

**MARKS & SPENCER UK 100 COMPANIES FUND**

**PROSPECTUS**

**7 AUGUST 2019**

**This document is the Prospectus of the Marks & Spencer UK 100 Companies Fund, valid as 7 August 2019. It contains the information the Financial Conduct Authority requires us to publish about the Marks & Spencer UK 100 Companies Fund.**

**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 27.**

**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.**

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## 1. DEFINITIONS

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

“**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 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.

“**Blue chip Company**” means a nationally recognized, well-established, and financially sound company. Blue chips generally sell high-quality, widely accepted products and services.

“**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.

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

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

“**COLL**” means the FCA Collective Investment Schemes Sourcebook.

“**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.

“**Custodian**” means HSBC Bank plc.

“**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.

“**Derivatives**” or “**Derivatives**”– 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.

“**Efficient Portfolio Management (EPM)**” means managing the Fund in a way 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 Banking Consolidation Directive (“BCD”) credit institution authorised by its Home State regulator or an Investment Services Directive (“ISD”) investment firm authorised by its Home State Regulator as defined in the glossary to the FCA Handbook that the fund may borrow cash from.

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

“**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 & Spencer UK 100 Companies Fund.

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

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

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

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

“**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 paid back into the Fund and reinvested.

“**Income Unit**” means the 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.

“**Liquidity**” means the degree to which an investment can be quickly bought or sold on a market without affecting its price.

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

“**Market capitalisation index**” means a type of market index whose components, or securities, are weighted according to the total market value of their outstanding shares. Every day an individual stock's price changes and thereby changes a stock index's value.

“**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 (OCF)**” 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.

“**Passively Managed**” means the fund manager aims to track the performance of a stock exchange index

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

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

“**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.

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

“**Tracking Error**” means the volatility of the difference between the return of the Fund and the return of the index or indices it tracks.

“**Trust Deed**” means the Trust Deed constituting the Fund dated 2 March 1995, as amended, supplemented or restated from time to time

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

“**UCITS**” means ‘Undertakings for Collective Investment in Transferable Securities’, a European directive that provides a regulatory framework for funds which are based in the European Union.

“**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 is a resident of the US under any US Law.
2. A corporation, partnership, limited liability company, collective investment vehicle, investment company, pooled account or other business, investment or legal entity:
  - a. created or organised under US law:
  - b. created (regardless of domicile of formation or organisation) principally for passive investment (e.g. as an investment company, fund or similar entity excluding employee benefit or pension plans);
    - i. and owned directly or indirectly by one or more US Persons, who hold, directly or indirectly in the aggregate 10% or greater beneficial interest, provided that any such US Person is not defined as a Qualified Eligible Person under CFTC Regulation 4.7 (a)
    - ii. where a US Person is the general partner, managing member, managing director or other position with authority to direct the entity’s activities; or
    - iii. where the entity was formed by or for a US Person principally for the purpose of investing in securities not registered with the SEC unless such entity is comprised of Accredited Investors, as defined in Regulation D, 17 CFR 230.501 (a), and no such Accredited Investors are individuals or natural persons; or
    - iv. where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by US Persons; or
  - c. that is any agency or branch of a non-US entity located in the US;
  - d. that has its principal place of business in the US;
3. A trust:
  - a. created or organised under US Law; or
  - b. where, regardless of domicile of formation or organisation:
    - i. any settlor, founder, Trustee, or other person responsible in whole or in part for investment decisions for the trust is a US Person;
    - ii. the administration of the trust or its formation documents are subject to the supervision of one or more US courts; or
    - iii. the income of which is subject to US income tax regardless of source.
4. An estate of a deceased person:
  - a. who was a resident of the US at the time of death or the income of which is subject to US income tax regardless of source; or
  - b. where, regardless of the deceased person’s residence while alive, an executor or administrator having sole or shared investment discretion is a US Person or the estate is governed by US Law.
5. An employee benefit or pension plan that is:
  - a. established and administered in accordance with US Law; or
  - b. established for employees of a legal entity that is a US Person or has its principal place of business in the US.
6. A discretionary or non-discretionary or similar account (including a joint account) where:
  - a. one or more beneficial owners is a US Person or held for the benefit of one or more US Persons; or
  - b. the discretionary or similar account is held by a dealer or fiduciary organized in the US. The Manager may, from time to time, waive or modify the above restrictions.

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.

“**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.

“**Yield**” The income from an investment, usually stated as a percentage of the value of the investment.

## 2. DESCRIPTION OF THE FUND

The Fund is called the Marks & Spencer UK 100 Companies Fund (“the Fund”).

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

The Fund is a UCITS scheme (Undertakings for Collective Investment in Transferable Securities).

The Fund is authorised by the Financial Conduct Authority (“the FCA”). It was authorised on 8 March 1995 with Product Reference Number 171322.

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 agree 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 & STRATEGY

There are risks associated with investments in this Fund. These are summarised in the section titled ‘Risks’ on page 27. The Manager uses certain terms and phrases when describing the investment objective and policy these are explained in the Definitions on page 4.

### Objective:

The Fund aims to provide capital *growth* in the long term (five years or more) by tracking the performance of the FTSE 100 Index\* (‘the index’).

### Policy:

The Fund seeks to achieve this objective through investing in all companies that make up the FTSE 100 Index\*. It will invest in companies that make up the FTSE 100 Index\* and may also invest in other transferable securities equivalent to *shares* in companies, *collective investment schemes*, *money market instruments*, deposits and cash in order to manage day-to-day cash



flow requirements that will assist the Fund to achieve its objective and are not part of the index. The Fund may invest up to 10% of its value in *collective investment schemes*.

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 Fund does not intend to use financial derivative instruments extensively.

The Fund may not comprise of the same securities (either in terms of exact composition and/or weighting) that are tracked by the index in circumstances where the Manager determines that this is appropriate for reasons of poor liquidity, excessive cost to the Fund or where there are investment restrictions due to regulations or the Manager's banned weapons policy.

#### **Investment Strategy:**

The Investment Manager will use a replication approach to track the FTSE 100 Index\*. This means that the Fund will seek to invest in all of the companies that make up the index and in the same or very similar proportions in which they are included in the index.

From time to time, the Fund may not comprise of the same securities (either in terms of exact composition and/or weighting) that are tracked by the index in circumstances where the Manager determines that this is appropriate for reasons of poor *liquidity*, excessive cost to the Fund or where there are investment restrictions due to regulations or the Manager's banned weapons policy. The investment restrictions are detailed on page 8 of this Prospectus. The Fund tracks the performance of the index and we show the performance measured against the index over 12 month periods.

The Fund's performance is measured against the Index, because the Fund intends to track the performance of the Index.

The Fund uses a "*tracking error*" to measure the consistency between the Fund's performance and the performance of the Index. In general, the lower the *tracking error*, the more consistent the Fund's performance is relative to the Index, and vice-versa.

The anticipated *tracking error* for the Fund is expected to be up to 0.10%. The anticipated *tracking error* for the Fund is not a guide to future performance.

#### **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.

#### **Information about the Index:**

The FTSE 100 Index\* is a market-capitalisation weighted index of UK-listed *blue chip companies*. The index is part of the FTSE ® UK series\* and is designed to measure the performance of the 100 largest companies traded on the London Stock Exchange that pass screening for size and *liquidity*. FTSE 100\* constituents are all traded on the London Stock Exchange's SETS trading system. The index rebalances quarterly on the third Friday of March, June, September and December.

Details of the constituents of the index can be found at [ftse.com/products/indices/UK](http://ftse.com/products/indices/UK)

\*The index utilised by the Fund is provided by a benchmark administrator who appears on the register of administrators maintained by the European Securities and Markets Authority. However, the benchmark administrator is making use of the transitional arrangements of Regulation (EU) 2016/1011 (the "Benchmark Regulation") and accordingly the index does not appear on the register of benchmarks as at the date of this Prospectus.

#### **Eligible securities and derivatives markets**

Eligible securities 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 EEA 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 the 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 which the Investment Adviser, HSBC Global Asset Management (UK) Limited may trade on for the Fund are:

## United Kingdom of Great Britain and Northern Ireland

London Stock Exchange (LSE)  
Alternative Investment Market (AIM)  
Euronext London  
ICAP Securities & Derivatives Exchange (ISDX) EMX  
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 (i.e. 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, summarised below:

- (a) Not more than 5% in value of the scheme property is to consist of transferable securities or approved money market instruments issued by any single body. This limit may be increased to 10% in respect of 40% in value of the property of the Fund. However, as a replicator fund, up to 20% in value of the scheme property may be invested in shares and debentures which are issued by the same body. As an exception to this, up to 35% in value of the scheme property may be invested in such securities, but only in respect of one body and where justified by exceptional market conditions. The Fund is not permitted to invest in covered bonds.
- (b) Up to 35% of the property of the Fund may be invested in UK Government and other public securities issued by one issuer, provided that the issuers are among the following: (i) an EEA State, (ii) a local authority of an EEA State, (iii) a non-EEA State, or (iv) a public international body to which 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 other public securities issued by any one body in any one issue.
- (c) 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, provided the instrument is:
  1. (i) admitted to or dealt in on an eligible market which is a regulated market;
  - (ii) dealt in a market in 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 an EEA state, 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 one or more EEA states belong; or
  - (ii) an establishment subject to prudential supervision in accordance with criteria defined by Community 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 Community 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 property of the Fund may consist of money market instruments not referred to above.

- (d) 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 10% of the units in a collective investment scheme, or
  - (iv) more than 10% of the approved money market instruments issued by any single body.
- (e) 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. 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.
- (f) 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.
- (g) The Fund may invest in deposits only if it:
  - is with an approved bank (as defined in the FCA Rules);
  - is repayable on demand, or has the right to be withdrawn; and
  - matures in no more than 12 months.
 Not more than 20% in value of the property of the Fund is to consist of deposits with a single body.
- (h) The Fund must not retain cash or near cash except to the extent that this may be reasonably be regarded as necessary in order to enable the pursuit of the Fund's investment objectives, redemption of units, efficient management of the Fund in accordance with its investment objectives, or other purposes ancillary to the investment objectives of the Fund.
- (i) The Manager must not acquire, or cause to be acquired for the Fund, transferable securities issued by any 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 purposes any temporary suspension of voting rights in respect of the transferable securities of that body corporate).
- (j) The Fund shall not invest directly 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 controversial weapons, including but not limited to 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 Trustees 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 for 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 derivative 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).

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 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 Managers to utilise the technique of tactical asset allocation. Tactical asset allocation 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.

Not more than 5% of the value of the scheme property of the Fund is to be directed to initial outlay in respect of over the counter transactions with any one counterparty.

With regard to cover, each transaction must be covered "individually" by property of the right kind (i.e. appropriate stock or property for exposure in terms of property; cash or "near cash" for exposure in terms of cash) and also "globally" (i.e. 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.

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.

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 our Investment Adviser HSBC Global Asset Management (UK) Limited. The Investment Adviser has in place a Best Execution Policy to ensure they take 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 Adviser 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 adviser. The Investment Adviser is required to monitor the effectiveness of their order execution arrangements, correct any deficiencies, and review at least annually their Best Execution Policy. The Best Execution Policy of the Investment Adviser forms part of the due diligence carried out on behalf of the Manager on appointment, and on a regular basis thereafter, in respect of the Investment Adviser. To view the Investment Adviser's Best Execution Policy, please go to [www.assetmanagement.hsbc.co.uk](http://www.assetmanagement.hsbc.co.uk) and choose "Individual investor" or "Financial intermediary" / "About us" / "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 3849, Chester, CH1 9FN.

## 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 3849, Chester, CH1 9FN.

## 6. TYPICAL INVESTOR PROFILE

The Fund is aimed at investors who are looking to build up capital by participating in a limited portfolio investing in the United Kingdom's largest companies. 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	28/02/14 to 28/02/15	28/02/15 to 29/02/16	29/02/16 to 28/02//17	28/02/17 to 28/02/18	2/02/18 To 28/02/19
UK 100 Companies Fund	4.9%	-9.1%	23.1%	2.7 %	2.0%
FTSE 100* Index	5.6%	-8.7%	24.1%	3.3%	2.1%

Past performance reflects the annual accounting period for this Fund which ends at the end of February of each year. Figures are on a bid to bid basis with net income reinvested. Source: Morningstar

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

## **8. FUND DOCUMENTATION**

On request the key investor information document (“KIID”), Trust Deed and Supplementary Instruments, and the latest annual and half-yearly reports, are 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 end February in each year and the half yearly (‘interim’) accounting period ends on 31 August 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 30 April (final) and on or before 31 October (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 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 at the address recorded on the register, 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 the last Business Day in February and half-yearly (interim) accounting period ending 31 August. 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.

## **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 *pari passu* 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 in person 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 an 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 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 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 CH99 9FB.

Head office and principal place of business: Kings Meadow, Chester CH99 9UT.

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, The Marks and Spencer UK Selection Portfolio Fund and Marks & Spencer High Income Fund.

### **Directors:**

Paul Michael Spencer, appointed 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.

David Stewart, Non-Executive Director of Marks & Spencer Financial Services plc and Marks and Spencer Unit Trust Management Limited.

Douglas Van Den Aardweg, Non-Executive Director of Marks & Spencer Financial Services plc and Marks and Spencer Unit Trust Management Limited..

Matthew Handley, Director of Marks & Spencer Financial Services plc and Spencer Unit Trust Management Limited.

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

Peter Dew, Non-Executive Director of Marks and Spencer Unit Trust Management Limited.

Simon Ellis, Director of Marks and Spencer Unit Trust Management Limited.

### 13. DELEGATED FUNCTIONS

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

Function delegated	Name of firm(s)
Fund accounting (pricing and valuation)	HSBC Securities Services (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 Services Limited

### 14. TRUSTEE

State Street Trustees Limited is the Trustee of the Fund. It is a private limited company incorporated in England and Wales on 24 October 1994. The registered office of the Trustee is 20 Churchill Place, London, E14 5HJ and its head office (and the address which should be used for correspondence) is Quatermile 3, 10 Nightingale Way, Edinburgh EH3 9EG. The Trustee's principal business activity is acting as trustee and depositary of collective investment schemes.

The Trustee is responsible for the safekeeping of all the scheme property of the Fund and has a duty to take reasonable care to ensure that the Fund is managed in accordance with its Trust Deed and FCA Rules. In carrying out its duties the Trustee shall act honestly, fairly, professionally, independently and solely in the interests of Unitholders.

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

- ensuring that dealing in Units is conducted in accordance with the FCA Rules, the Trust Deed and the Prospectus;
- ensuring that Units are valued in accordance with the FCA Rules, the valuation rules and procedures set out in the Trust Deed and the Prospectus;
- carrying out the instructions of the Manager unless these conflict with applicable law, the Trust Deed or the Prospectus;
- ensuring that for transactions in scheme property of a Fund, any consideration is provided to the Fund within the usual time limits applicable to the relevant market;
- ensuring that income of a Fund is applied in accordance with the FCA Rules, the Trust Deed and the Prospectus;
- ensuring the Fund is managed in accordance with its investment objective and policy and the applicable investment restrictions and borrowing limits;
- monitoring the cash flows of each Fund.

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 (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 and HSBC Securities Services Limited 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 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 19 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.

The Trustee is indemnified under the Depositary Agreement to the extent that it is properly performing its obligations and furthermore, the Trustee is exempt from liability in certain circumstances to the extent permitted by the Act and the FCA Rules.

If there is a loss of financial instruments held in custody, the Trustee is obliged to 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.

Aside from a loss of financial instruments in custody, the Trustee will be liable for all other losses suffered by the Fund as a result of the Trustee's negligent or intentional failure to properly fulfil its obligations or its material breach of the Depositary Agreement.

The Unitholders may invoke the liability of the Trustee (to the extent arising under regulation 15C or 15D of the Undertakings for Collective Investment in Transferable Securities Regulations 2011 (as amended)) directly or indirectly through the Manager on behalf of the Fund provided that this does not lead to a duplication of redress or to the unequal treatment of the Unitholders.

### **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 are not bound to disclose to, the Fund or its Unitholders the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (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;
- (v) may be granted creditors' rights by the Fund which it may exercise.

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.

Where cash belonging to the Fund is deposited with an affiliate being a bank, a potential 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.

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

(1) conflicts from the sub-custodian selection and asset allocation among multiple sub-custodians influenced by (a) cost factors, including lowest fees charged, fee rebates or similar incentives and (b) broad two-way commercial relationships in which the Trustee may act based on the economic value of the broader relationship, in addition to objective evaluation criteria;

(2) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests;

(3) 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

(4) sub-custodians may have market-based creditors' rights against client assets that they have an interest in enforcing if not paid for securities transactions.

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 and the Trustee issues 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 to ensure a high level of client service by those agents. The Trustee further provides frequent reporting on clients' activity and holdings, with the underlying functions subject to internal and external control audits. Finally, the Trustee internally separates the performance of its custodial tasks from its proprietary activity and follows a Standard of Conduct that requires employees to act ethically, fairly and transparently with clients.

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 are authorised and regulated by the Financial Conduct Authority.

HSBC Global Asset Management (UK) Limited are in the same group of companies as the Manager.

Its registered office is at 8 Canada Square, London E14 5HQ. The principal activity of the Investment Adviser is acting as Investment Manager and Investment Adviser.

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 the 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 adviser. The agreement can be terminated by any 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 borrowing powers of the Fund.

HSBC Global Asset Management (UK) Limited directly manage the Fund and have currently not sub delegated management of the Fund to any Investment Advisers.

## **16. AUDITORS**

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 CH99 9UT.

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

The Registrar is entitled to a fee for the maintenance of the register. The present charge is nil per Unitholder per annum.

## 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. 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**

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 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 AFM means HSBC Holdings plc may be deemed to "control" the Company 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 a 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, HSBC Holdings plc and their affiliates may be restricted.

Any such actions will be executed in compliance with applicable law and in a manner consistent with the best interests of the Unitholders of each 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 AFD 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.

**19. ONGOING CHARGES FIGURE**

The ongoing charges figure ("OCF") is based upon the Annual Management Charge (as defined below) for the Fund for the relevant accounting period. The fund expenses as set out in Section 20 below, do not form part of the OCF as these are paid by the Manager.

The OCF is based on actual expenses for the relevant accounting period. This covers all aspects of operating the Fund during the year, including fees paid for investment management. 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. The OCF below is based upon an estimate following a change to the charging structure in August 2019. A breakdown of the current OCF is set out in the table below:

Annual Management Charge	Fund Expenses	Ongoing Charges Figure
0.50%	N/A	<b>0.50%</b>

**20. FEES AND EXPENSES 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 0.50% 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 mid-way between the bid and offer valuations 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.

**Remuneration of the Trustee**

The Trustee will be remunerated for its services by the Manager. The rate 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 by the Manager 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 Charge (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.

The Custody fees are paid by the Manager of the Fund.

## 21. OTHER PAYMENTS OUT OF THE FUND PROPERTY – FUND EXPENSES

Broker’s commission, fiscal charges and other disbursements which are:

- (i) necessary to be incurred in effecting transactions for the Fund
- (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate, may be made out of the property of the Fund.

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 Managers is arrived at by valuing the assets of the Unit trust on the basis of the cost to the Unit Fund of acquiring those assets (i.e. 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 Fund would receive if they were sold (e.g. 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 (e.g. on a European stock 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 disapply 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 from the Trustee 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 (i.e. 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**

You can buy Units in the Fund 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 3849, Chester, CH1 9FN.

Either accumulation 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 contract 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.

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 3849, Chester, CH1 9FN. 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 sale 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.

### **The manager does not currently accept purchases or repurchases by way of electronic communication.**

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.

### **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 Unit 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 purposes 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, latest KIID and the latest 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*

From 6 April 2016, there is no longer a 10% tax credit on UK dividend distributions. Instead a dividend allowance applies for UK resident individual Unitholders which charges the first £2,000 (in tax year 2019/2020) 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 £2,000 allowance. Note that dividend income within the £2,000 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 £2,000 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 ("the DAC2") 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.

Under the CRS and DAC2, 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

With effect from 1 January 2016 the CRS supersedes the Regulations to enact the Agreements made between the UK and the Governments of the Isle of Man, Jersey, Guernsey and Gibraltar. Unitholders in the Fund should consult their own tax advisers regarding the application of information exchange between governments to their particular circumstances.

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**

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.

If you have a complaint please write in the first instance to the Manager at the address shown below. If we are unable to resolve your complaint you may also write directly to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, 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 their financial obligations to you, you may be entitled to compensation under the Investors 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.

### **United Kingdom Leaving the European Union**

On 29 March 2017, the Government of the United Kingdom (UK) formally notified the European Union (EU) of its intention to leave the Union (i.e. "Brexit").

The UK's future economic and political relationship with the EU (and with other non-EU countries by agreement) remains uncertain. This uncertainty is likely to generate further global currency and asset price volatility. This may negatively impact the returns of the Funds and their investments resulting in greater costs if the Funds decide to employ currency hedging policies. Ongoing uncertainty

could adversely impact the general economic outlook and as such this may impact negatively on the ability of the Fund and its investments to execute their strategies effectively, and may also result in increased costs to the Fund.

Brexit could negatively impact the tax position of the Fund investing in EEA assets due to higher withholding tax rates being applicable in certain EEA Markets for funds domiciled outside the EEA.

It is possible there will be more divergence between UK and EU regulations post-Brexit.

The nature and extent of the impact of any Brexit related changes are uncertain, but may be significant.

### **Index Tracking**

The investment of the Fund may be concentrated in one or two securities, in the event that the relevant Index is so concentrated.

The capital performance of the Index will be tracked using a full replication technique, with a full replication technique there is a risk that transaction costs and different time zones mean that we are not able to exactly match the return on the Index. There is also a risk that we cannot trade in sufficiently small lots to match perfectly the Index weights.

There is no guarantee that the investment objective the Fund will be achieved. In particular, no financial instrument enables the returns of any Index to be reproduced exactly. Changes in the investments of the Fund and re-weightings of the relevant Index may give rise to various transaction costs. (including in relation to the settlement of foreign currency transactions), operating expenses, custody costs, taxes, corporate actions, cash flows into and out of the Fund from dividend/reinvestments or inefficiencies which may adversely impact the Fund's tracking of the performance of an Index. Furthermore, the total return on investment in the Units of a Fund will be reduced by certain costs and expenses which are not taken into account in the calculation of the applicable Index. Moreover, in the event of the temporary suspension or interruption of trading in the Investments comprising the Index, or of market disruptions, rebalancing the Fund's investment portfolio may not be possible and may result in deviations from the returns of the Index.

Where it is not possible under the FCA Rules to invest in a stock such that the amount held is consistent with that stock's weighting within the Index, then additional exposure to the stock will be sought by investing in transferable securities (which may or may not be constituents of the Index) which themselves aim to closely replicate the performance of the stock or which it is expected will perform in a similar way to that stock, subject to any restrictions that may be provided by the FCA Rules. There is a risk that the stocks selected will not accurately replicate the capital performance of the Index.

### **Error in calculation of relevant Index**

The underlying asset allocation is determined based upon the composition of the relevant Index. The relevant Index is rebalanced at regular intervals as defined by the Index provider.

Since the assets of the Fund are determined with regard to the relevant Index composition, there is a risk that in the event of a miscalculation in the value of the relevant Index by the Index provider the Fund could hold assets which do not reflect the true 'theoretic' Index composition at any given time.

The Index provider is under no obligation to notify the ACD if it becomes aware of a miscalculation in the value of the relevant Index and the Index provider may not carry out a corrective calculation when such an error is identified. For Funds that aim to match the return of the Index by holding the physical assets this could result in an increased tracking error in the Fund compared to the relevant Index. The investment Manager has controls in place to identify, at an early stage, any potential error in the relevant Index and may adjust the Fund composition accordingly when it becomes aware of any such error. The Investment Adviser may also notify the Index Provider.

### **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 adviser 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 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 adviser 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 22).

### **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 Funds from benefitting from any potential returns from such companies.

## **32. ANTICIPATED TRACKING ERROR**

Anticipated tracking error is based on the estimated volatility between the returns of the Fund and the Index. It is the annualised standard deviation of the difference in monthly returns between the Fund and the Index. For a fully replicating Fund the main contributor to tracking error is the difference between the Fund holdings and the Index constituents. Cash management, trading costs, rebalancing and withholding tax on any income received from investments can also impact tracking error as well as the return of the Fund versus the Index.

The anticipated 1 year tracking error is 0.10%, based on historical data for the year to 28 February 2019. The difference in timing between the Fund Valuation Point (8am UK time) and the Index calculation (close of business) can have a large influence on the tracking error. The annual and half yearly reports for the Fund will state the 1 year tracking error for the previous 12 months.

## **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.

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

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### 34. APPENDIX 1

The Trustee has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive 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	UNICREDIT BANK AUSTRIA AG
BAHRAIN	HSBC BANK MIDDLE EAST LIMITED, BAHRAIN BRANCH
BANGLADESH	THE HONGKONG & SHANGHAI BANKING CORPORATION
BELGIUM (LOCAL CUSTODY)	BNP PARIBAS SECURITIES SERVICES
BERMUDA	HSBC BANK BERMUDA LIMITED
BOSNIA & HERZEGOVINA	UNICREDIT BANK D.D
BOTSWANA	STANDARD CHARTERED BANK BOTSWANA LIMITED
BRAZIL	BANCO BRADESCO SA
BULGARIA	UNICREDIT BULBANK AD
CANADA	ROYAL BANK OF CANADA
CHILE	BANCO SANTANDER CHILE
CHINA (SHANGHAI)	HSBC BANK (CHINA) COMPANY LIMITED
CHINA (SHENZHEN)	HSBC BANK (CHINA) COMPANY LIMITED
COLOMBIA	ITAU SECURITIES SERVICES COLOMBIA SA SOCIEDAD FIDUCIARA
CROATIA	PRIVREDNA BANKA ZAGREB D.D
CYPRUS	HSBC FRANCE, 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 AG
GHANA	STANDARD CHARTERED BANK GHANA LIMITED
GREECE	HSBC FRANCE, ATHENS BRANCH
HONG KONG – SPECIAL ADMINISTRATIVE REGION	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
HUNGARY	UNICREDIT BANK HUNGARY ZRT
INDIA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
INDONESIA	PT BANK HSBC INDONESIA
IRELAND	HSBC BANK PLC
ISRAEL	BANK LEUMI LE-ISRAEL BM
ITALY	BNP PARIBAS SECURITIES SERVICES
JAPAN	THE HONGKONG & SHANGHAI BANKING CORPORATION
JORDAN	BANK OF JORDAN
KAZAKHSTAN	JSC CITIBANK KAZAKHSTAN
KENYA	STANDARD CHARTERED BANK KENYA
KUWAIT	HSBC BANK MIDDLE EAST LIMITED, KUWAIT BRANCH
LATVIA	AS SEB BANKA
LEBANON	BANK AUDI SAL
LITHUANIA	AB SEB BANKAS
MALAWI	STANDARD CHARTERED BANK (MAURITIUS) LIMITED
MALAYSIA	HSBC BANK MALAYSIA BERHAD

MAURITIUS	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
MEXICO	HSBC MEXICO, SA
MOROCCO	CITIBANK MAGHREB S.A
NAMIBIA	STANDARD BANK NAMIBIA LIMITED
NETHERLANDS	BNP PARIBAS SECURITIES SERVICES
NEW ZEALAND	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
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 SECURITIES SERVICES
QATAR	HSBC BANK MIDDLE EAST LIMITED, QATAR BRANCH
ROMANIA	CITIBANK EUROPE PLC DUBLIN, ROMANIA BRANCH
RUSSIA	AO CITIBANK
SAUDI ARABIA	HSBC SAUDI ARABIA LIMITED
SERBIA	UNICREDIT BANK SERBIA JSC
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 PARIBAS SECURITIES SERVICES
SRI LANKA	THE HONGKONG & 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
TUNISIA	UNION INTERNATIONALE DE BANQUES TUNISIA
TURKEY	HSBC BANK AS
UGANDA	STANDARD CHARTERED BANK UGANDA LIMITED
UAE	HSBC BANK MIDDLE EAST LIMITED
UNITED KINGDOM & IRELAND	HSBC BANK PLC
UNITED STATES OF AMERICA	BROWN BROTHERS HARRIMAN & CO AND HSBC BANK USA, N.A.
VIETNAM	HSBC BANK (VIETNAM) LTD
ZAMBIA	STANDARD CHARTERED BANK ZAMBIA PLC
ZIMBABWE	STANDARD BANK OF SOUTH AFRICA LIMITED