.

“**HSBC Group**” means HSBC Holdings plc and its subsidiaries, as defined in Section 1159 of the Companies Act 2006.

“**Income**” means money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its unitholders or retained in the fund and reinvested.

“**Income Unit**” means a type of Unit where the income earned by the Fund is paid out to you.

“**Initial Charge**” means an up-front fee paid to the Authorised Fund Manager when you buy units.

“**Investment Manager**” means HSBC Global Asset Management (UK) Limited.

“**ISAs**” means Individual Savings Accounts.

“**Long Term**” means more than five years.

“**Manager**” means the Authorised Fund Manager, Marks and Spencer Unit Trust Management Limited.

“**Money Market Instruments**” means investments usually issued by banks or governments that are a loan to the issuer by the buyer, held over a short period of time. The buyer receives interest and the return of the original amount at the end of a certain period.

“**Ongoing Charges Figure**” means a measure of what it costs to invest in a fund. It includes the fee paid to the Authorised Fund Manager and other operating costs.

“**Over-the-counter**” means a contract that is traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary.

“**Preference Shares**” means shares of a company which entitle the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends. Preference shares may be convertible to the ordinary shares of a company.

“**Register of Holders**” means the register of Unitholders maintained by the Registrar.

“**Registrar**” means Marks and Spencer Unit Trust Management Limited.

“**Regulated Market**” means a UK recognised investment exchange or an EU regulated market as defined in the FCA Rules.

“**Regulations**” means: the Financial Services and Markets Act 2000, and in relation to ISAs:  
Income and Corporate Taxes Act 1988  
Finance Act 1992  
Taxes of Chargeable Gains Act 1992  
The Individual Savings Account Regulations 1998  
The HMRC Guidance Notes for ISA Managers.

“**Return**” means the money made or lost on an investment.

“**Rules**” means the FCA Collective Investment Schemes Sourcebook (‘COLL’).

“**Share**” or “**Shares**” means a portion in a company representing part ownership of a company.

“**Stewardship**” means that the Investment Manager, in its role as fund manager, will evaluate and actively engage with the companies in which its funds invest. It does this as it aims to invest responsibly and also with the aim of adding broader value to its funds’ investors. The Investment Manager’s policy on stewardship is available at [www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com)

“**Supplementary Instruments**” means Supplementary deeds to the Trust Deed.

“**Trust Deed**” means the Trust Deed constituting the Fund dated 28 September 1989, as amended, supplemented or restated from time to time.

“**Trustee**” means State Street Trustees Limited.

“**UCITS**” means Undertaking for Collective Investment in Transferable Securities. This will include a UCITS scheme or an EEA UCITS scheme as defined in the FCA Rules.

“**UCITS Directive**” means the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

“**UCITS scheme**” means a UK UCITS.

“**UK UCITS**” means, in accordance with sections 236A and 237 of the Act, a collective investment scheme which may consist of several sub-funds, which is either an authorised unit trust scheme, an authorised contractual scheme, or an authorised open-ended investment company, and has identified itself as a UCITS in its prospectus and has been authorised accordingly by the FCA.

“**UK UCITS Rules**” means the Collective Investment Schemes Sourcebook (COLL) and the Collective Investment Schemes (Amendment etc) (EU Exit) Regulations 2019 No.325 as amended or replaced from time to time.

“**UNGC**” means the United Nations Global Compact, which is a corporate sustainability initiative to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption and take strategic actions to advance broader societal goals

“**Unit**” or “**Units**” means a Unit in the Fund. An equal portion representing part ownership of a unit trust fund (note: ‘Share’ has a similar meaning but for funds structured as corporate entities such as an open-ended investment company).

“**Unitholder**” means the registered holder for the time being of Units including persons jointly so registered.

“**UK**” means United Kingdom.

“US” means the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction.

“US Law” means the laws of the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction. US Law shall additionally include all applicable FCA Rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission.

“US Person” means the following:

1. An individual who:
  - (a) is a US Citizen (including all persons born in the US) who has not formally renounced his/her citizenship (including a person with dual or multiple nationality or citizenship) even though he/she may reside outside of the US;
  - (b) is a resident of the US (indicia that a person may be a US resident includes a US address (including primary mailing, residential and business address));
  - (c) is a resident of, or an individual who was born in, American Samoa;
  - (d) is a US Permanent Resident (also known as a Green Card Holder) (even if not actually living in the US); or,
  - (e) is otherwise considered a resident of the US for US tax purposes (also known as a US Resident Alien).
2. An entity that is:
  - (a) a corporation, partnership or limited liability company, business, association, joint-stock company, fund or any similar form of enterprise that was created or organized under the laws of the US;
  - (b) a corporation, partnership or limited liability company, business, association, joint-stock company, fund or any similar form of enterprise regardless of place of creation or organization,
    - (i) that was formed and/or owned by one or more USPs,
    - (ii) in which one or more USPs, directly or indirectly, holds 10% or greater ownership,
    - (iii) where a USP is the general partner, managing member, managing director or otherwise holds a position with authority for directing the entity’s activities,
    - (iv) is engaged in a trade or business in the US for federal income tax purposes provided, however, a corporation is not engaged in trade or business in the US for federal income tax purposes if its activities are limited to investing in securities and other financial assets and it is not involved in the sale of goods or provision of services in the US, or
    - (v) is an agency or branch of a non-US entity located in the US.
  - (c) any pension plan for the employees, officers or principals of any corporation, partnership or limited liability company, business, association, joint-stock company, fund or any similar form of enterprise described in the prior two items, unless the plan is primarily for foreign employees of the entity.
  - (d) a trust created or organized under the laws of the US;
  - (e) a trust, regardless of the place of creation or organization,
    - (i) where one or more USPs has the authority to control all substantial decisions of the trust, or
    - (ii) where the administration of the trust or its formation documents are subject to the supervision of one or more US courts, or
    - (iii) where any settlor, founder, trustee, or other person responsible for decisions related to the trust is a USP, or
    - (iv) if the trust is engaged in a trade or business in the US for federal income tax purposes provided, however, a trust is not engaged in trade or business in the US for federal income tax purposes if its activities are limited to investing in securities and other financial assets and it is not involved in the sale of goods or provision of services in the US, or
    - (v) where the trust is taxable in the US on its worldwide income.
  - (f) an estate of a deceased person (regardless of where the person resided while alive) that is,
    - (i) taxable in the US on its worldwide income,
    - (ii) if the decedent was a resident of the US at the time of death, or
    - (iii) executed or administered by a USP, unless, in the case of (ii), the estate is governed by non-US law and there is another executor or administrator who is not a USP and who has sole or shared investment discretion over the assets of the estate.
  - (g) a commodity pool, pooled account, investment fund or other collective investment vehicle that is not otherwise described above and that is majority-owned by one or more USPs, unless such vehicle is publicly offered only to non-USPs and is not offered to USPs,
3. A government (including any political subdivision, agency or instrumentality thereof) of the US, a state, territory, or possession of the US, or the District of Columbia.
4. A discretionary or non-discretionary investment account (individual or joint) or similar account (other than an estate or trust) held by a non-US dealer or other fiduciary for the benefit or account of a USP (as defined above).
  - (a) The Manager may, from time to time, waive or modify the above restrictions.

“Valuation Point” means 8am on every Business Day.

“Volatility” means a measure of the size and frequency of changes in the value of an investment over a short space of time.

Words and phrases in this document and defined in the FCA Rules (but not here) shall bear the same meaning as in the FCA Rules unless the context shall otherwise require.

## 2. DESCRIPTION OF THE FUND

The Fund is called The Marks and Spencer UK Selection Portfolio. (“the Fund”).

The Fund is an authorised unit trust scheme. Unitholders are not liable for the debts of the Fund.

The Fund is a UK UCITS scheme.

The Fund is authorised by the Financial Conduct Authority (“the FCA”). It was authorised on 5 October 1989 with Product Reference Number 144043.

The base currency of the Fund is pounds sterling.

The Trustee will wind-up the Fund under the following circumstances:

- (i) if the order declaring the Fund to be an authorised unit trust scheme is revoked, or
- (ii) if the Manager or the Trustee requests the FCA to revoke the order declaring the Fund to be an authorised unit trust scheme and the FCA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of the Fund, the FCA will accede to that request, or
- (iii) on the effective date of a duly approved scheme of arrangement which is to result in the Fund being left with no property.

If any of these events occur, the FCA Rules concerning pricing and dealing will cease to apply, the Trustee shall cease the creation and cancellation of Units and the Manager will stop buying and selling Units.

In the case of a scheme of arrangement referred to in paragraph (iii) above, the Trustee will wind-up the Fund in accordance with the scheme of arrangement. In any other case, the Trustee shall, as soon as practicable after the Fund falls to be wound-up realise the assets of the Fund and, after paying or obtaining adequate provision for all liabilities properly payable and retaining provision for the costs of the winding-up distribute the proceeds to the Unitholders and the Manager proportionately to the size of their Unitholdings as at the date of the relevant event leading to the winding up.

Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after twelve months from the date the proceeds became payable shall be paid by the Trustee into court, although the Trustee will have the right to retain any expenses incurred in making and relating to that payment.

The Trustee and one or more Unitholders may agree the requirement to realise the Fund property does not apply to that part of the property proportionate to that of those Unitholders. In that case the Trustee may distribute that part in the form of property, after making adjustments or retaining provisions as appears to the Trustee appropriate for ensuring that those Unitholders bear a proportionate share of the liability and costs.

On completion of the winding-up, the Trustee or the Manager shall request the FCA to revoke the order of authorisation.

## 3. INVESTMENT OBJECTIVE, POLICY AND STRATEGY

There are risks associated with investments in this Fund. These are summarised in the section titled ‘Risks’ on page 30. The Manager uses certain terms and phrases when describing the investment objective and policy these are explained in the Definitions on pages 4 to 7.

### Objective:

The Fund aims to provide capital *growth* and *income* in the *long term*, (five years or more).

### Policy:

The Fund will invest a minimum of 80% of its value in the *shares (equities)* of *UK* companies, including *preference shares*. *UK* companies are deemed to be those that are domiciled or incorporated in the *UK*, or earn at least 80% of their revenue from the *UK*.

The Fund may also invest up to 20% of its value in the *shares* of companies listed on a *UK* stock exchange that are not *UK* companies (as defined above). The Fund may invest no more than 10% of its value in the *shares* of companies that are neither *UK* companies nor listed on a *UK* stock exchange.



The Fund is structured to deliver the Objective through its exposure to both large and smaller companies and will hold approximately 35-45 *shares*.

The Fund may invest up to 10% of its value in *collective investment schemes*, which the Fund may use to indirectly invest in the *shares* of *UK* and other companies. The Fund may also invest in *collective investment schemes, money market instruments*, deposits and cash to manage day-to-day cash flow requirements. This may include Funds managed or operated by the *Investment Manager*.

The Fund may invest in *derivatives* for *efficient portfolio management* which means investment techniques that aim to reduce risks, reduce costs, or generate additional capital or *income* with a level of risk that is consistent with the risk profile of the Fund.

The Manager's investment policy may mean that at times it is appropriate not to fully invest but to also hold cash or near cash. This will only occur when the Manager reasonably regards it as necessary to enable *Units* to be redeemed or for the efficient management of the Fund in accordance with its objective or purpose that may reasonably be regarded as ancillary to the objective of the Fund.

The Manager has determined that the Fund will not invest directly in securities issued by companies that are considered, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of controversial weapons, including but not limited to cluster munitions and/or anti-personnel mines. Please refer to the investment restrictions section of this Prospectus on page 11.

#### **Investment Strategy:**

The Manager has appointed HSBC Global Asset Management (UK) Limited (the "*Investment Manager*") to provide investment management services to the Manager in respect of the Fund. The *Investment Manager*'s investment process aims to identify companies that can be purchased at an attractive valuation, with improving prospects at an appropriate level of risk. The Fund will typically invest in the *shares* of 35 to 45 companies but the *Investment Manager* may vary this depending on market conditions and the investment opportunities that are available. The investment process is longer term in nature and as a result *stewardship* activity is integrated into investment decisions. Further details of the underlying *shares* in which the Fund is invested can be obtained from the Manager, and will be disclosed in the annual and half yearly accounts.

#### **Use of benchmarks**

The Fund is managed with reference to the FTSE All-Share Index\*. The level of risk the Fund may take is considered relative to the FTSE All-Share Index\* as part of the portfolio construction process. This means the Fund *returns* are more likely to be closer to the returns of the FTSE All-Share Index\* than if there were no limits on the level of risk the Fund may take. Separately, the Index is also considered as part of our investment risk monitoring process, to check that the overall level of risk taken by the *Investment Manager* is not inconsistent with the UK *equities* market.

The performance of the Fund is therefore shown against the performance of the FTSE All-Share Index\*. The performance of the Fund may also be shown against the performance of the Investment Association UK All Companies sector for comparison purposes only.

The FTSE All-Share Index\* has been selected as a benchmark for performance and risk measurement because it is representative of the companies in which the Fund may invest. The Investment Association UK All Companies sector has been selected as a benchmark for performance comparison because it consists of funds similar to the Fund. Many funds sold in the *UK* are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics.

#### **Use of derivatives**

The Fund may invest in *exchange traded* and *over-the-counter derivatives* in accordance with the investment restrictions on page 11. The Fund does not currently use *currency forward contracts* or other *derivative* instruments to *hedge* against movements in the rate of exchange between Sterling and other currencies in which the Fund's assets may be denominated.

#### **Additional information:**

##### **\* The European Benchmarks Regulation**

The Benchmark Regulation ('BMR') was published in the Official Journal of the EU on 29 June 2016 and entered into force on 30 June 2016. It is directly applicable law across the EU. The majority of its provisions applied from 1 January 2018.

The BMR applies principally to administrators and also, in some respects, to contributors and certain users of benchmarks which in certain circumstances can include investment funds such as the Fund.

For a Benchmark to be used by an EU/EEA supervised entity including the Fund, the BMR will among other things:

- (i) require UK-based benchmark administrators to be authorised or registered by the FCA or, if located outside the UK in a Member State by the Member-State relevant competent authority.

(ii) require benchmark administrators not located in a Member-State, to be approved via recognition or endorsement by the FCA or another Member-State competent authority, unless an equivalence decision has been made by the European Commission on the jurisdictions where the benchmark administrators are located. Indeed, the European Commission can declare the regulatory and supervisory frameworks in certain jurisdictions equivalent under Article 30 of the BMR. Third country benchmark administrators and benchmarks falling in scope of those equivalence decisions are not required to seek further approval to a Member-State competent authority. Administrators must submit their application by 31 December 2021.

The BMR will make significant changes to the way in which benchmarks falling within its scope are governed (including reforms of governance and control arrangements, obligations in relation to input data, certain transparency and record-keeping requirements and detailed codes of conduct for contributors); and (ii) prevent certain uses of benchmarks provided by unauthorised administrators by supervised entities in the UK.

Potential effects of BMR include (among other things): an index which is a benchmark could not be used by a UK Fund in certain ways if such index's administrator does not obtain relevant authorisation or, the administrator is not otherwise recognised as equivalent; and the methodology or other terms of the benchmark could be changed in order to comply with the terms of the BMR, and such changes could (among other things) have the effect of reducing or increasing the rate or level, or affecting the volatility, of the published rate or level of the benchmark.

If any proposed changes change the way in which the benchmarks are calculated or a benchmark is discontinued or is not otherwise permitted to be used by the Fund, this could adversely affect a fund and its Net Asset Value.

The European Securities and Markets Authority (ESMA) maintains two official registers of approved benchmark administrators and approved third country benchmarks under BMR, however benchmark administrators may be taking advantage of transitional arrangements. The FCA also lists on its register the benchmark administrators it has authorised or registered.

- Status of the Benchmarks used by the Fund:

At the date of this prospectus no third country benchmark administrators and benchmarks that may be used by the Fund can benefit from an equivalence decision made by the European Commission. In addition, the following Benchmark Administrators are located in the UK and authorised or registered by the FCA. They appear on the ESMA and FCA registers: FTSE International Limited.

A plan has been adopted by the Manager to address the contingency of a benchmark changing materially or ceasing to be provided in accordance with the BMR.

- Impact of Brexit on the rolling out of BMR in the UK

The FCA has confirmed equivalence which means any EEA benchmark administrators will be able to access UK markets and UK supervised entities can continue to use their benchmarks on that basis. The UK Government is proposing to extend the current transitional period for all third country benchmarks set out in UK BMR from the end of 2022 to the end of 2025 in the Financial Services Bill. Under the existing transitional arrangements, UK supervised entities are permitted to use all third country benchmarks until the end 2022 without further action from the EEA benchmark administrator. If the Bill is enacted, this period will extend to the end of 2025.

### Eligible securities and derivatives markets

Eligible securities and derivatives markets are eligible for the purposes of the FCA Rules if they are a regulated market (as defined in the FCA Rules) or a market in the United Kingdom or in an EEA State which is regulated, operates regularly and is open to the public or, following consultation with and notification to the Trustee, the Manager decides that market is appropriate for investment of or dealing in scheme property, it is included in a list in this Prospectus and the Trustee has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market and all reasonable steps have been taken by the Manager in deciding whether that market is eligible. The eligible securities and derivatives markets on which the Investment Manager may trade in eligible securities on behalf of the Fund must be listed on one or more eligible securities markets (although trades for the Fund may be executed off such markets if deemed appropriate to obtain best execution). The eligible securities and derivatives markets are:

<b>United Kingdom of Great Britain and Northern Ireland</b>	London Stock Exchange (LSE) Alternative Investment Market (AIM) ICE Futures Europe NEX Exchange Over the counter market (OTC)
<b>Austria</b>	Wiener Börse AG (Vienna Stock Exchange)
<b>Belgium</b>	Euronext Brussels
<b>Denmark</b>	NASDAQ OMX Copenhagen
<b>Finland</b>	NASDAQ OMX Helsinki
<b>France</b>	Euronext Paris
<b>Germany</b>	Deutsche Börse AG Group - The Frankfurt Stock Exchange EUREX
<b>Ireland</b>	The Irish Stock Exchange
<b>Italy</b>	Borsa Italiana (Italian Stock Exchange)

<b>Luxembourg</b>	The Luxembourg Stock Exchange (BdL)
<b>Netherlands</b>	Euronext Amsterdam
<b>Norway</b>	Oslo Bors (OSE)
<b>Portugal</b>	Euronext Lisbon
<b>Spain</b>	Bolsas y Mercados Espanoles (BME) (official secondary markets); Madrid (main), Bilbao, Barcelona and Valencia
<b>Sweden</b>	NASDAQ OMX Stockholm
<b>Switzerland</b>	SIX Swiss Exchange
<b>US</b>	NYSE Euronext Group NASDAQ OMX Group National Stock Exchange (NSX) The Chicago Stocks Exchange (CHX) CME Group Over the counter market (OTC)

### **Borrowing powers**

The Trustee may, on the instruction of the Manager and subject to the Rules, borrow money for the use of the Fund on terms that the borrowing is to be repayable out of the property of the Fund from an 'eligible institution' or an approved bank (as defined in the FCA Rules).

Borrowing must be on a temporary basis, must not be persistent and in any event the borrowing period must not exceed three months without the prior consent of the Trustee, which may be given only on such conditions as appear appropriate to the Trustee to ensure that the borrowing does not cease to be on a temporary basis. The Manager must ensure that borrowing does not, on any Business Day, exceed 10% in value of the property of the Fund. These borrowing restrictions do not apply to back to back borrowing for currency hedging purposes (ie borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

### **Restrictions**

The Fund will be invested at all times to ensure that it is a qualifying investment for ISAs.

The Manager may exercise in respect of the Fund the full authority and powers permitted by the Rules subject to the investment objective, investment policy and restrictions set out in this Prospectus.

The following investment limits shall apply to the Fund:

- (a) No more than 5% in value of the property of the Fund may be invested in transferable securities or approved money market instruments, other than government and public securities, issued by any one body. As an exception to this, up to 10% in value of the property of the Fund may be invested in such securities, if the value of all such holdings does not exceed 40% of the value of the property of the Fund. The Fund is not permitted to invest in covered bonds.
- (b) No more than 20% in value of the scheme property is to consist of deposits with a single body.
- (c) Up to 35% of the property of the Fund may be invested in government and public securities issued by any one issuer, provided that the issuers are among the following: (i) a central authority or the United Kingdom or an EEA State, (ii) a local authority of the United Kingdom or an EEA State, (iii) a non-EEA State, or (iv) a public international body to which the United Kingdom one or more EEA States belong. Subject to this restriction, there is no limit on the amount of the property of the Fund which may be invested in government and public securities or in any one issue.
- (d) Up to 15 % of the value of the property of Fund can consist of approved money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time. A UK UCITS scheme may invest in an approved money-market instrument if it is:
  1. (i) admitted to or dealt in on an eligible market which is a regulated market;
  - (ii) dealt in a market in the United Kingdom or a state of the EEA which is regulated and operates regularly and is open to the public; or
  - (iii) admitted to or dealt in any market which the Manager after consultation and notification to the Trustee decides is appropriate; or
  2. an approved money-market instrument issued or guaranteed by:
    - (i) a central, regional or local authority or central bank of the United Kingdom or an EEA state, the Bank of England, the European Central Bank, the European Union or the European Investment Bank, a non-EEA state or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which the United Kingdom or one or more EEA states belong; or

- (ii) an establishment subject to prudential supervision in accordance with criteria defined by UK or EU law or an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or EU law; or
- 3. issued by a body, any securities of which are dealt in on an eligible market.

Up to 10% of the value of the Fund may consist of money market instruments not referred to above, providing the total value of the property of the Fund held in money market instruments does not exceed 15%.

- (e) The Fund must not acquire:
  - (i) transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10% of those securities issued by that body corporate, or
  - (ii) more than 10% of the debt securities issued by any single body, or
  - (iii) more than 25% of the units in a collective investment scheme, or
  - (iv) more than 10% of the approved money market instruments issued by any single body.
- (f) Up to 5% in value of the property of the Fund may consist of warrants, provided that warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene the Rules or the limits of the Fund.
- (g) Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing or potential call for any sum unpaid could be paid by the Fund at any time when the payment is required without contravening the Rules.
- (h) Up to 10% in value of the property of the Fund may be invested in units in other collective investment schemes subject to certain conditions being met (for instance other UCITS schemes or collective investment schemes whose investment powers are to invest predominantly in transferable securities, which limit their own investments in collective investment schemes to 10%, which limit their use of derivatives to efficient portfolio management and their use of warrants to 5% of the value of their property. No investments may be made in other collective investment schemes managed by the Manager or an associate of the Manager.
- (i) The Manager must not acquire, or cause to be acquired for the Fund, transferable securities issued by any single body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of the body corporate if immediately before acquisition the aggregate of any such securities held for the Fund, taken together with any such securities already held for other authorised unit trusts of which it is also the Manager, gives the Manager power significantly to influence the conduct of business of that body corporate or the acquisition gives the manager that power. The Manager is taken to have such power if it can, because of the transferable securities held for all the authorised Unit trusts of which it is Manager, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).
- (j) In addition to the application of the individual limits as set out in this Prospectus, not more than 20% of the value of the property of the Fund is to consist of any combination of two or more of the following:
  - (i) transferable securities or approved money market instruments issued by; or
  - (ii) deposits made with; or
  - (iii) exposures from (“OTC”) over-the-counter derivatives transactions made with a single body.
- (k) No more than 20% of the value of the property of the Fund is to consist of transferable securities and approved money market instruments issued by the same group.
- (l) The Fund shall not invest in securities issued by companies that are considered by the Manager, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel mines and/or depleted uranium shieldings and ammunition.

A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund if the consent of the Trustee is obtained in writing but, in the event of consequent breach, the Manager must then take such steps as are necessary to restore compliance with the investment limits.

#### **Derivatives transactions**

**The Fund may use financial derivative instruments for the purposes of efficient portfolio management (EPM) including hedging the portfolio from foreign exchange risks. Any trading in derivatives will be controlled so that it does not increase the risk profile of the Fund.**

The techniques and instruments used must relate to asset classes otherwise permitted by the Fund. Permitted transactions include derivatives transactions (involving options, futures and contracts for differences), or forward transactions in a currency. A derivatives transaction must be in an approved derivative or in certain circumstances, an off-exchange option (involving an option

or a contract for differences resembling an option) or a synthetic future. Approved derivatives are derivatives dealt in or traded on derivatives markets which are eligible. Eligible derivatives markets are those which the Manager, after consultation with and notification to, the Trustee has decided are appropriate for the purpose of investment of or dealing in the property of the Fund with regard to the relevant criteria set out in the Rules and the Guidance on eligible markets issued by the FCA as amended from time to time.

The eligible derivatives markets for the Fund are listed above.

A derivatives or forward transaction which would or could lead to delivery of property to the Trustee may be entered into only if such property can be held by the Fund, and the Manager has taken reasonable care to determine that delivery of the property pursuant to the transaction will not lead to a breach of the Rules.

There is no limit on the amount of the property of the Fund which may be used for EPM purposes, but the transaction must be economically appropriate in that it is realised in a cost effective way for the purposes of efficient portfolio management and the exposure must be fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise.

For the purposes of financial derivative instruments, EPM refers to techniques and instruments which relate to transferable securities and which fulfil the following criteria;

- (a) They are economically appropriate in that they are realised in a cost effective way;
- (b) They are entered into for one or more of the following specific aims:
  - (i) Reduction of risk;
  - (ii) Reduction of cost;
  - (iii) Generation of additional capital or income, with a level of risk that is consistent with the risk profile of the Fund. There is an acceptably low level of risk in any case where the Manager reasonably believes that the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit.
- (c) Where the Fund takes advantage of pricing imperfections in relation to the acquisition and disposal of rights in relation to the same or equivalent property being property, which the Fund holds or may properly hold, or
- (d) Where the Fund receives a premium for the writing of a covered call option or a covered put option (even if the benefit is obtained at the expense of the change of yet greater benefit), or
- (e) Pursuant to stocklending as permitted by the Rules referred to below.

Permitted transactions for those purposes (excluding stocklending transactions) are forward currency transactions with approved counterparties and transactions in:

- (a) Approved derivatives (that is options, futures or contracts for differences which are dealt in or traded on an eligible derivatives markets);
- (b) Off-exchange derivatives (that is futures, options or contract for differences resembling options with a counterparty falling within certain specified categories and meeting certain other criteria).

There is no limit on the amount of the scheme property of any Fund which may be used for transactions for the purposes of EPM.

The relevant purpose must relate to property of the Fund, property (whether precisely identified or not) which is to be or is proposed to be acquired for the Fund and anticipated cash receipts of the Fund, if due to be received at some time and likely to be received within one month.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions.

The use of these EPM instruments/techniques does not change the objective of the Fund or add substantial risk in comparison to the original risk policy of the Fund.

As mentioned above, a transaction must be economically appropriate in that it is realised in a cost effective way for the efficient portfolio management of the Fund. This means that, for transactions undertaken to reduce the risk or cost (or both), the transaction alone or in combination will diminish a risk or cost of a kind or level which it is sensible to reduce and, for a transaction undertaken to generate additional capital or income, so-called 'enhancement strategies', the Fund is certain (or barring certain events which are not reasonably foreseeable) to derive a benefit from the transaction. EPM may not include speculative transactions.

The aims of reduction of risk or cost together or separately, allow the Manager to utilise the technique of Tactical Asset Allocation ("TAA"). TAA permits the Manager to undertake a switch in exposure by use of derivatives rather than by sale and purchase of the underlying property. Tactical asset allocation may only be used by the Fund on a temporary basis. If a transaction relates to the acquisition or potential acquisition of transferable securities, the Manager must intend that the Fund should invest in

transferable securities within a reasonable time and the Manager must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.

The exposure to any one counterparty in an OTC derivative transaction shall not exceed 5% in the value of the scheme property; this limit is raised to 10% where the counterparty is an approved bank (as defined in the Rules).

With regard to cover, each transaction must be covered “individually” by property of the right kind (ie appropriate stock or property for exposure in terms of property; cash or “near cash” for exposure in terms of cash) and also “globally” (ie after providing cover for existing transactions there is adequate cover for another transaction within the property of the Fund so that there can be no gearing). Property and cash can be used only once for cover. Any lending transaction which is a back to back currency borrowing does not require cover.

#### **Stocklending**

Stocklending is permitted when it reasonably appears to the Manager to be economically appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

Such transactions must always comply with the relevant requirements of the Regulations and must also comply with the relevant requirements of the Rules. There is no limit on the value of the property of the Fund, which may be the subject of stocklending transactions. Currently the Fund does not undertake stocklending.

#### **4. BEST EXECUTION**

The Manager does not directly manage the investments held in the Fund. Therefore it does not execute, or transmit to other firms, orders to deal in financial instruments in respect of the Fund. Fund management has been delegated to the Investment Manager. The Investment Manager has in place a Best Execution Policy to ensure that it takes all sufficient steps to ensure the best possible result when executing themselves or transmitting to other firms, orders in financial instruments on behalf of the Fund. To achieve this, the Investment Manager will take into account the following factors: price, cost, speed, likelihood of execution and settlement, size, nature of the order and any other consideration relevant to the execution of the order. The relative importance of these factors will depend on the Fund’s investment objective, investment policy and risks detailed in this Prospectus and the investment management agreement with the Investment Manager. The Investment Manager is required to monitor the effectiveness of their order execution arrangements, correct any deficiencies, and review at least annually their Best Execution Policy. Further details of the Investment Manager’s Best Execution Policy can be obtained by calling us on 0808 005 5555 or by writing to the Manager at “Savings & Investments Team”, M&S Bank, PO Box 10581, 51 Saffron Road, Wigston LE18 4US.

To view the Investment Manager’s Best Execution Policy – Client Disclosure Statement, please go to [www.assetmanagement.hsbc.co.uk](http://www.assetmanagement.hsbc.co.uk), and choose “Individual investor” or “Financial intermediary” / “About us” / “Our Governance”, or a copy can be obtained by calling us on 0808 005 5555, or by writing to the Manager at “Savings & Investments Team”, M&S Bank, PO Box 10581, 51 Saffron Road, Wigston LE18 4US.

#### **5. FUND PROPERTY – EXERCISING VOTING RIGHTS**

The Manager does not directly exercise voting rights in respect of Fund property. The Investment Manager’s policy on exercising any voting rights on the underlying assets of the Fund is available on [www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/governance](http://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/governance), or [www.assetmanagement.hsbc.co.uk/en/intermediary/about-us/governance](http://www.assetmanagement.hsbc.co.uk/en/intermediary/about-us/governance). Alternatively a copy can be obtained by calling us on 0808 005 55 55 or by writing to the Manager at “Savings & Investments Team”, M&S Bank, PO Box 10581, 51 Saffron Road, Wigston LE18 4US.

#### **6. TYPICAL INVESTOR PROFILE**

The Fund is aimed at investors who are looking to build up capital by participating in a diversified portfolio investing in the United Kingdom stock markets. Investors will be willing to invest for a period of at least 5 years and are aware that returns are not guaranteed.

#### **7. HISTORICAL PERFORMANCE**

Percentage change	30/11/17 to 30/11/18	30/11/18 to 30/11/19	30/11/19 to 30/11/20	30/11/20 to 30/11/21	30/11/21 to 30/11/22
UK Selection Portfolio	-5.1%	10.9%	-17.5%	14.8%	8.4%
FTSE All-Share Index	-1.5%	11.0%	-10.3%	17.4%	6.5%

Past performance reflects the annual accounting period for this Fund which ends on 30 November of each year. The performance benchmark for the Fund, for comparison purposes only, is the FTSE All-Share Gross Index.

Figures are on a bid to bid basis with net income reinvested. The performance figures exclude the initial charge if applied by the Fund.

Source: Morningstar

**This information relates to the past, and past performance is no guarantee of future performance.**

## 8. FUND DOCUMENTATION

On request the key investor information document (“KIID”), the supplementary information document (“SID”) and the annual and half-yearly reports, are available free of charge in English. To obtain these please contact the Manager by visiting [www.marksandspencer.com/unittrusts](http://www.marksandspencer.com/unittrusts), calling us on 0808 005 5555 or by writing to M&S Savings and Investments team, M&S Bank, PO Box 10581, 51 Saffron Road, Wigston LE18 4US.

The Trust Deed and supplementary instruments are also obtainable from the offices of the Manager, free of charge, to Unitholders and to prospective purchasers of Units.

## 9. DISTRIBUTIONS

The accounting reference date of the Fund (the date on which the annual accounting period ends) is 30 November in each year and the half yearly (‘interim’) accounting period ends on 31 May in each year.

It is intended to distribute all of the income that has accrued at the interim date and it is not envisaged that the income distributed within the annual accounting period will be smoothed.

The income from your Units will be distributed on or before 31 January (final) and on or before 31 July (interim) in each year.

The first income allocation after you purchase Units may include what is known as an income equalisation amount. This is an amount which reflects the accrued net income per Unit included in the price of Units purchased during the relevant accounting period. It is calculated by adding up the total income attributable to all Units sold in an accounting period during which income is earned, and dividing this sum by the number of Units sold in that accounting period. The reason for this procedure is to ‘equalise’ the position of investors who buy Units at different times in an accounting period, because part of what you are paying for when you buy a Unit is the next income payment. For taxation purposes this equalisation amount is treated as a capital repayment, not income.

When distribution is due the income generated by the investments will be transferred to the distribution account and allocated between Accumulation Units and Income Units as set out hereunder:

Accumulation Units. The income will be transferred to the capital property of the Fund.

Income Units. The income will be sent by crossed warrant to the first named holder on the Register of Holders at the address recorded on the Register of Holders, or by electronic or other means of bank transfer to the nominated bank account of the first named Unitholder.

Any distributions remaining unclaimed after six years will be transferred to and become a part of the capital property of the Fund. Thereafter neither the payee nor the holder nor any successor in title to it will have any right except as part of the capital property.

The annual and half-yearly reports are prepared for the annual accounting period ending 30 November and half yearly (interim) accounting period ending 31 May. Copies of the reports are obtainable from the registered offices of the Manager on request. The annual report will be available within four months of the end of the annual accounting period and the interim report within two months of the end of the half – yearly (interim) accounting period.

From 2020 and on an annual basis, the Manager carries out an assessment of value for the Fund that is approved by the Board of Directors. A summary of the value assessment for the Fund is contained within the Manager’s Report and Accounts which is available from <https://bank.marksandspencer.com/save-invest/investments/> or by calling the Investor helpline 0808 005 5555 or +44 1244 688632 if calling from abroad. Lines are open from 8am to 6pm Monday to Friday (closed weekend and public holidays). Please be aware that opening hours may be restricted over the Christmas period, please contact us for details. Calls may be recorded.

## 10. TYPE OF UNITS

Accumulation Units and Income Units are offered.

Income Unitholders receive the net income generated from the investment. For Accumulation Units the net income generated by the investments will accumulate in the Fund.

The nature of the right represented by a Unit is that of a beneficial interest under a trust.

Unitholders are entitled to participate in the property of the Fund and the income from that property in proportion to the number of undivided shares in the Fund represented by Units held by them. An Income Unit represents one undivided share in the property of the Fund.

Each undivided share ranks equal with the other undivided shares in the Fund.

Units held in a stocks and shares individual savings account will be registered jointly in the name of the account Manager as the first named Unitholder and account holder as the second named Unitholder.

## 11. UNITHOLDER VOTING RIGHTS

A meeting of Unitholders duly convened and held may by extraordinary resolution require, authorise or approve any act, matters or document in respect of which any resolution is required or expressly contemplated by the Regulations. A meeting of Unitholders has no other powers.

Unitholders will receive notice of any meeting of Unitholders. At any meeting of Unitholders, on a show of hands every Unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, shall have a vote. On a poll, every Unitholder who is present or by proxy shall have one vote for every complete undivided share in the property of the Fund and a further part of one vote proportionate to any fraction of such undivided share of which he is the Unitholder. A Unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

In the context of despatch of a notice of meeting, "Unitholders" means the persons who were entered in the Register of Holders seven days before the notice of meeting was given, but excluding the persons who are known not to be entered on the Register of Holders at the date of despatch of the notice. In the context of voting, "Unitholders" means those persons who were entered on the Register of Holders seven days before the notice of meeting was given, but excluding any persons who are known not to be entered on the Register of Holders at the date of the meeting.

The Manager is only entitled to count to the quorum and vote at a meeting in respect of Units which it holds on behalf of or jointly with a person who, if himself the sole registered Unitholder, would be entitled to vote and from whom it has received voting instructions.

Associates of the Manager are entitled to be counted in a quorum and, if they hold Units on behalf of or jointly with a person who would have been entitled to vote if he had been a registered Unitholder and they have received voting instructions from that person, the associate of the Manager may vote in respect of such Units pursuant to such instruction.

## 12. MANAGER

Marks and Spencer Unit Trust Management Limited ("the Manager") is the Manager of the Fund.

The Manager is a limited liability company incorporated in England and Wales on 9 May, 1988.

Registered office. Kings Meadow, Chester Business Park, Chester CH99 9FB.

Head office and principal place of business: Kings Meadow, Chester Business Park, Chester CH99 9FB.

Issued share capital: 3,000,000 ordinary shares of £1 each and fully paid up.

The ultimate holding company is HSBC Holdings plc whose registered and principal office is 8 Canada Square London E14 5HQ and which is incorporated in England and Wales. The company's principal business activity is to provide a comprehensive range of domestic and international banking and financial services.

The Manager is also the Manager of the following authorised unit trust schemes: The Marks and Spencer Worldwide Managed Fund, Marks & Spencer High Income Fund and Marks & Spencer UK 100 Companies Fund.

### **Directors:**

Paul Michael Spencer, Director of Marks & Spencer Financial Services plc and Marks and Spencer Unit Trust Management Limited.

Phillip Scott, Director of Marks & Spencer Financial Services plc and Marks and Spencer Unit Trust Management Limited.



James Coyle, Independent Non-Executive Director of Marks & Spencer Financial Services plc and Chairman and Independent Non-Executive Director of Marks and Spencer Unit Trust Management Limited.

Jenny Fiona Goldie-Scott, Independent Non-Executive Director of Marks and Spencer Unit Trust Management Limited

### 13. DELEGATED FUNCTIONS

The Manager has delegated the following functions to the firms listed:

<b>Function delegated</b>	<b>Name of Firm(s)</b>
Fund accounting (pricing and valuation)	HSBC Bank plc
Fund management (Investment Manager appointed with discretion to manage fund assets within the investment guidelines established by the Manager)	HSBC Global Asset Management (UK) Limited.
Performance of some administrative processes.	HSBC Global Resourcing (UK) Limited

### 14. TRUSTEE

State Street Trustees Limited (registered no. 2982384) is the Trustee of the Fund. It is a private company limited by shares incorporated in England and Wales on 24 October 1994. The registered office of the Trustee is 20 Churchill Place, London, E14 5HJ. The Trustee's principal business activity is acting as trustee and depositary of collective investment schemes. It is authorised and regulated by the Financial Conduct Authority.

The Trustee is responsible for the safekeeping of all the scheme property of the Fund. In carrying out its duties the Trustee shall act honestly, fairly, professionally, independently and solely in the interests of the Fund and its Unitholders.

In addition to its safekeeping role, the Trustee carries out a number of additional duties and functions, including:

- ensuring that the sale, issue, repurchase, redemption and cancellation of Units are conducted in accordance with the relevant FCA Rules, applicable law, the Trust Deed and the Prospectus;
- ensuring that Units are valued in accordance with the relevant FCA Rules, applicable law, the Trust Deed and the Prospectus;
- carrying out the instructions of the Manager unless these conflict with relevant FCA Rules, applicable law, the Trust Deed or the Prospectus;
- ensuring that for transactions involving the assets of a Fund, any consideration is remitted within the usual time limits;
- ensuring that the income of a Fund is applied in accordance with the relevant FCA Rules, applicable law, the Trust Deed and the Prospectus;
- monitoring the cash and cash flows of each Fund;
- safe-keeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

Subject to the FCA Rules, the Trustee may delegate (and authorise its delegates to sub-delegate) performance of some or all of its safe-keeping obligations to eligible custodians provided that:

- (i) the services are not delegated with the intention of avoiding the applicable regulatory requirements;
- (ii) there is an objective reason justifying the delegation; and
- (iii) due, skill, care and diligence is exercised in the selection and appointment of any third party to whom it delegates safe-keeping services, and it continues to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any delegate and of the arrangements of that delegate in respect of the matters delegated to it. The Trustee's responsibility for the performance of tasks delegated, and its liability for default in performance, is not affected by any delegation.

The Trustee has delegated safekeeping functions to HSBC Bank plc as global custodian. HSBC Bank plc has further delegated safe-keeping tasks to its sub-custodians. Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix 1 to the Prospectus.

The Trustee provides its services under an agreement dated 14 April 2016 between the Trustee and the Manager ("the Depositary Agreement").

The Trustee is entitled to receive remuneration out of the property of the Funds for its services as set out under Remuneration of the Trustee on page 22 of this Prospectus. The Trustee is under no obligation to account to the Manager, the Fund or the Unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with the dealings in Units of the Fund, any transaction in scheme property or the supply of services to the Fund.

The Depositary Agreement may be terminated on 90 days' written notice by either party, or sooner in the event of a material breach of the Depositary Agreement. The Trustee may not retire voluntarily or otherwise be replaced except upon the appointment of a new trustee.

If there is a loss of financial instruments held in custody, determined in accordance with the UCITS Directive, the Trustee shall return financial instruments of identical type or the corresponding amount to the Fund without undue delay. However, the Trustee will not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments in custody, the Unitholders may invoke the liability of the Trustee directly or indirectly through the Fund provided that this does not lead to a duplication of redress or to unequal treatment of the Unitholders. The Trustee is indemnified by the Fund against all liabilities suffered or incurred by the Trustee by reason of the proper performance of the Trustee's duties under the terms of the Depositary Agreement save where any such liabilities arise as a result of the Trustee's negligence, fraud, bad faith, wilful default or recklessness of the Trustee or the loss of financial instruments held in custody. The Trustee will be liable to the Fund for all other losses suffered by the Fund as a result of the Trustee's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Trustee shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Trustee of its duties and obligations.

### **Conflicts of Interest**

The Trustee is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Such conflicts of interest may arise where the Trustee or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Arrangements which may give rise to conflicts of interest include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Manager or the Fund;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Manager or the Fund either as principal and in the interests of itself, or as an agent for other clients.

In connection with the above activities the Trustee and/or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and except as required by law, the Trustee is not bound to disclose to, the Fund or its Unitholders any such profits or compensation in any form earned by affiliates of the Trustee or the Trustee when acting in any other capacity;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments either as principal acting in its own interests, or as an agent acting in the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken on behalf of the Fund or Manager, even where such trading is based upon information that is not available to the Fund or the Manager;
- (iv) may provide the same or similar services to other clients including competitors of the Fund and the fee arrangements it has in place will vary;
- (v) may be granted creditors' and other rights by the Fund, e.g. indemnification, which it may exercise in its own interest. In exercising such rights the Trustee or its affiliates may have the advantage of an increased knowledge about the affairs of the Fund relative to third party creditors thus improving its ability to enforce and may exercise such rights in a way that may conflict with the Fund's strategy.

The Fund or the Manager on behalf of the Fund may use an affiliate of the Trustee to execute foreign exchange, spot or swap transactions for the account of the Fund. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Fund. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Fund or its Unitholders. The affiliate shall enter into such transactions on the terms and conditions agreed with the

Fund or the Manager on behalf of the Fund. The Trustee will not, except as required by law, disclose any profit made by such affiliates.

Where cash belonging to the Fund is deposited with an affiliate being a bank, cash is not segregated from its own assets and a conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as Trustee. The Manager may also be a client or counterparty of the Trustee or its affiliates and a conflict may arise where the Trustee refuses to act if the Manager directs or otherwise instructs the Trustee to take certain actions that might be in direct conflict with the interests of the investors in a Fund. The types and levels of risk that the Trustee is willing to accept may conflict with the preferred investment policy and strategy.

Potential conflicts that may arise in the Trustee's use of sub-custodians include the following broad categories:

- (1) our global custodian and sub-custodians seek to make a profit as part of or in addition to their custody services. Examples include profit through the fees and other charges for the services, profit from deposit taking activities, revenue from sweeps and repo arrangements, foreign exchange transactions, contractual settlement, error correction (where consistent with applicable law) and commissions for sale of fractional shares;
- (2) the Trustee will typically only provide trustee services where global custody is delegated to an affiliate of the Trustee. Our global custodian in turn appoints a network of affiliated and non-affiliated sub-custodians. Multiple factors influence the determination of our global custodian to engage a particular sub-custodian or allocate assets to them, including their expertise and capabilities, financial condition, service platforms and commitment to the custody business as well as the negotiated fee structure (which may include terms that result in fee reductions or rebates to the global custodian), significant business relationships and competitive considerations;
- (3) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests and the fee arrangements they have in place will vary;
- (4) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Trustee as its counterparty, which might create incentive for the Trustee to act in its self-interest, or other clients' interests to the detriment of clients; and
- (5) sub-custodians may have creditors' rights against client assets and other rights that they have an interest in enforcing.

In carrying out its duties the Trustee shall act honestly, fairly, professionally, independently and solely in the interests of the Fund and its Unitholders.

The Trustee has functionally and hierarchically separated the performance of its trustee tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest to be properly identified, managed and monitored. Additionally, in the context of the Trustee's use of sub-custodians, the Trustee imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians. The Trustee makes available frequent reporting on clients' activity and holdings, with the underlying sub-custodians subject to internal and external control audits. Finally, the Trustee segregates the Fund's assets from its proprietary assets and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

#### Global Conflicts of Interest policy

State Street has implemented a global policy laying down the standards required for identifying, assessing, recording and managing all conflicts of interest which may arise in the course of business. Each State Street business unit, including the Trustee, is responsible for establishing and maintaining a Conflicts of Interest Program for the purpose of identifying and managing organisational conflicts of interest that may arise within the business unit in connection with providing services to its Clients or in delivering its functional responsibilities.

Up-to-date information on the Trustee, its duties, any conflicts that may arise, the safe-keeping functions delegated by the Trustee, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Unitholders on request.

## 15. INVESTMENT MANAGER

The Manager has selected as Investment Manager to it in respect of the Fund HSBC Global Asset Management (UK) Limited who is authorised and regulated by the Financial Conduct Authority.

HSBC Global Asset Management (UK) Limited is in the same group of companies as the Manager. Its registered office is at 8 Canada Square, London E14 5HQ.

The Investment Manager also gives investment advice to persons other than this Fund.

The Investment Manager has discretion to manage and make purchases and sales of the assets of the Fund within the investment guidelines established by the Manager, having regard to the investment policy of the Fund and the investment restrictions, efficient portfolio management and borrowing powers of the Fund.

The Investment Manager has been appointed under a written agreement with the Manager dated 3 August 2005. Under the agreement, the Manager pays a fee to the Investment Manager. The agreement can be terminated by either party giving to the other notice in writing or forthwith by any party on certain events involving default, insolvency or if it is in the interest of the Unitholders.

The Investment Manager can select investment advisers to manage the assets of the Fund on a day to day basis. These Advisers will be selected on both their proven skills and experience in managing funds and also their ability to continue to generate good returns against the universe of investible stocks, having regard to the investment policy of the Fund and the investment restrictions, efficient portfolio management and the borrowing powers of the Fund.

HSBC Global Asset Management (UK) Limited directly manages the Fund and has currently not sub delegated management of the Fund to any investment adviser.

## **16. AUDITOR**

The Auditors of the Fund are KPMG Audit LLP, 15 Canada Square, London, E14 5GL.

## **17. REGISTRAR**

The Registrar is Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester CH99 9FB.

The Register of Holders and the plan register may be inspected by Unitholders during normal business hours at Kings Meadow, Chester Business Park, Chester CH99 9FB.

The Registrar is entitled to a fee for the maintenance of the Register of Holders. The present charge is £5 per Unitholder per annum (plus VAT, if any).

## **18. CONFLICTS OF INTEREST**

The Manager is part of the HSBC Group of companies. The following is the HSBC Group Conflicts of Interest Policy in respect of the Fund:

The HSBC Group is a worldwide financial organisation, offering a wide range of financial services to its clients. As such, it, or a company with whom it has an association (HSBC), may from time to time have interests which conflict with its clients' interests or with the duties that it owes to its clients. These include conflicts arising between the interests of HSBC, its associates and employees on the one hand and the interests of its clients on the other and also conflicts between clients themselves (including the Fund). Such conflicts may result in a restriction in trading certain securities due to relationships in other parts of HSBC or due to sensitive information to which the Manager becomes party.

HSBC has established procedures which are designed to identify and manage such conflicts. These include organisational and administrative arrangements to safeguard the interests of clients. A key element of this policy is that persons engaged in different business activities involving a conflict of interest must carry on those activities independently of one another. Where necessary, HSBC maintains arrangements which restrict the flow of information to certain employees in order to protect its clients' interests and to prevent improper access to client information.

HSBC may also deal as Principal for its own investment account and may be matching transactions with another client. Procedures are in place in order to protect the client's interest in this instance.

In some cases, HSBC's procedures and controls may not be sufficient to ensure that a potential conflict of interest does not damage a client's interests. In these circumstances, HSBC may consider it appropriate to disclose the potential conflict to the client and obtain the client's formal consent to proceed. However, HSBC may decline to act in any circumstance where there is residual risk of damage to the interests of any client.

In managing conflicts, account is taken of the potential for the Manager or other companies within the HSBC Group ("HSBC") to be in a position where:

- HSBC benefits financially, at the expense of the Fund
- HSBC has an interest in the outcome of a service, activity or transaction (provided to the Fund or another client) which is distinct from the Fund's or the interest in that outcome

- HSBC has an incentive to favour the interests of another client over the interests of the Fund
- HSBC carries on the same activities for the Fund and for another client
- HSBC receives (from a person other than the Fund) an inducement in relation to management activities provided to the Fund, other than the standard commission or fee for that service.

In particular, the Manager and other companies within the HSBC Group may, from time to time, act as investment manager or adviser to other funds or sub-funds; the interests of these funds may not always be aligned with those of the Fund. It is therefore possible that the Manager may in the course of its business have potential conflicts of interest with the Fund. The Manager will, however, have regard in such event to its obligations and fiduciary responsibilities under the Trust Deed and, in particular, to its obligation to act at all times in the best interests of the Fund and its investors, so far as is practicable having regard to its obligations to other clients. The Manager will ensure that investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Fund than if the potential conflict had not existed.

**If you have any further questions please call us on 0808 005 5555.**

### **Bank Holding Company Act**

The investments made by the Fund may be restricted by rules and regulations applicable to the HSBC Group. These may include but not be limited to; the US Bank Holding Company Act (see further details below), and other banking acts applicable to the UK and Hong Kong. These may restrict the Fund's ability to purchase or hold certain investments, for example HSBC Holdings plc shares. Any such actions will be executed in compliance with applicable law and in a manner consistent with the best interests of the Unitholders of the Fund. Unitholders should also refer to the "Conflicts of Interest" section above. There can be no assurance that the bank regulatory requirements applicable to HSBC Holdings plc and/or the Fund, will not change, or that any such change will not have a material adverse effect on the investments and/or investment performance of the Fund. Subject to applicable law, HSBC Holdings plc and the Manager may in the future, undertake such actions as they deem reasonably necessary (consistent with ensuring any actions remain in the best interests of the Unitholders of the Fund) in order to reduce or eliminate the impact or applicability of any bank regulatory restrictions on the Fund.

HSBC Holdings plc is the parent company of a number of associates involved in the management, investment management and distribution of the Fund. HSBC Holdings plc is regulated by the Federal Reserve in the United States as a Financial Holding Company ("FHC") under the US Bank Holding Company Act (and its associated rules and regulations) (the "BHCA"). As an FHC, the activities of HSBC Holdings plc and its affiliates are subject to certain restrictions imposed by the BHCA. Although HSBC Holdings plc does not own a majority of the Units of the Fund, its relationship with the Fund through the Manager means HSBC Holdings plc may be deemed to "control" the Fund within the meaning of the BHCA. Investors should note that the operations of the Fund, including its investments and transactions, may be restricted in order to comply with the BHCA.

For example to comply with the BHCA the Fund may be:

- (i) restricted in its ability to make certain investments;
- (ii) restricted in the size of certain investments;
- (iii) subject to a maximum holding period on some or all of its investments; and/or
- (iv) required to liquidate certain investments.

In addition, transactions made between the Fund, the Manager, the investment manager, HSBC Holdings plc and their affiliates may be restricted.

## **19. ONGOING CHARGES FIGURE**

The ongoing charge figure ("OCF") is the fee payable over the relevant accounting period for the Fund. There are two components to the OCF, (i) the Annual Management Charge (as defined below) and (ii) the fund expenses which are other payments made out of the property of the Fund, as set out in Section 20 below.

The OCF is based on actual expenses for the relevant accounting period. This covers all aspects of operating the Fund during the annual accounting period, including fees paid for investment management, administration and the independent oversight functions. The OCF does not include payments Unitholders may make to a financial adviser or any other firm through which they invest; Unitholders will pay for these services directly.

The OCF is calculated and reported annually within the Annual Reports. A breakdown of the current OCF as published in the Annual Report & Accounts for the accounting period 1 December 2021 to 30 November 2022 is set out in the table below.

Annual Management Charge	Fund Expenses	<b>Ongoing Charges Figure</b>
0.90%	0.09%	<b>0.99%</b>

## 20. FEES OF THE MANAGER

### Initial charge

The Manager does not currently impose an initial charge on the purchase of Units.

### Annual Management Charge

The Manager receives a periodic charge, calculated at the rate of 0.90% per annum (plus VAT, if any) of the value of the property of the Fund, which accrues daily (the "Annual Management Charge"). For this purpose the assets are valued on a basis of the mid valuation of the property of the Fund at the first or only Valuation Point on the relevant day. This charge is paid from the Fund's property on or as soon as is practicable after the last Business Day of the calendar month.

## 21. FUND EXPENSES

### Remuneration of the Trustee

The Trustee will be remunerated for its services generally by a periodic charge (plus VAT, if any) which accrues and is calculated and payable out of the property of the Fund in the same way as the Annual Management Charge. The rate per in respect of the Fund is 0.01% per annum of the Net Asset Value of the Fund, on the first £200,000,000. After the first £200,000,000 the charge is 0.007% per annum.

In addition, the Trustee is also entitled to be reimbursed out of the property of the Fund for expenses properly incurred by the Trustee in performing duties imposed upon it and in exercising powers conferred upon it by the Rules, which include duties and powers imposed or conferred by the general law, together with any VAT payable thereon. The expenses will include, subject to the FCA Rules, charges of the Trustee's nominees and agents. The duties of the Trustee for which reimbursement may be made, involve and include (without limitation):

- (a) Delivery of stock to the Trustee or Custodian;
- (b) Custody of assets;

The basis of the charge is a custody fee based on the market value of the assets and an activity fee for transaction settlements. Fixed activity fees, based on geographic spread, are charged monthly at the rates below on the movement of stocks other than corporate actions, script dividends or stock loans. The present charges are listed below:

Country	Custody Charge (Basis points* per annum)	Transaction Charges (GBP)
UK	1.00	17.00
Fixed income (Euroclear)	2.00	15.00

\*100 basis points equals 1%.

- (c) Collection of income;
- (d) Submission of tax returns;
- (e) Handling of tax claims;
- (f) Preparation of the Trustee's annual report; and
- (g) Such other duties as the Trustee is required or empowered by law to perform.

### Other payments out of the property of the Fund

Payments that may additionally be made out of the property of the Fund are as follows:

- (a) broker's commission, fiscal charges and other disbursements which are:
  - (i) necessary to be incurred in effecting transactions for the Fund; and

- (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate.
- (b) Interest on borrowings permitted under the Trust and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings,
- (c) Taxation, including Stamp Duty Reserve Tax (SDRT), and duties payable in respect of the property of the Fund, the Trust Deed or the issue of units. The Trustee of the Fund may become liable under Schedule 19 of the Finance Act 1999.
- (d) Any costs incurred in modifying the Trust Deed, including costs incurred in respect of meetings of holders convened for purposes which include the purposes of modifying the Trust Deed, where the modification is:
  - (i) necessary to implement, or necessary as a direct consequence of any changes in the law (including changes in the Rules or Regulations); or
  - (ii) expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interests of Unitholders; or
  - (iii) to remove from the Trust Deed obsolete provisions.
- (e) Any costs incurred in respect of meetings of Unitholders convened on a requisition of Unitholders not including the Manager or an associate of the Manager.
- (f) Liabilities on a unitisation, amalgamation or reconstruction arising in certain circumstances specified by the FCA Rules.
- (g) The audit fee properly payable to the auditor and value added tax therein and any proper expenses of the auditor.
- (h) The fees of the FCA relating to the Fund required by the Act or the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units are or may be marketed.
- (i) Payments to the trustee listed under 'Remuneration of the Trustee'.

Where there is a liability for value added or similar tax in relation to these payments this will also be paid out of the property of the Fund.

## 22. VALUATION OF FUND PROPERTY

The property of the Fund is valued at 8am on every Business Day (the "Valuation Point") to determine the buying and selling prices and the cancellation and creation prices. The Manager may at any time during a dealing day carry out an additional valuation of the property of the Fund if he considers it is desirable to do so.

The value of property of the Fund shall be determined in accordance with the Rules. The maximum price at which Units may be sold by the Manager is arrived at by valuing the assets of the Unit trust on the basis of the cost to the unit trust of acquiring those assets (ie offer market prices, dealing costs, stamp duty etc), dividing this amount by the number of Units in issue and adding any Manager's initial charge. The cancellation price is arrived at by valuing the assets on the basis of the amount the Unit trust would receive if they were sold (eg bid market prices and dealing costs) deducting any expenses and dividing by the number of Units in issue. The Manager sets the buying and selling prices within this permitted range.

**As we value the Fund at 8am, the price for many securities (eg on a European exchange) is the closing price from the previous day.**

The cancellation price last notified to the Trustee is available on request from the Manager.

### Publication of prices

The prices of all the Funds will be published daily on the internet at <https://bank.marksandspencer.com/save-invest/investments/>. You can also obtain the Fund prices by telephoning us on 0808 005 5555. These are previous day's prices and not the ones used for dealing on the day of publication.

## 23. CLIENT MONEY

The Manager is subject to the rules and guidance contained in the FCA Client Assets (CASS) Sourcebook. Part of the sourcebook provides protection for money received and held by the Manager on behalf of Unitholders in the Fund, referred to as "Client Money", should the Manager become insolvent.

The Client Money Rules permit the Manager to dis-apply the rules and guidance protecting Client Money for a limited period in specific circumstances. This is referred to as the “Delivery versus Payment” exemption.

The Manager may use the Delivery versus Payment exemption to the Client Money Rules in the following situations:

- (i) where you instruct the Manager to buy units, the money which the Manager receives from you will be paid to the Trustee by close of business on the working day following receipt. The Manager will not treat this money as Client Money under the Client Money Rules. If, for any reason, the Manager continues to hold this money after this period, the Manager will treat it as Client Money under the Client Money Rules; and
- (ii) where you instruct us to sell units, under the Client Money Rules we have until the close of business on the working day following receipt of the money to pay the redemption proceeds to you. The Manager is not required to treat this money as Client Money under the Client Money Rules. Notwithstanding this, currently the Manager will treat any payment issued as Client Money in accordance with the Client Money Rules.

Where the Manager is required to treat money as Client Money under the Client Money Rules:

- (i) the Bank will hold your Client Money in a trust account separate to any account used to hold money belonging to the Manager in its own right;
- (ii) the Manager will not be responsible for any loss incurred by you resulting from the acts or omissions of the Bank holding your Client Money unless such loss is reasonably foreseeable and is caused by the Manager’s breach;
- (iii) if the Bank becomes insolvent the Manager will have a claim on your behalf against the Bank. If, however, the Bank cannot repay all of its creditors any shortfall may have to be shared pro rata between all investors in accordance with the FCA’s client money distribution rules contained within the FCA Rules;
- (iv) if the Manager were to become insolvent the FCA’s client money distribution rules also apply to your Client Money;
- (v) the Manager reserves the right to stop treating money as Client Money and pay it to a registered charity of their choice:
  - (a) where there has been no movement on your holding for a period of at least six years (disregarding any payments or receipts of interest, charges or similar items); and
  - (b) where your balance is more than £25, the Manager has taken reasonable steps to trace you and return the money to you; or
  - (c) where your balance is £25 or less, the Manager has made one attempt to contact you using the most up-to-date contact details they hold for you and not received a response from you within 28 days of the communication having been made; and
- (vi) if you contact the Manager after they have paid away your Client Money balance to a registered charity, the Manager will give you a sum equal to the balance paid away.

## 24. PURCHASE AND REDEMPTION OF UNITS

Investment in the Fund should be considered a medium to long term investment (ie at least five to ten years). Investors have access to their money at any time. However, if the Manager has reasonable grounds to believe that an investor is conducting short term trading for which these funds are not appropriate, the Manager reserves the right to reject an instruction, or apply the Unit price prevailing at the next but one valuation point, following receipt of an instruction to buy or sell Units.

### Purchase

Applications to buy Units in the Fund can be made by telephoning our dealing desk 0808 005 5555 daily between 8am and 6pm on Business Days. Instructions may be given in writing by completing an application form and sending it to the Manager at “Savings & Investments Team”, M&S Bank, PO Box 10581, 51 Saffron Road, Wigston LE18 4US.

Further information about the Fund, including the latest published unit prices, the key investor information document (“KIID”), the supplementary information document (“SID”) and the annual and half-yearly reports, are available free of charge in English. To obtain these please contact the Manager by visiting [www.marksandspencer.com/unittrusts](http://www.marksandspencer.com/unittrusts), calling us on 0808 005 5555 or by writing to M&S Savings and Investments team, M&S Bank, PO Box 10581, 51 Saffron Road, Wigston LE18 4US.

Either Accumulation Units or Income Units can be purchased. Certificates are not issued in respect of units in the Fund.

You may wish to take out a regular savings plan. You can commence such a plan with an initial lump sum. Regular savings plan contributions are made by monthly Direct Debit.



You will receive a contract note following all lump sum investments into the Fund. However, when you buy Units by monthly Direct Debit you will not be sent a contact note.

A contract note will be issued no later than the next Business Day following the Valuation Point at which units were purchased, confirming the amount invested, the Unit price at which units were purchased, and the number of Units acquired. If you have not already paid for the Units, settlement will be due by return of post. You will be sent full registration details and advised of the expiry of any applicable cancellation period.

If a payment is not received by the settlement date specified in the contract note the instruction to buy units may be cancelled and in such circumstances no Units will be issued to the applicant.

The applicant or their financial intermediary will be liable for the cost of the cancellation. Furthermore, failure to make payment by the date specified may result in the Fund or the Manager bringing an action against the defaulting applicant or their intermediary, or deducting any costs or losses incurred by the Fund or the Manager against any existing holdings of the applicant.

The Manager reserves the right to reject any application in whole or in part. A purchase of Units in writing and/or by telephone is a legally binding contract.

### **Redemption**

Selling your units is equally straightforward. You can sell either by telephone on 0808 005 5555 between 8am and 6pm on Business Days, or by writing to the Manager at "Savings & Investments Team", M&S Bank, PO Box 10581, 51 Saffron Road, Wigston LE18 4US.

Telephone instructions must be confirmed in writing. Within five working days of receipt of your written instructions confirming a request to sell, properly signed, the Manager will send you payment for the value of your units.

You may redeem part of your holding. A redemption of Units in writing and/or by telephone is a legally binding contract. You will receive a contract note following a redemption of Units, confirming the number of Units sold, the Unit price received for each Unit sold, and the total amount of the redemption proceeds.

Investment into the Units for the purpose of creating a structured product replicating the performance of the Fund is only permitted after entering into an agreement to this effect with the Manager. In the absence of such an agreement, the Manager can refuse or repurchase an investment into the Units if this is related to a structured product and deemed by the Manager to potentially conflict with the interest of other Unitholders.

**The Manager does not currently accept purchases or redemptions by way of electronic communication.**

### **Money laundering**

Under current UK money laundering legislation, persons conducting investment business are responsible for compliance with money laundering regulations. The Manager is required by the Rules to have in place anti-money laundering systems and controls. So as to ensure compliance, additional information may be required from Unitholders, including but not limited to, the provision of appropriate identification in certain circumstances whether in respect of the redemption or purchase of Units or distribution of income. Until satisfactory additional information, including proof of identity and address is provided, the Manager reserves the right, in the case of a purchase or transfer of Units, to refuse to carry out the transaction requested and in the case of a redemption of Units, to hold the proceeds in a Client Money account until such time as the appropriate information is received. In the case of a redemption of Units, where appropriate proof of identity and verification of address is not received from you, the Manager also reserves the right to cancel the deal and, in such cases, the Manager may refuse to accept any further instruction to redeem your Units until such time as full identity and verification of address is received.

### **Market Timing**

The Fund is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of the Fund may harm performance by disrupting portfolio management strategies and by increasing expenses. The Manager may at its discretion refuse to accept applications for, or conversion or switching of, Units, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Fund. For these purposes, the Manager may consider an investor's trading history in the Fund or other M&S funds and accounts under common ownership or control.

### **Business Day**

A Business Day means any day other than a Saturday, a Sunday or a bank holiday in England.

The Manager reserves the right to deem a Business Day not to be a Business Day. This will normally be preceding or following a bank holiday.

### **Suspension of dealing**

In exceptional circumstances, the Manager may if the Trustee agrees, or shall if the Trustee so requires, at any time, suspend the buying and selling of units, if the Manager, or the Trustee in the case of a requirement by it, is of the opinion that there is good and sufficient reason to do so having regard to the interests of Unitholders. No Units can be sold or redeemed during this period. Unitholders will be notified of any decision to suspend the buying and selling of Units as soon as practicable after the suspension commences. The Manager and Trustee will formally review the suspension of dealing at least every 28 days, and Unitholders will be kept informed regarding the suspension, and its likely duration, at <https://bank.marksandspencer.com/save-invest/investments/>.

### **Recalculation of prices**

The price of the Units will be recalculated on every Business Day based on the value of the investments held by the Fund at 8am.

### **Minimum size of deals**

The minimum initial lump sum purchase of Units in the Fund is £100. Following this you can make top up investments of £25.

The minimum monthly payment of a regular savings plan is £25.

### **In Specie Redemptions**

If a Unitholder requests the redemption or cancellation of Units representing 5% or more of the Fund's Net Asset Value the Manager may arrange, or the Unitholder may request, that in place of payment of the price of the Units in cash, the Manager cancels the Units and transfers scheme property or, if required by the Unitholder, the net proceeds of sale of relevant scheme property, to the Unitholder.

Before the proceeds of the cancellation of Units become payable, the Manager must give written notice to the Unitholder that the scheme property or the proceeds of the sale of scheme property will be transferred to that Unitholder.

The scheme property to be transferred will be selected by the Manager in consultation with the Trustee with a view to achieving no more advantage or disadvantage to the Unitholder requesting cancellation/redemption than to the continuing Unitholders of the Fund.

The scheme property to be transferred or the proceeds of sale of the relevant scheme property shall be subject to the retention by the Manager of scheme property or cash equivalent in value to any redemption charge under the FCA Rules and any duty or tax, or amounts owing by the Unitholder to the Fund to be paid in relation to the redemption of Units.

### **In Specie Applications**

In exceptional circumstances the Manager may at its discretion and by special arrangement, agree to arrange for the Fund to issue Units in exchange for assets other than money, provided the Trustee has taken reasonable care to ensure that the acquisition of those assets in exchange for the Units is not likely to result in any material prejudice to the interests of Unitholders of the Fund.

The Manager will ensure that the beneficial interest in the assets is transferred to the Fund with effect from the issue of the Units.

The Manager will not issue Units in the Fund in exchange for assets, the holding of which would be inconsistent with the Investment Objective, Policy and Investment Restrictions of the Fund.

### **Dealing Restrictions**

The Manager may refuse or delay your application for the purchase of Units or your instruction for the redemption of Units. In these circumstances the Manager will use reasonable endeavours to contact you personally unless it is not permitted to do so. In particular, applications to purchase Units may be refused:

- (a) if the Manager reasonably believes that you are not eligible to hold Units under the terms of the prospectus;
- (b) if the Manager reasonably considers that by accepting your instruction it may break a law, regulation, code, court order or other duty; or
- (c) if the Manager becomes aware or has reason to believe you are resident in or otherwise connected to a country into which we are not permitted to distribute or offer the Units; or
- (d) if, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a US Person, such Unitholder:
  - (i) will be restricted from making any additional investments in the Fund; and
  - (ii) as soon as practicable have its Units compulsorily redeemed by the Fund (subject to the requirements of applicable law).

- (e) if, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a Canadian Resident, such Unitholder will be restricted from making any additional investments in the Fund.

The Manager may, from time to time, waive or modify the above restrictions.

In addition, the Manager also has the right to refuse to sell Units to a prospective investor if there are reasonable grounds relating to the circumstances of the applicant. In this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant.

Units of the Fund may not be offered or sold to any US Person or Canadian Resident

## 25. COMPULSORY TRANSFER AND REDEMPTION

Units in the Fund may not be acquired or held by any person in circumstances ("relevant circumstances"):

- (a) which constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, including breach of any anti money laundering law or regulation or breach of any law or regulation relating to Financial Crime and any illegal purpose; or
- (b) which would (or would if other units were acquired or held in like circumstances) result in the Manager incurring any liability to taxation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory).

In this connection, the Manager may (amongst other things) reject any application, redemption or transfer of units.

If it comes to the attention of the Manager that any Units ("affected Units") have been acquired or are being held directly or beneficially in any of these relevant circumstances or by virtue of which the Unitholder in question is not qualified to hold such Units or if it reasonably believes this to be the case, the Manager may give 30 days' notice (an "action notice") to the holder of the affected Units requiring the transfer of the Units to a person who is qualified or entitled to own them or may give a request in writing for the redemption or cancellation of such Units in accordance with the Rules.

If the Unitholder has been served a notice and does not within 30 days after the date of such notice transfer the Units to a person qualified to own them or establish to the satisfaction of the Manager (whose judgement shall be final and binding) that he and any person on whose behalf he holds the affected Units are qualified and entitled to own them, he may be deemed upon the expiration of the thirty day period to have given a request in writing for the redemption of all the affected Units pursuant to the Rules.

A Unitholder who becomes aware that he has acquired or holds affected Units in any of these relevant circumstances, or by virtue of which he is not qualified to hold such affected Units, shall forthwith, unless he has already received an action notice, either transfer all his affected Units to a person qualified to own them or give a request in writing for the redemption of all his affected Units pursuant to the Rules.

## 26. FORWARD PRICING

Unitholders buy and sell at the prices calculated by reference to the next Valuation Point following receipt by the Manager of their valid instructions. This is known as 'forward pricing'.

## 27. GENERAL INFORMATION

The Prospectus, Trust Deed and Supplementary Instruments, Engagement Policy and Retail Customer Target Market Assessment, along with the latest KIID, annual and half-yearly reports, may be inspected at, and are obtainable from Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester CH99 9UT.

Any notice or document will be served on Unitholders by mail or other such form as may be agreed between the parties.

### Remuneration Policy

The Manager has established a remuneration policy for those categories of staff within the HSBC Group, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or the Funds. The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the Manager and the Funds. The remuneration policy is intended to be consistent with the obligation of the Manager act in the best interest of the Funds and Unitholders. The up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are determined and the governance arrangements for determining remuneration and benefits is available at <https://bank.marksandspencer.com/remuneration-policy>. A paper copy is available from the Manager free of charge upon request.

## 28. TAXATION

### General

The information given in this section is based on UK law and HM Revenue and Customs (“HMRC”) practices as known at the date of this document and does not constitute legal or tax advice and applies only to UK Unitholders. The rates and basis of taxation may change in the future. You should remember that the tax law applicable depends on your own personal situation and residency status. It is recommended that investors seek advice from a competent professional adviser concerning their tax position before acquiring Units in this Fund.

### The Fund

As the Fund is an authorised unit trust scheme it is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within the Fund.

Corporation tax is payable by the Fund on income net of allowable management expenses. The rate of corporation tax applicable to the Fund is 20%.

Dividends received by the Fund are generally exempt from corporation tax. Income other than dividends received, is liable to corporation tax after deducting allowable expenses. Where taxable overseas income is received by a Fund after deduction of foreign tax, it may be possible for the Fund to offset such tax against corporation tax liabilities on that income by way of double tax relief.

### Taxation of Unitholders

A Unitholder should consider his or her liability to taxation both in relation to income and any capital gains relating to his or her Units. The general position in relation to different types of Unitholder is considered below, although the position of Unitholders who hold their Units as part of a trade is not considered. The discussion below considers the position of Unitholders who have beneficial ownership of the Units concerned. The position for trustees, nominees and other fiscal agents is not discussed.

The Fund makes “Dividend Distributions” to Unitholders. A distribution statement, in respect of the first distribution for Units which were issued in the same accounting period as that distribution, will indicate that an amount of the distribution represents income equalisation. This amount is not taxable as income, as under current HM Revenue & Customs practice it is treated as a return of capital, but must be deducted from the acquisition cost of Income Units for the purposes of calculating any capital gains/loss on disposal of those Units. In the case of Accumulation Units no adjustment needs to be made to the cost of the Units for the purposes of determining any capital gain or loss on eventual disposal of the Units.

### UK Resident Individual Unitholders

#### *Dividend Distributions*

A dividend allowance applies for UK resident individual Unitholders which charges the first £1,000 (in tax year 2023/2024) of dividends received in the tax year at 0%. A UK resident individual Unitholder will have to pay income tax at the applicable basic, higher or additional rate (depending on the Unitholder’s individual tax position) on dividend income in excess of the £1,000 allowance. Note that dividend income within the £1,000 allowance will still count towards basic, higher and additional rate bands and may therefore affect the rate of income tax that a Unitholder pays on dividends they receive in excess of the £1,000 allowance.

Where a UK resident individual Unitholder holds Units in an ISA the Unitholder will be exempt from income tax on Dividend Distributions paid in respect of such Units.

#### *Capital Gains Tax*

Unitholders disposing of Units in the Fund may be liable to capital gains tax on the gain realised from that disposal if their capital gains from all sources in the tax year exceeds the annual exempt amount and any available relief for losses. Capital gains tax is charged at the capital gains tax rate applicable for the tax year in which the gains are realised.

#### *Accumulation*

Where a distribution is accumulated, the distribution is treated as if it was actually received by the Unitholder on the distribution date, as above. Where income is accumulated in relation to Accumulation Units the amount of notional distribution (excluding equalisation) increases the allowable expenditure on the Units for the purposes of capital gains tax.

A UK resident individual Unitholder holding units in an ISA will be exempt from capital gains tax on the disposal of such Units.

## **UK Resident Corporate Unitholders**

### *Dividend Distributions*

Where a corporate Unitholder receives a Dividend Distribution from the Fund, such a Unitholder should apportion the amount of the distribution (by way of a formula) between that part representing the Fund's income subject to corporation tax and that part representing the Fund's other income. Only that part which represents the income subject to corporation tax in the Fund will be liable to corporation tax (in the hands of the corporate Unitholder) and will be treated as an annual payment received after deduction of income tax at the basic rate. That deemed income tax will be available to offset against the corporation tax liability of the Unitholder or may be repaid subject to certain restrictions.

### *Capital Gains Tax*

Corporate Unitholders within the charge to corporation tax will be liable to corporation tax, on any gain arising on the disposal or deemed disposal of holdings in the Funds.

## **Non UK Resident Unitholders**

Tax may or may not be payable in respect of Dividend Distributions depending on the Unitholder's tax position and the provisions of any relevant double tax treaty with the United Kingdom.

## **Foreign Account Tax Compliance Act (FATCA)**

Sections 1471 through 1474 of the US Internal Revenue Code ('FATCA') has been introduced by the United States (US) government. Under FATCA we are required to collect and report certain information on accounts held by Specified US Persons. This includes accounts held by US citizens and US residents, certain corporations or partnerships created or organised in the United States, as well as accounts held by certain passive entities with owners ('Controlling Persons') who are US citizens or US resident persons. We may also be required to report certain information on customers or financial counterparties who do not provide us with documentation.

FATCA also imposes a 30% withholding tax on certain payments to a foreign financial institution ("FFI") if that FFI is not compliant with FATCA. The Fund is a FFI and thus, subject to FATCA.

This withholding tax applies to payments to the Fund that constitute interest, dividends and other types of income from US sources (such as dividends paid by a US corporation) and beginning on 1 January 2019, this withholding tax is extended to the proceeds received from the sale or disposition of assets that give rise to US source dividend or interest payments.

The UK has entered into an Intergovernmental Agreement ("IGA") with the US to facilitate FATCA compliance and reporting of the required information to HMRC. Such information will be onward reported by HMRC to the US Internal Revenue Service. The Manager intends to comply with the terms of the IGA and relevant UK implementing Legislation. Therefore the Fund expects to be treated as a compliant financial institution and does not expect any FATCA withholding to apply on payments made to it.

If a Unitholder fails to provide the Fund, its agents or authorised representatives with any correct, complete and accurate information to enable the Fund to comply with the UK IGA, this may result in the compulsory redemption of Units. Furthermore the Fund may at its discretion take appropriate action without the consent of Unitholders to provide for any measures that the Fund deems appropriate or necessary to comply with the UK IGA.

Unitholders in the Fund should consult their own tax advisers regarding FATCA with respect to their own particular circumstances. In particular, Unitholders who hold their Units through intermediaries should check the intermediaries' intention to comply with FATCA.

## **The Common Reporting Standard (CRS)**

The CRS is similar to FATCA and is standard developed by the OECD that requires financial institutions to collect and report similar information about an account holder's tax residency outside of the U.S. Within the EU the CRS has been enacted through a new Directive on Administrative Co-operation (COUNCIL DIRECTIVE 2011/16/EU "the DAC") to ensure that EU law is fully aligned with the CRS. The DAC2 was brought into force as EU law as of 9 December 2014.

HM Treasury introduced Tax Compliance Regulations 2015 (SI 2015/878, also referred to as The International Tax Compliance Regulations 2015), creating due diligence and reporting obligations for UK financial institutions, implementing the CRS on automatic exchange of information with other EU jurisdictions, and with non-EU jurisdictions where the UK Government has agreed to Multilateral Competent Authority Agreements on the Automatic Exchange of Financial Account Information. These regulations took effect on 1 January 2016.

As of the date of the prospectus it is not clear whether the UK and the EU will continue towards a path of greater cooperation for the exchange of tax information following the departure of the UK from the EU. However it is expected the UK and the EU will continue exchanging tax information under the current terms and requirements enacted by the CRS at time of exit.

Under the CRS and the International Tax Compliance Regulations 2015, the tax residency of a Unitholder will need to be determined. In order to do so, a Unitholder may be asked to complete the appropriate self-certification form and return it to the Manager. Completing this form will ensure that accurate and up to date information about the tax residency of a Unitholder is being held.

The CRS does not impose a withholding tax obligation.

If you want to know more about the CRS then you can visit [www.crs.hsbc.com](http://www.crs.hsbc.com).

The OECD has developed the rules to be used by all governments participating in the CRS and these can be found on the OECD's 'Automatic Exchange of Information' (AEOI) website, [www.oecd.org/tax/automatic-exchange/](http://www.oecd.org/tax/automatic-exchange/).

If you have any questions on how to define your tax residency status, please visit the OECD website, [www.oecd.org/tax/automatic-exchange/](http://www.oecd.org/tax/automatic-exchange/) or speak to your tax adviser as we are not allowed to give tax advice.

## **ISAs**

The Units are qualifying investments for inclusion in an ISA.

## **Disclaimer**

The above statements are based on the Manager's understanding of current UK law and HM Revenue & Customs practice at the time of printing which may be subject to retrospective change. The future basis and rates of taxation may change without warning.

Although the Manager has endeavoured to provide accurate information on tax law and practice in the forgoing text, it cannot guarantee that such information is a correct interpretation of the legislation concerned. Unitholders are recommended to consult their professional advisers if they are in any doubt as to their individual tax position.

## **29. COMPLAINTS AND COMPENSATION**

If you have a complaint please write in the first instance to the Manager at the address shown below. If the Manager is unable to resolve your complaint you may also write directly to the Financial Ombudsman Service at Exchange Tower, Harbour Exchange Square, London E14 9SR or telephone them on 0800 0234567 calls to this number are now free on mobile phones and landlines, or 0300 123 9 123 calls to this number cost no more than calls to 01 and 02 numbers.

If the Manager cannot meet our financial obligations to you, you may be entitled to compensation under the Financial Services Compensation Scheme (FSCS). Further details are available from the Manager or you may also write directly to Financial Services Compensation Scheme, 10<sup>th</sup> Floor, Beaufort House, 15 St Botolph Street, London, EC3A 7QU, refer to the FSCS website [www.fscs.org.uk](http://www.fscs.org.uk) or call the FSCS on 0800 678 1100 or 0207 741 4100.

All clients are classified as retail customers. Certain clients who would otherwise be an eligible counterparty or a professional client may not necessarily have rights under the Financial Ombudsman Service or the compensation scheme.

## **30. CHANGES**

Fundamental changes to the Fund (as defined in the Rules) will not be made without prior approval by a meeting of Unitholders.

Significant changes to the Fund (as defined in the Rules) will not be made without giving 60 days' notice in writing to Unitholders. Notifiable changes to the Fund (as defined in the Rules) will be advised to Unitholders in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the Fund.

## **31. RISKS**

**The following are important warnings and potential investors should consider the following risk factors before investing in the Fund.**

The Fund is exposed to market price fluctuations. This risk is managed by adherence to the investment guidelines and to the investment and borrowing powers set out in the Trust Deed and Prospectus to reduce excessive exposure to any particular type of security or issuer.

### **General**

There are inherent risks in investing in securities markets. Security prices are subject to market fluctuations and can move irrationally and be unpredictably affected by many and various factors including political and economic events and market rumours.

There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may go down as well as up and Unitholders may receive back less than the original amount invested.

There is no guarantee that the investment objective of the Fund will be achieved.

It is important to note that past performance cannot be regarded as an indication of future performance. Please remember that inflation will reduce what you can buy in the future with your investment.

The Manager will monitor the management of the Fund to ensure the risks published remain relevant and that any change to the risk exposure is communicated to the Unitholders.

The regulatory and taxation regime under which the Fund operates may change in the future.

### **Efficient Portfolio Management (EPM) and Counterparty Risk**

The Fund will be subject to the risk of the inability of any counterparty to perform its contractual obligations either by failing to pay or failing to deliver securities. If a counterparty defaults, the relevant Fund may suffer losses as a result.

The Fund may use EPM, however there is no guarantee that the use of EPM will result in a positive effect for any Fund and its investors and may result in losses.

Where a Fund enters into stocklending transactions, there is no counterparty risk as the Fund is indemnified. Any government securities are guaranteed by the government, or a government department or agency of the country concerned.

There is no guarantee that any Fund will achieve the objective for which it entered into a transaction in relation to EPM.

Stocklending transactions may, in the event of a default by the counterparty, result in the securities lent being recovered late or only in part. Where stocks are lent, collateral is received in return and will be held by the Trustee.

### **Currency Exchange Rates**

Investments for the Fund may be made in assets denominated in currencies other than the base currency and exchange rate movements may affect the value of an investment favourably or unfavourably, separately from gains or losses otherwise made by such investments.

### **Geographical Concentration**

Where a Fund invests predominantly in one geographical area, any decline in the economy of this area may affect the prices and value of the shares or Units held by the Fund.

### **Investing in Europe**

Where the Fund invests in a European country which has the Euro as its local currency, there is a risk that that country could cease using the Euro in the event that there is a collapse of the European monetary union, in which case such countries may revert back to their former (or another) currency. This could lead to additional performance, legal and operational risks to the Fund and may ultimately negatively impact the value of the Fund. The performance and value of the Fund may potentially be adversely affected by any or all of the above factors, or there may be unintended consequences in addition to the above arising from the potential European crisis that adversely affect the performance and value of the Fund.

### **Smaller Companies**

Where the Fund holds investments in smaller companies, it should be noted that by their nature these companies are generally new to the market and may therefore be subject to significant price movements. They may also be difficult for the Investment Manager to buy and sell.

### **Derivatives**

The Fund may hold derivative financial instruments for the purposes of EPM and these may involve a high degree of financial risk. There is a risk that a small movement in the price of the underlying security, or benchmark, may result in a disproportionately large movement (favourable or unfavourable) in the price of the derivative instrument; the risk of default by a counterparty and the risk that transactions may not be liquid. It is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.

### **Synthetic Risk and Reward Indicator (SRRI)**

The SRRI rating is based on price volatility over the last five years and is an indicator of absolute risk. An SRRI is scored on a scale of 1 to 7. A Fund that scores an SRRI at the lower end of the scale would typically mean lower risk and lower returns, whereas a Fund that scores an SRRI at the higher end of the scale would typically mean a higher risk and higher returns. Historical data may not be a reliable indication for the future.

The rating is not guaranteed to remain unchanged and should the situation arise where the SRRI score would change through the Investment Manager deciding to make direct or indirect investment in other Funds and markets, prior to making any change, the Manager and Trustee shall determine whether the change would be 'Fundamental' or 'significant', as defined in the FCA Rules. A significant change will require the Manager to contact the Unitholders on the Register of Holders a minimum of 60 days prior to making the change, whereas a Fundamental change will require the prior approval of Unitholders at a General Meeting.

Where this occurs through circumstances outside of the Investment Manager or the Manager's control, for example through movement in market volatility, the Manager will notify you of the change in the Fund's annual accounts.

### **Operational risk**

The main risks are related to systems and process failures. Investment processes are overseen by independent risk functions which are subject to independent audit and supervised by regulators.

### **Suspension of Dealings**

In certain circumstances the right to redeem Units may be suspended (see "Suspension of Dealing" on page 26).

### **Cancellation Rights**

If you apply to invest in the Fund following investment advice from a financial adviser, you will have the right to cancel your application. If you exercise your right to cancel, the amount returned may be less than the amount you invested, if there has been a downward movement in the stock market from the date of investment to the date your instruction to cancel was received.

### **Banned Weapons policy**

The Manager has determined that the Fund will not invest directly in securities issued by companies that are considered, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of controversial weapons (i.e. those named by international convention) including but not limited to cluster munitions and/or anti-personnel mines and/or biological weapons and/or blinding laser weapons, and/or chemical weapons and/or non-detectable fragments. This policy restricts the Fund from investing directly in relevant securities. In the case of Funds that track an index, if the index includes a security prohibited under this policy, the Fund will not directly hold that security, which will lead to a deviation in the performance of the Fund against the index. This policy applies to all HSBC Group funds.

As this policy aims to prohibit investment in certain types of securities, Unitholders and potential unitholders should be aware that this reduces the investment universe available and prevents the Fund from benefitting from any potential returns from such companies.

### **Investment Style risk**

Investment style refers to the Investment Manager's approach and/or the types of stocks that the Investment Manager seeks. The Investment Manager for the Fund follows a value-based style. This means that the Investment Manager is seeking stocks that appear to be undervalued but which have the potential to increase in value over time. For example, stocks that are lower priced than the broader market or stocks that are priced below similar companies in an industry. There is no guarantee that any one investment style will deliver better returns than any other investment style. The outcomes of an investment style may be affected by market conditions, which may persist for longer periods of time. This means that a particular investment style may benefit or suffer as a result of market conditions for a longer time period.

### **Environment, Social and Governance (ESG) Scoring Risk**

The Fund may rely on third parties to provide ESG scoring data where relevant. Therefore, the Fund is subject to certain operational and data quality risks associated with reliance on third party service providers and data sources. ESG data provided by third parties may not always be reliable, consistent or available and this may impact on the Fund's ability to accurately assess sustainability risks and effectively promote environmental and social characteristics, where relevant.

### **Sustainable Funds and Environment, Social and Governance (ESG) data**

Funds that promote environmental and/or social characteristics or have sustainable investment aims are subject to particular disclosure requirements or may make particular disclosures, with the purpose of providing transparency to show how the Funds' environmental and / or social characteristics are met, or how the sustainable investment objective and policy is achieved.

The investment manager's investment process will use bespoke sustainability frameworks and all relevant information, to assess the investments to be made and to manage the Funds in line with the stated investment objective and policy.

However, the disclosures may not always include complete data for a Fund's portfolio due to the unavailability of such data. A lack of data could arise because a company does not provide this data at an entity and/or product level, or because the company's circumstances change and it ceases to provide particular information in future.



In such a situation, the discretionary investment manager will aim to disclose as much information about the Fund's portfolio as possible in order to provide as much transparency as it is able to about the alignment between the existing investments and the environmental and/or social characteristics promoted by the Fund or the Fund's sustainable investment objective where relevant.

## **32. INTEGRATION OF SUSTAINABILITY RISKS INTO INVESTMENT DECISIONS**

The Manager is disclosing the manner in which sustainability risks are integrated into the investment process and the results of the assessment of the likely impacts of sustainability risks on the return of the Fund. A sustainability risk is defined as an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

The Manager has appointed HSBC Global Asset Management (UK) Limited as Investment Manager for the Fund. The Investment Manager has adopted HSBC Asset Management's responsible investment policy (the "Policy") in the integration of sustainability risks into investment decisions for the Fund.

The Policy outlines HSBC Asset Management's approach to responsible investing, focusing on the ten principles of the United Nations Global Compact ("UNGC"). The UNGC sets out key areas of financial and non-financial risk: human rights, labour, environment and anti-corruption. The Investment Manager uses third party screening providers to identify companies with a poor track record in these areas of risk and, where potential sustainability risks are identified, the Investment Manager also carries out its own due diligence. Sustainability risks are monitored on an ongoing basis as part of the Investment Manager's portfolio management strategy generally.

The Investment Manager has a duty to act in the best long-term interests of Unitholders. The Investment Manager believes that sustainability risks can affect the performance of investment portfolios across companies, sectors, regions and asset classes through time. The Investment Manager will therefore conduct thorough financial analysis and comprehensive assessment of sustainability risks as part of a broader risk assessment for the Fund, where relevant.

For more information, please refer to the Policy which can be found on HSBC Asset Management's website, [www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/governance](http://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/governance).

### **Likely impact of sustainability risks on returns**

Companies that adequately manage sustainability risks should be better placed to anticipate future sustainability risks and opportunities. This makes them more strategically resilient and therefore able to anticipate, and adapt to, the risks and opportunities in relation to sustainability on the horizon. Likewise, if managed inadequately, sustainability risks can adversely impact the value of the underlying company or the competitiveness of the country issuing government bonds. Sustainability risks can materialise in various forms for the issuers or government securities or other investments / assets, as applicable, in which Funds invest in, including (but not limited to) (i) reduced revenue due to shifts in customer preferences, negative impacts on the workforce, social unrest and decreased production capacity; (ii) increased operating/capital costs; (iii) write-off and early retirement of existing assets; (iv) loss of reputation due to fines and judgements and loss of license to operate; (v) the risk score (and market for) government bonds. These risks, together or individually, can potentially impact the returns of the Fund.

The likely impacts of sustainability risks on the returns of the Fund will also depend on the Fund's investments and the materiality of sustainability risks. The likelihood of sustainability risks arising in respect of the Fund should be mitigated by the relevant Investment Manager's approach to integrating sustainability risks in its investment decision-making process as outlined in the Policy. However, there is no guarantee that these measures will completely mitigate or prevent sustainability risks materialising in respect of the Fund. The likely impact on the return of the Fund from an actual or potential material decline in the value of an investment due to a sustainability risk will therefore vary and depend on several factors, including, but not limited to, the type, extent, complexity, and duration of the event or condition, prevailing market conditions and the existence of any mitigating factors.

The Fund is actively managed and integrates a consideration of sustainability risks in the investment decision-making process. The relevant Investment Manager integrates sustainability risks by identifying ESG factors that could have a material financial impact on the performance of an investment. Exposure to sustainability risk does not necessarily mean that the relevant Investment Manager will refrain from taking or maintaining a position in an investment. Rather, the Investment Manager will consider the assessments of sustainability risks together with other material factors in the context of the investee company or issuer and the investment objective and policy of the Fund.

The Fund may invest in financial derivative instruments and therefore, sustainability risks are harder to factor in as the Fund is not directly investing in the underlying asset. Currently, no ESG integration methodology can be applied for the financial derivative instruments but the Investment Manager is exploring how such a methodology can be applied.

## **33. OTHER MATTERS**

Other than already disclosed in this document the Manager is not aware of any possible fees or expenses that may become payable by either the Fund or a Unitholder.

The Manager is under no obligation to account to the Trustee or to Unitholders for any profit made on the issue of units or on the reissue or cancellation of units which it has redeemed. The Manager does not seek to make a profit by holding units as principle, rather its policy is to hold sufficient units to meet the regulatory requirement for the adequate controls over the issue and cancellation of units.

The Manager, Trustee, Custodian and any “affected person” are not liable to account to the Unitholders of the Fund for any profits or benefits it makes or receives that are derived from or in connection with dealings in units; any transaction in scheme property; and the supply of services to the Fund.

Any person relying on this prospectus which was current at the date shown, should check with the Manager that this document is the most current version and that no revisions or corrections have been made. This prospectus is intended to provide comprehensive details to enable investors to make a balanced and informed decision about the merits of participating in the Fund.

At the request of a Unitholder the Manager will provide information relating to (a) the quantitative limits applying to the risk management of the Fund; (b) the methods used in (a); and (c) any recent development of the risk and yields of the main categories of investments of the Fund.

Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester CH99 9FB, Telephone 0808 005 5555. Website [www.marksandspencer.com/money](http://www.marksandspencer.com/money).

The address of the Financial Conduct Authority, is 12 Endeavour Square, London E20 1JN, Telephone 020 7066 1000.

Marks and Spencer Unit Trust Management Limited is a subsidiary of HSBC UK Bank plc, which is a part of the HSBC Group.

M&S Savings and Investments is a trading name of Marks and Spencer Unit Trust Management Limited. Registered in England No: 2253009. Registered Office: Kings Meadow, Chester Business Park, Chester CH99 9FB. Marks and Spencer Unit Trust Management is part of the HSBC Group. Authorised and regulated by the Financial Conduct Authority. Marks & Spencer is a registered trademark of Marks and Spencer plc and used under licence. © Marks and Spencer Unit Trust Management Limited 2019. All rights reserved. Marks and Spencer Unit Trust Management Limited is entered in the Financial Services Register. Registration No 141662.

### 34. APPENDIX 1:

The Trustee has delegated those safekeeping duties set out in Chapter 6 of the FCA's Collective Investment Scheme rules to HSBC Bank plc with registered office at 8 Canada Square, London E14 5HQ, as its global sub-custodian.

HSBC Bank plc as global sub-custodian has appointed local sub-custodians as listed below, as at the date of this prospectus. This list is current as at the date of this Prospectus, more up-to-date information (if any) is available from the Manager on request.

MARKET	SUB-CUSTODIAN
ARGENTINA	HSBC BANK ARGENTINA SA
AUSTRALIA	HSBC BANK AUSTRALIA LIMITED
AUSTRIA	HSBC TRINKAUS & BURKHARDT GMBH
BAHRAIN	HSBC BANK MIDDLE EAST LIMITED, BAHRAIN BRANCH
BANGLADESH	THE HONG KONG & SHANGHAI BANKING CORPORATION
BELGIUM (LOCAL CUSTODY)	BNP PARIBAS SA
BENIN	SOCIETE GENERALE COTE D'IVOIRE
BERMUDA	HSBC BANK BERMUDA LIMITED
BOTSWANA	STANDARD CHARTERED BANK BOTSWANA LIMITED
BRAZIL	BANCO BNP PARIBAS BRASIL SA
BULGARIA	UNICREDIT BULBANK AD
BURKINO FASO	SOCIETE GENERALE COTE D'IVOIRE
CANADA	ROYAL BANK OF CANADA
CHILE	BANCO SANTANDER CHILE
CHINA (SHANGHAI)	HSBC BANK (CHINA) COMPANY LIMITED
CHINA (SHENZHEN)	HSBC BANK (CHINA) COMPANY LIMITED
CHINA (INTERBANK BOND MARKET IN BEIJING)	HSBC BANK (CHINA) COMPANY LIMITED
CHINA (INTERBANK BOND MARKET IN SHANGHAI)	HSBC BANK (CHINA) COMPANY LIMITED
COLOMBIA	SANTANDER CACEIS COLOMBIA SA SOCIEDED FIDUCIARA
COSTA RICA	BANCO NACIONAL DE COSTA RICA
CROATIA	PRIVREDNA BANKA ZAGREB
CYPRUS	BNP PARIBAS SA, ATHENS BRANCH
CZECH REPUBLIC CLIENT AND PROPRIETARY ASSETS ARE SEGREGATED	CESKOSLOVENSKA OBCHODNI BANKA, A.S.
DENMARK	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
EGYPT	HSBC BANK EGYPT SAE
ESTONIA	AS SEB PANK
FINLAND	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
FRANCE	CACEIS BANK FRANCE
GERMANY	HSBC TRINKAUS & BURKHARDT GMBH
GHANA	STANBIC BANK GHANA LIMITED
GREECE	BNP PARIBAS SA, ATHENS BRANCH
HONG KONG – SPECIAL ADMINISTRATIVE REGION (INCLUDING STOCK CONNECT AND BOND CONNECT)	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
HUNGARY	UNICREDIT BANK HUNGARY ZRT
ICELAND	LANDSBANKINN HF
INDIA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
INDONESIA	PT BANK HSBC INDONESIA
IRELAND	EUROCLEAR BANK SA/NV
ISRAEL	BANK LEUMI LE-ISRAEL BM
ITALY	BNP PARIBAS SA
IVORY COAST	SOCIETE GENERALE COTE D'IVOIRE
JAPAN	THE HONGKONG & SHANGHAI BANKING CORPORATION
JORDAN	BANK OF JORDAN
KAZAKHSTAN	JSC CITIBANK KAZAKHSTAN
KENYA	STANBIC BANK KENYA LIMITED
KUWAIT	HSBC BANK MIDDLE EAST LIMITED, KUWAIT BRANCH
LATVIA	AS SEB BANKA
LEBANON	BANK AUDI SAL
LITHUANIA	AB SEB BANKAS

LUXEMBOURG (LOCAL CUSTODY)	CLEARSTREAM BANKING SA
MALAWI	STANDARD CHARTERED BANK (MAURITIUS) LTD
MALAYSIA	HSBC BANK MALAYSIA BERHAD
MALI	SOCIETE GENERALE COTE D'IVOIRE
MAURITIUS	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
MEXICO	HSBC MEXICO, SA
MOROCCO	CITIBANK MAGHREB S.A
NAMIBIA	STANDARD BANK NAMIBIA LIMITED
NETHERLANDS	BNP PARIBAS SA
NEW ZEALAND	THE HONGKONG SHANGHAI BANKING CORPORATION LIMITED
NIGER	SOCIETE GENERALE COTE D'IVOIRE
NIGERIA	STANBIC IBTC BANK
NORWAY	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
OMAN	HSBC BANK OMAN S.A.O.G.
PAKISTAN	CITIBANK NA
PALESTINE	BANK OF JORDAN PLC, PALESTINE BRANCH
PERU	CITIBANK DEL PERU
PHILIPPINES	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
POLAND	BANK POLSKA KASA OPIEKI SA
PORTUGAL	BNP PARIBAS SA
QATAR	HSBC BANK MIDDLE EAST LIMITED, QATAR BRANCH
ROMANIA	CITIBANK EUROPE PLC DUBLIN ROMANIA BRANCH
RUSSIA	AO CITIBANK
SAUDI ARABIA	HSBC SAUDI ARABIA LIMITED
SENEGAL	SOCIETE GENERALE COTE D'IVOIRE
SERBIA	UNICREDIT BANK SRBIJA A.D.
SINGAPORE	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
SLOVAK REPUBLIC	CESKOSLOVENSKA OBCHODNA BANKA A.S
SLOVENIA	UNICREDIT BANKA SLOVENIJA DD
SOUTH AFRICA	STANDARD BANK OF SOUTH AFRICA LTD
SOUTH KOREA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
SPAIN	BNP SA
SRI LANKA	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SWEDEN	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
SWITZERLAND	CREDIT SUISSE (SWITZERLAND) LTD
TAIWAN	HSBC BANK (TAIWAN) LIMITED
TANZANIA	STANDARD CHARTERED BANK (MAURITIUS) LTD
THAILAND	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
TOGO	SOCIETE GENERALE COTE D'IVOIRE
TUNISIA	UNION INTERNATIONALE DE BANQUES TUNISIA
TURKEY	TURK EKONOMI BANKASI ANONIM SIRKETI A.S (TEB)
UGANDA	STANBIC BANK UGANDA LIMITED
UAE	HSBC BANK MIDDLE EAST LIMITED
UNITED KINGDOM	HSBC BANK PLC
UNITED STATES OF AMERICA	HSBC BANK USA, N.A.
VIETNAM	HSBC BANK (VIETNAM) LTD
ZAMBIA	STANBIC BANK ZAMBIA PLC
ZIMBABWE	STANDARD BANK OF SOUTH AFRICA LIMITED