

# HSBC OpenFunds

Prospectus

10 February 2012

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# Introduction

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This document is important. If you are in any doubt as to the meaning of any information in this Prospectus you should consult your financial adviser.

HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director (“the ACD”) of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, does not contain any untrue or misleading statement and does not omit anything likely to affect the import of such information or any matters required by the Collective Investment Schemes Sourcebook Instrument 2004 to be included in it. The ACD accepts responsibility accordingly.

This is the Prospectus of HSBC OpenFunds (“the Company”) valid as at 10 February 2012. This Prospectus has been prepared by the ACD in accordance with the Collective Investment Schemes Sourcebook Instrument 2004.

The Company is incorporated in England and Wales as an investment company with variable capital under registered number IC000488. The Shareholders are not liable for the debts of the Company.

Copies of this Prospectus have been sent to the Financial Services Authority and State Street Trustees Limited, the Depositary.

No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied upon as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The distribution of this document and the offering or sale of Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company or the ACD that would permit an offer of Shares or possession or distribution of this document in any jurisdiction where action for that purpose is required, other than in the United Kingdom. This document does not constitute an offer of or an invitation to purchase or subscribe for any Shares by anyone in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation. Persons into whose possession this document comes are required by the Company and the ACD to inform themselves about and to observe any such restrictions. The document may be translated into languages other than English. In the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, the English text shall prevail.

Potential investors should not treat the contents of this document as advice relating to investment, legal, taxation or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Company’s Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them). This document has been approved for the purpose of the Financial Services and Markets Act 2000 by the ACD.

Shares in the Company are not listed on any stock exchange.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date Prospectus when it has issued a new Prospectus and investors should check with the ACD that this is the most recently published Prospectus.

# Definitions

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“**Accumulation Shares**” means Shares in issue in respect of which income (if any) is not paid out but is instead accumulated in the price of the Share

“**ACD**” means HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director of the Company

“**Act**” is the Financial Services and Markets Act 2000 as amended, replaced or re-enacted from time to time

“**Approved Security**” as defined in Appendix 3

“**Business Day**” means any day that the London Stock Exchange (or its successor organisation) is open for business (except for, unless the ACD otherwise decides, the last business day before Christmas Day); and other days at the ACD’s discretion

“**Class**” or “**Classes**” means a particular class or classes of Share related to a single Fund

“**Company**” means HSBC OpenFunds

“**Dealing Day**” means Monday to Friday (except for, unless the ACD otherwise decides, the last Business Day before Christmas Day, a bank holiday in England and Wales or any other day on which the London Stock Exchange or its successor organisation is closed); and other days at the ACD’s discretion

“**Depository**” means State Street Trustees Limited, the depository of the Company

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

“**Eligible Institution**” means one of certain institutions being a BCD credit institution authorised by its Home State Regulator or an ISD investment firm authorised by its Home State Regulator as defined in the glossary to the FSA Handbook

“**FSA**” means the Financial Services Authority or its successor organisation

“**FSA Rules**” means the Collective Investment Schemes Sourcebook Instrument 2004 as amended or re-enacted from time to time

“**Fund**” or “**Funds**” means a sub-fund of the Company (being part of the scheme property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund

“**HSBC Group Companies**” means a body corporate in the same ‘group’ as the ACD as defined in Section 474 of the Companies Act 2006

“**Income Shares**” means Shares in issue in respect of which income (if any) is paid out to Shareholders

**“Instrument of Incorporation”** means the instrument of incorporation of the Company, as amended from time to time, prepared and registered by the Company in accordance with the Open-Ended Investment Companies Regulations 2001 and FSA Rules

**“larger denomination Shares”** means any Share other than a smaller denomination Share

**“Member State”** means a member state of the European Community and any other state, which is within the European Economic Area

**“Net Asset Value”** or **“NAV”** means the value of the scheme property of the Company (or of any Fund as the context requires) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Company’s Instrument of Incorporation

**“Non-UCITS Retail Scheme”** means an authorised fund which is neither a UCITS Scheme nor a Qualified Investor Scheme

**“scheme property”** means the property of the Company required under the Open-Ended Investment Companies Regulations 2001 to be given for safekeeping to the Depositary

**“Share”** or **“Shares”** means a share or shares in the Company (including larger denomination Shares and smaller denomination Shares)

**“Shareholder”** means a holder of Shares in the Company

**“smaller denomination Shares”** means one hundredth of a larger denomination Share (designed to deal with fractional entitlements to Shares)

**“switch”** means the exchange of Shares of one Class or Fund for Shares of another Class or Fund

**“UCITS”** means an undertaking for Collective Investment in Transferable Securities within the meaning of Article 1(2) of Council Directive 85/611/EEC of 20 December 1985, as amended from time to time

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

# Company Details

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HSBC OpenFunds is authorised by the FSA with effect from 7 November 2006.

## Head Office

78 St James's Street, London  
SW1A 1EJ.

This is the address in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on the Company.

## Base Currency

The base currency of the Company and each of the Funds is Pounds Sterling of the United Kingdom.

## Share Capital

Maximum: £100,000,000,000  
Minimum: £100

Shares in the Company and Funds have no par value. The Share capital of the Company will at all times equal the total sum of the Net Asset Value of each of the Funds.

# Directory

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The Company and Head Office:

**HSBC OpenFunds**  
78 St James's Street, London  
SW1A 1EJ

Authorised Corporate Director:

**HSBC Global Asset Management (UK) Limited**  
78 St James's Street, London  
SW1A 1EJ

Administrator and Registrar:

**HSBC Global Asset Management (UK) Limited  
(delegated to HSBC Bank plc)**  
Frobisher House, Nelson Gate, Commercial Road,  
Southampton, SO15 9DF

Depository:

**State Street Trustees Limited**  
525 Ferry Road, Edinburgh, EH5 2AW

Legal Advisers:

**Stephenson Harwood**  
One St Paul's Churchyard, London, EC4M 8SH

Auditors:

**KPMG Audit plc**  
Saltire Court, 20 Castle Terrace,  
Edinburgh, EH1 2EG

# The Constitution of the Funds

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## Umbrella Company

The Company is authorised and regulated by the FSA and is structured as an “umbrella” company, in that the Company proposes to issue Shares linked to different Funds which have been established. The Company is a Non-UCITS Retail Scheme.

Each Fund is invested as if it belongs to the “Non-UCITS Retail Scheme” category specified in the FSA Rules. For investment purposes the assets of each Fund will be treated as separate and will be invested in accordance with the investment objective and investment policy of that Fund. The Funds set out below are those currently available.

<b>Current Funds</b>	<b>Launch Date</b>
Open Global Return Fund	9 November 2006
Open Global Distribution Fund	9 November 2006
Open Global Property Fund	26 November 2007
World Selection – Cautious Portfolio	2 January 2009
World Selection – Balanced Portfolio	2 January 2009
World Selection – Dynamic Portfolio	2 January 2009
World Selection – Income Portfolio	5 July 2010
World Index Cautious Portfolio	17 October 2011
World Index Balanced Portfolio	17 October 2011
World Index Dynamic Portfolio	17 October 2011

The investment objectives and policies of the Funds can be found in Appendix 1. It is the ACD’s intention to manage each of the above Funds such that each Fund qualifies as a permitted link for long term insurance contracts.

The historic performance of the Funds can be found in Appendix 2.

## Additional Funds

Further Funds may be added in the future by the ACD from time to time with the approval of the FSA. On the introduction of any new Fund a revised Prospectus will be prepared.

## Allocation of Assets and Liabilities

Each Fund has a portfolio of assets to which that Fund’s assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity.

The Funds of the Company are, however, not separate legal entities and if the Company were unable to meet the liabilities attributable to any particular Fund out of assets attributable to that Fund, creditors may look to assets attributable to other Funds. Accordingly, assets could be re-allocated between Funds if this were necessary to satisfy any creditor proceeding against the Company.

As a general rule each Fund will be charged with the liabilities, expenses, costs and charges of the Company in respect of or attributable to that Fund.

Within the Funds, charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any expenses specific to a Class will be allocated to that Class and otherwise shall be allocated between Classes by the ACD in a manner, which is considered fair to Shareholders generally. With the exception of the audit fee, which is allocated according to the complexity of the audit in respect of the relevant Fund and the FSA authorisation fee, which is allocated equally between each Fund so authorised and then apportioned equally between all Classes of the relevant Fund, such fees will normally be allocated to all Classes in proportion to the respective Net Asset Value of the relevant Classes.

Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may also be allocated by the ACD in a manner which is considered fair to the Shareholders generally. They will normally be allocated to all Funds in proportion to the respective Net Asset Value of the relevant Funds.

# Share Classes

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The Company may issue several Classes of Share in respect of each Fund being; Retail Income, Retail Accumulation, Retail X Income, Retail X Accumulation, Institutional Income, Institutional Accumulation, Institutional A Income and Institutional A Accumulation.

The Classes currently in issue are Retail Income, Retail Accumulation, Retail X Income, Retail X Accumulation, Institutional Income, Institutional Accumulation, Institutional A Income and Institutional A Accumulation.

These Classes are distinguished on one or more of the following criteria: accumulation or distribution of income, minimum subscription, minimum holding, annual management charge and distribution channel.

All Funds are marketable to all investors. However, the Classes available for each Fund are subject to the eligibility criteria detailed below.

## Share Classes Currently Offered in the Funds:

Share Class Type:	Where offered:
Retail Income	All Funds
Retail Accumulation	All Funds
Retail X Income	World Index Cautious Portfolio; World Index Balanced Portfolio; and World Index Dynamic Portfolio
Retail X Accumulation	World Index Cautious Portfolio; World Index Balanced Portfolio; and World Index Dynamic Portfolio
Institutional A Income	Open Global Property Fund only
Institutional A Accumulation	Open Global Property Fund only
Institutional Income*	Open Global Property Fund only
Institutional Accumulation*	Open Global Property Fund; World Selection – Balanced Portfolio; World Selection – Cautious Portfolio; World Selection – Dynamic Portfolio; and World Selection – Income Portfolio World Index Cautious Portfolio World Index Balanced Portfolio World Index Dynamic Portfolio

\* These Classes are only available to HSBC Group Companies or otherwise at the discretion of the ACD.

The details of subscription and holding criteria are:

***Retail Income and Retail Accumulation Share Classes:*** These Share Classes are net Income and net Accumulation Share Classes. For lump sum investments, each has a minimum initial subscription of £1,000, and a minimum additional subscription of £500.

The ACD operates a regular savings plan for the Retail Accumulation Share Class, which is subject to a minimum initial subscription of £50 and a minimum additional subscription of £10 per month.

The minimum redemption limit is £100.

***Retail X Income and Retail X Accumulation Share Classes:*** These Share Classes are net Income and net Accumulation Share Classes. For lump sum investments, each has a minimum initial subscription of £1,000, and a minimum additional subscription of £500.

The ACD operates a regular savings plan for the Retail X Accumulation Share Class, which is subject to a minimum initial subscription of £50 and a minimum additional subscription of £10 per month.

The minimum redemption limit is £100.

***Institutional A Income and Institutional A Accumulation Share Classes:*** These Share Classes are net Income and net Accumulation Share Classes. Available for lump sum investment, each has a minimum initial subscription of £1,000,000 and a minimum additional subscription of £1,000.

***Institutional Income and Institutional Accumulation Share Classes:*** These Share Classes are net Income and net Accumulation Share Classes. Available for lump sum investment, each has a minimum initial subscription £10,000,000 and a minimum additional subscription of £1,000,000.

For all Classes the minimum holding is the same as the minimum initial subscription. However the ACD has discretion to apply lower minima than those shown above.

The details of current annual management charges are to be found on Page 33.

### **Additional Share Classes**

Further Classes of Share may be established from time to time by the ACD with the approval of the FSA. On the introduction of any new Class, a revised Prospectus will be prepared.

### **Switching**

Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shares in a Class or a Fund for Shares in another Class or Fund. Details of this switching facility and the restrictions are set out on page 16.

### **Income and Accumulation Shares**

Holders of Retail Income, Retail X Income, Institutional Income and Institutional A Income Shares will receive distributions of income. Holders of Retail Accumulation, Retail X Accumulation, Institutional Accumulation and Institutional A Accumulation Shares do not receive payments of income as these are Accumulation Shares and any income arising in respect of an Accumulation Share is automatically accumulated and reflected in the price of each Accumulation Share.

Shareholders' liability to tax is explained in more detail in the Section "Taxation" on page 39.

Tax vouchers or certificates of deduction of income tax for both Income and Accumulation Shares will be issued in respect of distributions made or accumulated and tax accounted for.

Each allocation of income made in respect of any Fund at a time when more than one Class is in issue in respect of that Fund will be done by reference to the relevant Shareholder's proportionate

interests in the scheme property of the Fund in question. Shareholders must have their distribution of income paid direct to their bank or building society current account.

Where both Income and Accumulation Shares are in existence in relation to a Fund, the relevant Shareholder's proportionate interest in the scheme property of the Fund represented by each Accumulation Share increases as income, if any, is accumulated. In these circumstances, the income of the Fund is allocated between Income Shares and Accumulation Shares according to the relevant Shareholder's proportionate interests in the scheme property of the Fund represented by the Accumulation Shares and Income Shares in existence at the end of the relevant accounting period.

### Governing Law

An investment in Shares is governed by English law.

# Dealing in Shares

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The ACD's Share dealing lines are open from 8.00 am until 5.00 pm on each Dealing Day.

## Pricing

The Company deals on the basis of "single pricing". This means both the issue and the redemption price of a Share at a particular valuation point will be the same.

The price of a Share in the Company is calculated by reference to the Net Asset Value ("NAV") of the Fund to which it relates. The Class NAV is derived from the Fund NAV proportionate to the value of the assets attributable to each Class. The price of a Share is calculated by dividing the Class NAV by the number of Shares of that Class in issue. In addition the ACD will normally make an initial charge on Shares purchased and reserves the right to make a redemption charge on Shares sold (although no such redemption charge is currently intended). For both purchases and sales, a dilution adjustment may be made to the price of a Share (see section titled "Dilution" on page 34).

For all Funds the Company deals on a forward pricing basis only (and not on the basis of published prices). A forward price is the price calculated at the next valuation point (Refer to Valuation Section on page 20) after the deal instruction is received.

The prices of Shares will be published on the ACD's website; [www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com), or you can call the Investments helpline on 0800 289 505. Lines are open 9.00am to 5.00pm Monday to Friday (excluding public holidays). To help the ACD continually improve its service and in the interests of security, it may monitor and/or record your communications with it.

## Buying Shares

Applications to buy Shares can be made by telephoning the ACD on 0845 745 6126 (subject to subsequent completion of an application form/registration document and appropriate anti-money laundering documentation for administrative purposes) or by sending a completed application form and appropriate anti-money laundering documentation to the ACD. Regular savers wishing to buy Shares must initially complete an application form and appropriate anti-money laundering documentation. Requests to subsequently alter regular savings amounts must be notified to the ACD in writing.

Application forms are available from the ACD by writing to its administration office, by telephoning the ACD on 0800 289 505 or by visiting the website [www.assetmanagement.hsbc.com](http://www.assetmanagement.hsbc.com) and clicking on the site map. The ACD may introduce other methods by which Shares can be purchased in the future.

The ACD has the right to refuse to sell Shares to a prospective investor if:

- (a) there are reasonable grounds relating to the circumstances of the applicant, or
- (b) the number or value of the Shares applied for is less than the minimum for that Class.

In either event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining, after a whole number of Shares have been issued, will not be returned to the applicant. Instead, smaller denomination Shares will be issued in such circumstances.

The register and all documentation sent to Shareholders will show the number of larger denomination Shares and smaller denomination Shares of the same Class.

If a Shareholder has title to more than 100 smaller denomination Shares of any one Class then sufficient smaller denomination Shares will be consolidated to one larger denomination Share, so that the Shareholder has title to less than 100 smaller denomination Shares.

The ACD may at any time, for the purposes of effecting a transaction in Shares with a Shareholder, substitute that Shareholder's entitlement to one or more larger denomination Shares into an entitlement to smaller denomination Shares of the same Class, in a ratio of one larger denomination Share to 100 smaller denomination Shares.

Applications to buy Shares will not be acknowledged. However, a contract note will be issued by the end of the Business Day following the later of the day of receipt by the ACD of the application for the purchase of Shares or the day of the valuation point by reference to which the purchase price is determined. Where appropriate, applicants will be informed of their right to cancel. The contract note will give details of the Shares purchased and the price used.

If payment has not already been made settlement is due immediately. The ACD may delay issuing the Shares until payment is received and cleared.

Certificates will not be issued in respect of Shares.

Ownership of Shares will be evidenced by an entry on the Company's Register of Shareholders (the "Register"). If any Shareholder requires evidence of title to Shares then upon such proof of identity as it shall reasonably require the ACD will provide the Shareholder with a certified copy of the relevant entry in the Register.

Shareholders will be able to monitor their holdings by a statement showing transactions in Shares and current holdings which will be sent out to all Shareholders (or in the case of joint holdings to the first named) twice a year by the ACD. The Register is prima facie evidence of entitlement to Shares. Shareholders must notify the ACD of any change of address. Individual statements of Shareholders' (or in the case of joint holdings, the first named) Shares will also be issued at any time on request by the registered holders. The right is reserved to make a charge for duplicate copies of statements.

### **Selling Shares**

A Shareholder wishing to sell Shares should telephone the ACD on 0845 745 6126 or write to the ACD's administration office. Shareholders who own Shares solely may effect the sale of Shares by telephone, however in the case of joint Shareholders the ACD will need to receive written instructions. The ACD may introduce other methods for selling Shares in the future. The ACD does not currently accept electronic instructions for the sale of Shares.

Instructions to sell are irrevocable.

Shareholders are entitled on any Dealing Day to request that the Company redeem their Shares in accordance with the procedures set out below.

A contract note giving details of the number and prices of Shares sold will be sent to the selling Shareholder (the first named in the case of joint holders) together (if written instructions are required by the ACD) with a form of renunciation for completion and execution by the Shareholder (or in the case of joint holders, by all the joint holders). This will be sent no later than the end of the Business Day following the later of the day of the request to sell Shares or the day of the valuation point by reference to which the redemption price is determined. The redemption monies will be paid within four Business Days or the later of:

- (a) the receipt by the ACD of the telephone request to sell, or where written instructions are required, the form of renunciation (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title; and
- (b) the valuation point following receipt by the ACD of the request to sell.

### Minimum Redemption

Shareholders may sell part of their holding but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed in the Retail Classes is less than £100 or where the remaining holding in a Class would fall below the stated minimum for that Class if it were effected. In this circumstance the ACD may require redemption of the entire holding.

### Switching

Subject to the qualifications below, a Shareholder may at any time switch all or some of his Shares of one Class or Fund (“the Original Shares”) for the appropriate number of Shares of another Class or Fund (“New Shares”). In no circumstances will a Shareholder who exchanges Shares in one Fund for Shares in another Fund be given a right by law to withdraw from or cancel the transaction. The number of New Shares issued is determined by the following formula:

$$N = \frac{O \times (CP \times ER)}{SP}$$

Where N is the number of New Shares to be issued, O is the number of Original Shares to be exchanged, CP is the price at which one Original Share can be redeemed, ER is 1 (for the same currency Shares or an appropriate exchange rate where the currency of the Shares involved are different) and SP is the price at which a New Share can be purchased (in the cases of CP and SP at the applicable valuation point). Each number referred to in the definition of N or O shall be expressed to the second decimal place and rounded down thereto in the case of N, so that the numbers before the decimal point represent the number of larger denomination Shares and the numbers after the decimal point when multiplied by 100 represents the number of smaller denomination Shares.

Where it is desired to switch Shares between Classes issued in respect of the same or different Funds, the ACD may not impose restrictions as to the Classes of New Shares unless there are reasonable grounds relating to the circumstances of the Shareholder or the terms of the issue of the Class concerned for refusing to issue or sell Shares of a particular Class to him.

If the switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may (at its discretion) switch the whole of the applicant’s holding of Original Shares to New Shares or refuse to effect any switch of the Original Shares. No switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended.

The general provisions on procedures relating to redemption will apply equally to a switch. A Shareholder wishing to switch Shares should apply to the ACD in writing or by telephoning the ACD on 0845 745 6126.

Where instructions to switch are received over the telephone and the New Shares are Retail Income Shares, Retail X Income Shares, Institutional Income Shares or Institutional A Income Shares the ACD may request written bank account details in order to pay income distributions.

Notification must be received by the ACD before the valuation point on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at those valuation points on that Dealing Day, or at such other valuation point as the ACD at the request of the Shareholder giving the relevant exchange notice may determine. A switching request received after a valuation point will be held over until the next Dealing Day.

If a Shareholder switches Original Shares in one Fund for New Shares in another Fund the ACD may impose a switching fee and in certain circumstances make a dilution adjustment to the price of a Share. Details of these charges are described on page 32 in the Section titled “Fees and Expenses”.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other fees, charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Original Shares as may be permitted pursuant to the FSA Rules.

Switching instructions, once given, are irrevocable. It should be noted that a switch of Original Shares in one Fund for New Shares in any other Fund is treated as a redemption and will, for persons subject to United Kingdom taxation, be a disposal for the purposes of Capital Gains Tax.

### Dealing Charges

The charges applicable to all dealings in Shares are set out in this Prospectus on page 34.

### Compulsory Transfer and Redemption

Shares in the Company 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; or
- (b) which would (or would if other Shares were acquired or held in like circumstances) result in the Company 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 ACD may (amongst other things) reject any subscription, sale, transfer or switching of Shares.

If it comes to the notice of the ACD that any Shares (“affected Shares”) have been acquired or are being held directly or beneficially in any of these relevant circumstances or by virtue of which the Shareholder in question is not qualified to hold such Shares or if it reasonably believes this to be the case, the ACD may give notice (an “action notice”) to the holder of the affected Shares requiring

the transfer of such Shares 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 Shares in accordance with the FSA Rules. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or establish to the satisfaction of the ACD (whose judgement shall be final and binding) that he and any person on whose behalf he holds the affected Shares 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 or cancellation of all the affected Shares pursuant to the FSA Rules.

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

### **In Specie Redemptions**

If a Shareholder requests the redemption or cancellation of Shares representing more than 5% (or such smaller percentage as the ACD may decide) of the Fund's Net Asset Value the ACD may arrange that in place of payment of the price of the Shares in cash, the Company cancels the Shares and transfers scheme property or, if required by the Shareholder, the net proceeds of sale of relevant scheme property, to the Shareholder.

Before the proceeds of the cancellation of Shares become payable, the ACD must give written notice to the Shareholder that the scheme property or the proceeds of the sale of scheme property will be transferred to that Shareholder.

The scheme property to be transferred will be selected by the ACD in consultation with the Depositary with a view to achieving no more advantage or disadvantage to the Shareholder requesting cancellation/redemption than to the continuing Shareholders of the Fund concerned.

The scheme property to be transferred or the proceeds of sale of the relevant scheme property shall be subject to the retention by the Company of scheme property or cash equivalent in value to any redemption charge or any stamp duty reserve tax provision under the FSA Rules, any other duty or tax, or amounts owing by the Shareholder to the Company to be paid in relation to the redemption of Shares. Stamp duty reserve tax for these purposes refers to stamp duty reserve tax chargeable under paragraph 3(2) of Schedule 19 of the Finance Act 1999.

### **In Specie Applications**

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

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Fund in exchange for assets, the holding of which would be inconsistent with the investment objective of that Fund.

## General

To satisfy a request for the issue, redemption or exchange of Shares, the ACD will normally sell Shares to or re-purchase Shares from Shareholders to meet such requests. The ACD is entitled to hold Shares for its own account and to satisfy requests for sales from its own holding. In some circumstances and in accordance with the FSA Rules, the Company will issue or cancel Shares to meet such requests. The FSA Rules require the ACD to procure the issue or cancellation by the Company where necessary to meet any obligation to sell or redeem Shares. The ACD is under no obligation to account to the Company or to Shareholders for any profit it makes on the issue, reissue or cancellation of Shares and will not do so.

The amount to be charged by or paid to the ACD for the sale of a Share by the ACD will not be more than the price of a Share notified to the Depositary at the relevant valuation point plus any initial charge and/or dilution adjustment to the issue price of a Share which may apply.

The amount to be paid by the ACD for the redemption of a Share will not be less than the price of a Share notified to the Depositary at the relevant valuation point minus any redemption charge or dilution adjustment to the redemption price of a Share which may apply.

## Money Laundering

Under current UK money laundering legislation, persons conducting investment business are responsible for compliance with money laundering regulations. So as to ensure compliance, appropriate identification enquiries may be made in certain circumstances whether in respect of the sale, purchase or transfer of Shares or distribution of income. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to carry out the transaction requested.

## Suspension of Dealings in the Company

The ACD may (with the prior agreement of the Depositary and will if the Depositary so requires) temporarily suspend the issue, cancellation, sale, redemption and switching of any Class of Shares in any of the Funds where, due to exceptional circumstances, it is in the interests of all the Shareholders in the Fund. Such suspension shall be allowed to continue for as long as it is justified having regard to the interests of Shareholders.

Shareholders will be notified of any suspension as soon as reasonably practicable after suspension commences, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspensions. Where such suspension takes place, the ACD will publish details on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.

During the suspension none of the obligations in Section 6.2 (Dealing) of the FSA Rules will apply but the ACD will comply with as much of Section 6.3 (Valuation and Pricing) of the FSA Rules during the period of suspension as is practicable in light of the suspension.

Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FSA of the review and any change to the information given to Shareholders.

During the period of suspension the ACD may, at its discretion, agree to issue, redeem or switch Shares at prices calculated by reference to the first valuation point after resumption of dealing.

# Valuation

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**The price of a Share in the Company is calculated by reference to the Net Asset Value of the Fund to which it relates. The Net Asset Value per Share of a Fund is currently calculated as at 12 noon on each Dealing Day.**

The ACD may at any time carry out an additional valuation if it is considered desirable to do so.

## Calculation of the Net Asset Value

The value of the scheme property of a Fund is the value of its assets less the value of its liabilities determined in accordance with the following provisions:

1. All the scheme property (including receivables) of the Company (or the Fund) is to be included, subject to the following provisions.
2. Property which is not cash (or other assets dealt with in 3 below) or a contingent liability transaction shall be valued as set out below and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:
  - (a) units or shares in a collective investment scheme:
    - (i) if a single price for buying and selling units or shares is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at the value which, in the opinion of the ACD, is fair and reasonable;
  - (b) any other transferable security:
    - (i) if a single price for buying and selling the security is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices; or
    - (iii) if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which, in the opinion of the ACD, is fair and reasonable;
  - (c) property other than that described in (a) and (b) above: at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
3. Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
4. Property which is a contingent liability transaction shall be treated as follows:

- (a) if a written option (and the premium for writing the option has become part of the scheme property), deduct the amount of the net valuation of premium receivable. If the property is an off-exchange derivative it shall be included at a valuation using a method agreed between the ACD and the Depositary;
  - (b) if an off-exchange future, it shall be included at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
  - (c) if any other form of contingent liability transaction, include at the net value of margin on closing out (whether as a positive or negative value). If the property is an off-exchange derivative it shall be included at a valuation using a method agreed between the ACD and the Depositary.
5. In determining the value of the scheme property, all instructions given to issue or cancel Shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
  6. Subject to paragraphs 7 and 8 below, agreement for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission shall not materially affect the final net asset amount.
  7. Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 6.
  8. All agreements are to be included under paragraph 6 which are, or ought reasonably to have been, known to the person valuing the property.
  9. Deduct an estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty and stamp duty reserve tax.
  10. Deduct an estimated amount for any liabilities payable out of the scheme property and any tax thereon treating periodic items as accruing from day to day.
  11. Deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.
  12. Add an estimated amount for accrued claims for tax of whatever nature, which may be recoverable.
  13. Add any other credits or amounts due to be paid into the scheme property.
  14. Add a sum representing any interest or any income accrued due or deemed to have been accrued but not received.
  15. Currencies or values in currencies other than the base currency or (as the case may be) the designated currency of a Fund shall be converted at the relevant valuation point at an exchange rate that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

# Income Equalisation

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The price of a Share is based on the value of the proportionate interest of that Share Class in the relevant Fund including its proportionate interest in the income of the Fund since the preceding distribution or, in the case of Accumulation Shares, deemed distribution. In the case of the first distribution received, a part of the amount, namely the equalisation payment, is treated by HM Revenue & Customs as a return of the price paid by the Shareholder for his Shares and is not taxable as income in the hands of the Shareholder. However, this amount must be deducted from the cost of the Share in computing any capital gains.

In the case of Accumulation Shares, no equalisation payment is made and so no adjustment need be made to the cost of the Shares for the purposes of Capital Gains Tax.

Income equalisation does not apply to Shares already held at the beginning of the accounting period. It applies only to Shares purchased during the relevant accounting period.

# Risks

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

## 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 investors may receive back less than the original amount invested. There is no guarantee that the investment objectives of any 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 could buy in the future with your investment.

## Cancellation

If you make an investment we will give you 30 days in which to exercise your cancellation rights. If you cancel your investment within the cancellation period, you will receive a refund of your initial charge (if applicable) but you may get back less than the amount you originally invested if the market has fallen in that time.

## Fixed Interest Securities

Fixed interest securities include corporate bonds and gilts. If the yield on a corporate bond, gilt or other fixed interest security is fixed and interest rates go up, the relative yield will be reduced as may its capital value. In addition investing in corporate bonds carries the risk of the issuer becoming insolvent. In this case the bondholder would rank as an unsecured creditor in the liquidation and may not recover all or any of the debt due.

## Currency Exchange Rates

Investments for some Funds will 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 that Fund.

## High Yield

Income offered by bonds often reflects, in part, the risk rating of the issuer. The underlying Funds can invest in sub investment grade bonds, which may produce a higher level of income than investment grade bonds, but carry increased risk of default on repayment. This may affect the level of income you receive and/or the capital value of your investment.

Furthermore, the Funds may invest in the highest yielding sectors of the fixed income universe, including but not limited to, non investment grade corporate bonds (high yield bonds) and all other types of debt instrument available globally (loan agreements, structured debt, emerging market debt). This may affect the level of income you receive and/or the capital value of your investment. The higher income offered by these bonds often reflects, in part, the higher credit risk associated with these instruments. It also reflects a higher level of liquidity risk: at times liquidity conditions of these instruments may worsen, and underlying funds may be forced to sell their holdings at unfavourable prices.

### Smaller Companies

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

### Concentrated Portfolios

The Funds may invest in concentrated portfolios. A concentrated portfolio does not have the diversity of investment that is generally expected from a pooled fund. In addition where the underlying funds focus on a single sector within the portfolio there is a limit on the risk diversification within the Fund. However, due to the diversification of the holding within HSBC OpenFunds these risks are expected to be minimized.

### Derivatives

Some of the underlying funds may hold derivative financial instruments 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 Funds.

### Property

Where direct (unlisted) property funds are concerned, the risks are different in that this type of investment tends to lag the economic cycle rather than lead it. The long-term nature of the investment and the income generated tend to make this type of investment less volatile than equities, although it can be difficult to buy and/or sell the underlying direct property investments quickly. You should also be aware that commercial and residential property have different risk profiles and returns in one market do not necessarily follow the other. Listed property securities are part of the equity market and are more volatile than direct (unlisted) property, which can mean that the price of Shares and the income from them can fluctuate, sometimes dramatically.

Some of the underlying property funds will not price daily. Furthermore, during periods of declining values there could be an imbalance between buyers and sellers of pooled funds that hold direct property, and the pooled property funds sector could become highly illiquid for a significant period of time, with investors unable to realise their investments, or realise them only at significantly depressed prices. Many managers reserve the right to delay redemptions for up to a year, and in some cases for longer, usually citing specific market conditions under which they would consider it necessary.

There are certain additional costs and risks associated with the direct ownership of real estate. These include: risk of oversupply in local markets, risk of extended vacancies within properties, property taxes and operating expenses, risk of changes in planning laws, risks relating to legal title, costs relating to environmental problems and liability risk to third parties for damages resulting from environmental problems, and uninsured damages from floods, earthquakes and other natural disasters.

The value of direct (unlisted) property is generally a matter of the valuer's opinion rather than fact and the amount raised when a property is sold may be less than the valuation, especially if the property needs to be sold quickly.

Property values are affected by a number of factors, including general and local economic conditions, attractiveness and location of properties, increases in local competition, financial condition of tenants, quality of maintenance, limitations on and variations in rents, level of investor demand and changes in interest rates.

### Hedge Funds

Hedge funds often engage in borrowing money to increase returns and other speculative investment practices that may increase the risk of investment loss. They can be difficult to sell, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important information. Alternative investments are often not subject to the same regulatory requirements as, say, Funds and often charge high fees that may potentially offset trading profits when they occur.

### Alternative Investments

There are additional risks associated with specific alternative investments within the portfolios; these investments may be less readily realisable than others and it may therefore be difficult to sell in a timely manner at a reasonable price or to obtain reliable information about their value; there may also be greater potential for significant price movements.

### Private Equity

Private equity investments are generally illiquid, long-term investments that do not display the liquidity or transparency characteristics often found in other investments (e.g. listed securities). It can take a longer time for money to be invested as well as a longer time for investments to produce returns after initial losses.

### Commodities

Investments in commodities may be subject to greater volatility than investments in traditional investment types. They may be affected by disease, climatic changes and international economic and political developments, which may cause individual commodity prices to rise or fall sharply.

### Effect of Initial Charge

Where the ACD's initial charge is added to the cost of the investment at the outset, an investor who redeems his Shares in the short term may not (even in the absence of a fall in the value of the relevant investments) realise the original amount invested. Shares should, therefore, be viewed as a medium to long term investment.

## Suspension of Dealings

In certain circumstances the right to redeem Shares may be suspended (see “Suspension of Dealings in the Company” on page 19).

## Charges to Capital

Where the investment objective of a Fund is to prioritise the generation of income over capital growth, or in circumstances where they have equal priority, all or part of the ACD’s fee and other fees deductible from within the Fund may be charged against capital instead of against income. Furthermore, where charges are taken from the income of a Fund and there is insufficient income to meet such charges, any deficit may be taken from the capital of the Fund. Where charges are taken from the capital of the Fund this may increase the amount of income available for distribution but may also limit capital growth or erode capital if there is insufficient growth.

## Liabilities

Although each Fund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, the Funds are not separate legal entities. Accordingly, if a Fund’s assets are not sufficient, the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Funds in a manner which would be fair to the Shareholders of the Company generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Value of the relevant Funds.

Shareholders are not, however, liable for the debts of the Company. A Shareholder is not therefore liable to make any further payment to the Company after he has paid the purchase price of the Shares.

## Emerging Markets

Where Funds invest in some overseas markets these investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.

Investment in emerging markets may involve a higher risk than those inherent in established markets.

Investors should consider whether or not investment in such Funds is either suitable for, or should constitute a substantial part of, a prudent investor’s portfolio.

Companies in emerging markets may not be subject:

- (a) to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;
- (b) to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

Restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Funds and, as a result, limit investment opportunities for the Funds. Substantial

government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.

The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.

Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

### **New Funds**

There is a risk that if any new Fund(s) launched do not receive the level of investment we expect, the proportion of charges and expenses may be higher and the value of investment consequently reduced.

### **Unregulated Funds**

The sub-funds may invest in unregulated Collective Investment Schemes, which involves a higher degree of risk as they are not regulated by the FSA.

# Management and Administration

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## Authorised Corporate Director

The Authorised Corporate Director of the Company is HSBC Global Asset Management (UK) Limited. The ACD is a private company limited by shares and incorporated in England and Wales on 31 May 1985 under the Companies Act 1985.

The registered office of the ACD is 8 Canada Square, London E14 5HQ. Its principal place of business is 78 St James's Street, London SW1A 1EJ.

The ACD has an issued share capital of £35,620,750 which is fully paid. It also has £1,300,000 of 12% redeemable preference shares which are also fully paid.

The ACD is responsible for managing and administering the Company's affairs in compliance with the FSA Rules.

The ACD may provide investment services to other funds and clients and to companies in which the Company may invest, and also acts as the manager of certain authorised unit trusts and authorised corporate director of certain open-ended investment companies as set out in Appendix 5.

The ACD shall provide its services to the Company under the terms of an agreement dated 28 November 2007 ("the ACD Agreement"). This agreement may be terminated upon 12 months' written notice by the Company, although in certain circumstances the agreement may be terminated forthwith by notice in writing by the ACD to the Company. Termination of the ACD's appointment cannot take effect until the FSA has approved the change of authorised corporate director.

The ACD shall be entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily incurred in settling or realising any outstanding obligations. There is no compensation for loss of office provided for in the ACD Agreement. The agreement provides indemnities to the ACD other than where there has been negligence, fraud, default, breach of duty or breach of trust in the performance of its duties and obligations.

The ACD is authorised and regulated by the FSA and is treated as having a permission pursuant to Part IV of the Act. The address of the FSA is: 25 The North Colonnade, Canary Wharf, London E14 5HS.

The names of the directors of the ACD and any significant activities of each director not connected with the business of the ACD are as follows:

<b>Name</b>	<b>Significant Activities not connected to the Manager</b>
Simeon T Brown	Also Director of HSBC ETFs plc, HSBC Global Liquidity Funds plc, HSBC Global Market Select Funds plc, HSBC Private Bank (UK) Limited and Sinopia Asset Management (UK) Limited
Anthony C Corfield	Also Director of HSBC Investment Funds (Luxembourg) SA
Christopher S Cheetham	Also Director of Halbis Capital Management (France), Halbis Capital Management (Hong Kong) Limited, Halbis Capital Management (UK) Limited, Halbis Capital Management (USA) Inc., Halbis Distressed Opportunities Fund Ltd, Halbis Distressed Opportunities Master Fund Ltd, Halbis Global Opportunistic Alpha Fund Ltd, Halbis Global Opportunistic Alpha Master Fund Ltd, Halbis U.S. Credit Alpha Master Fund Ltd, Halbis U.S. Credit Alpha Offshore Fund Ltd, HSBC Global Asset Management Ltd, Sinopia Asset Management (France), Mineworkers Pension Scheme Ltd
Edmund R Stokes	HSBC Global Asset Management (Europe) Limited

### The Depository

State Street Trustees Limited is the depository of the Company. It is a private company incorporated in England and Wales under the Companies Act 1985 on 24 October 1994.

The Depository is responsible for the safekeeping of all the scheme property (other than tangible moveable property) of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with its Instrument of Incorporation and the provisions of the Collective Investment Schemes Sourcebook relating to the pricing of, and dealing in, Shares and relating to the income and the investment and borrowing powers of the Funds.

The Depository provides its services under an agreement dated 9 November 2006 between the Company and the Depository (“the Depository Agreement”). The Depository Agreement was novated to the new ACD on 28 November 2007.

The registered office of the Depository is 20 Churchill Place, London, E14 5HJ and its head office (and the address which should be used for correspondence) is 20 Churchill Place, London, E14 5HJ.

The Depository’s principal business activity is acting as trustee and depository of collective investment schemes.

Subject to the FSA Rules, the Depository has full power under the Depository Agreement to delegate (and authorise its delegate to sub-delegate) all or part of its duties as depository. It has delegated custody services to HSBC Bank plc, HSBC Securities Services.

The Depository Agreement may be terminated on three months written notice by the Depository or the Company. The Depository may not retire voluntarily except upon the appointment of a new depository.

The Depository Agreement provides indemnities to the Depository (except in respect of its failure to exercise due care and diligence in the discharge of its functions in respect of the Company or where recovery is made from another person) and (to the extent permitted by the Open-Ended Investment Companies Regulations 2001 and the FSA Rules) exempts it from liability in certain circumstances.

The Depositary is entitled to receive remuneration out of the property of the Funds for its services as set out under 'Depositary's Remuneration and Expenses' on page 35 of this Prospectus. The Depositary is under no obligation to account to the ACD, the Company or the Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with the dealings in Shares of the Company, any transaction in scheme property or the supply of services to the Company.

### **Investment Management**

The ACD acts as the discretionary investment manager of the Funds with full power to manage each of the Funds within the investment objective and any restrictions set out in the Instrument of Incorporation and Prospectus.

Such discretionary powers include the aggregation of the transactions with those of other clients; written consent of the Depositary is required before bona-fide orders of each Fund are matched with other clients.

The ACD may appoint managers to manage part or parts of the Fund.

### **Administrator and Registrar**

The Company has appointed the ACD to provide administration services and to act as registrar. The ACD has delegated this function to HSBC Bank plc.

### **Register of Shareholders**

The register of Shareholders is maintained at Frobisher House, Nelson Gate, Commercial Road, Southampton SO15 9DF and may be inspected at that address during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

### **Other delegated functions**

The ACD has delegated the valuation of the Funds to HSBC Bank plc, HSBC Securities Services, 1 Lochside Way, Edinburgh Park, Edinburgh EH12 9DT.

### **HSBC Conflicts of Interest Procedure**

The HSBC Group is a global organisation which provides 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 Company and its Funds).

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 ACD or other companies within the HSBC Group ("HSBC") to be in a position where

- HSBC benefits financially, at the expense of the Funds or the Company
- HSBC has an interest in the outcome of a service, activity or transaction (provided to the Funds or the Company or another client) which is distinct from the Funds or the Company's interest in that outcome
- HSBC has an incentive to favour the interests of another client over the interests of the Funds or the Company
- HSBC carries on the same activities for the Funds or the Company and for another client
- HSBC receives (from a person other than the Funds or the Company) an inducement in relation to management activities provided to the Funds or the Company, other than the standard commission or fee for that service.

In particular, the ACD 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 Funds or the Company. It is therefore possible that the ACD may in the course of its business have potential conflicts of interest with the Company or a particular Fund. The ACD will, however, have regard in such event to its obligations under the ACD Agreement and, in particular, to its obligation to act at all times in the best interests of the Company so far as is practicable having regard to its obligations to other clients.

You may have further questions which relate to the underlying procedures within HSBC. In such cases you should contact HSBC and your query will be directed accordingly.

# Fees and Expenses

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## Initial Charge

The ACD is permitted to make an initial charge upon a sale of Shares. The current initial charge for each Class and Fund is shown in the table below. The charge is shown separately to the published Share price.

## Remuneration of the ACD

The ACD is entitled under its agreement with the Company to take an annual fee out of each Fund, which is a percentage per annum of the Net Asset Value of the Fund (plus VAT, if any), calculated on a mid-market basis, in payment for carrying out its duties and responsibilities (the “Annual Management Charge”).

The Annual Management Charges, shown in the table below, accrue daily and are payable monthly in arrears.

The ACD shall also be entitled to receive an annual fee, calculated as a percentage of the Net Asset Value of the Fund and payable out of the scheme property, in return for providing registration services. These fees are currently as follows:

	Registration Fee
Open Global Return Fund	0.05%
Open Global Distribution Fund	0.05%
Open Global Property Fund	0.05%
World Selection - Cautious Portfolio	0.05%
World Selection - Balanced Portfolio	0.05%
World Selection - Dynamic Portfolio	0.05%
World Selection - Income Portfolio	0.05%
World Index Cautious Portfolio	0.15%
World Index Balanced Portfolio	0.15%
World Index Dynamic Portfolio	0.15%

The registration fee accrues daily and is payable monthly in arrears. Such fee is only currently applied to the Retail and Retail X Share Classes.

In the case of the Open Global Distribution Fund and the World Selection – Income Portfolio the annual management fee and the registration fee are taken from the capital property of the scheme which may have the effect of limiting capital growth or eroding capital if there is insufficient growth.

## Table of Charges

The current initial and annual management charges for the Funds are:

*Retail Income and Retail Accumulation Share Classes*

<b>Fund</b>	<b>Current Initial Charge</b>	<b>Annual Management Charge</b>
Open Global Return Fund	4.00%	1.25%
Open Global Distribution Fund	4.00%	1.25%*
Open Global Property Fund	4.00%	1.25%
World Selection – Cautious Portfolio	4.00%	1.25%
World Selection – Balanced Portfolio	4.00%	1.25%
World Selection – Dynamic Portfolio	4.00%	1.25%
World Selection – Income Portfolio	4.00%	1.25%*
World Index Cautious Portfolio	4.00%	1.00%
World Index Balanced Portfolio	4.00%	1.00%
World Index Dynamic Portfolio	4.00%	1.00%

*Retail X Income and Retail X Accumulation Share Classes*

<b>Fund</b>	<b>Current Initial Charge</b>	<b>Annual Management Charge</b>
World Index Cautious Portfolio	0.00%	0.50%
World Index Balanced Portfolio	0.00%	0.50%
World Index Dynamic Portfolio	0.00%	0.50%

*Institutional A Income and Institutional A Accumulation Share Classes*

<b>Fund</b>	<b>Current Initial Charge</b>	<b>Annual Management Charge</b>
Open Global Property Fund	0.00%	0.75%

*Institutional Income Share Class*

<b>Fund</b>	<b>Current Initial Charge</b>	<b>Annual Management Charge</b>
Open Global Property Fund	0.00%	0.00%

*Institutional Accumulation Share Class*

<b>Fund</b>	<b>Current Initial Charge</b>	<b>Annual Management Charge</b>
Open Global Property Fund	0.00%	0.00%
World Selection – Cautious Portfolio	0.00%	0.00%
World Selection – Balanced Portfolio	0.00%	0.00%
World Selection – Dynamic Portfolio	0.00%	0.00%
World Selection – Income Portfolio	0.00%	0.00%*
World Index Cautious Portfolio	0.00%	0.00%
World Index Balanced Portfolio	0.00%	0.00%
World Index Dynamic Portfolio	0.00%	0.00%

- \* For these Funds the ACD's remuneration (i.e. the annual management charge and any applicable registration fee) is taken from the capital of the Fund. This may have the effect of limiting capital growth or eroding capital if there is insufficient growth.

If the expenses of a Class in any period exceed its attributable income, the ACD may take that excess from the capital property attributable to that Class. This may have the effect of limiting capital growth or eroding capital if there is insufficient growth.

The current initial charge and annual management charge may only be increased in accordance with the FSA Rules and after the ACD has made available the Prospectus showing the new rate of charge and the date of its commencement.

### Charges payable to the ACD

#### Stocklending Fee Income

After the deduction of such relevant amount as may be payable under any stocklending agreement, all proceeds collected on investment of cash collateral or any fee income arising from the securities lending programme shall be allocated between the relevant Fund, the ACD and the securities lending agent. At least 50% of such fee income shall be applied to the relevant Fund. A maximum of 50% of such fee income may be applied between the ACD and the securities lending agent.

#### Administration Charges

#### Switching Fee

If a Shareholder switches Shares in one Fund or Class for Shares in another Fund or Class the ACD may impose a switching fee. This will not exceed an amount equal to the then prevailing initial charge for the Fund or Class in to which the Shares are being switched.

There is generally no charge for switching Shares in one Class of a Fund for Shares in another Class of the same Fund. Exceptionally a charge may be made if the Class being switched into has a higher initial charge than the Class from which the Shares are being switched.

#### Other Charges and Expenses

#### Redemption Charge

No charge will currently be made on a cancellation or redemption of Shares, apart from a dilution adjustment to the price of a Share (as explained below) or a charge sufficient to cover the ACD's potential liability to stamp duty or stamp duty reserve tax (as explained under the Section headed "Stamp Duty Reserve Tax" on page 42). Should a redemption charge be introduced in the future such a charge would only apply to Shares issued after the introduction of such a charge. In such circumstances the ACD may only introduce a redemption charge in accordance with the FSA Rules after it has made available a revised Prospectus to reflect the introduction of the charge and the date of its commencement. There are currently no plans to introduce such a charge.

#### Dilution

The basis of valuation of the Company's investments for the purpose of calculating the issue and redemption price of Shares as stipulated in the FSA Rules and the Instrument of Incorporation is summarised on page 20.

When the Company buys or sells a Fund's investments it will usually incur a cost in the form of dealing charges and any spread between the buying and selling prices of the investment. This cost

will not be reflected in the sale or purchase price paid by the Shareholder. In some circumstances (for example, large deals) this may have an adverse effect on the interests of Shareholders in the Fund. This effect is referred to as “Dilution”. So as to prevent this, the ACD has the power to make a “dilution adjustment” to the price of a Share on the purchase and/or sale of Shares. Dilution adjustment is explained in more detail below.

### Dilution adjustment

A dilution adjustment may be made if on any Dealing Day the aggregate transactions in Shares of all Classes in a Fund result in a net increase or decrease of Shares which exceed the threshold as set out below, for that Fund, (relating to the cost of market dealing for that Fund).

Estimated dilution adjustment thresholds and dilution adjustment rates %

<b>Fund</b>	<b>Threshold</b>	<b>Estimated Dilution Adjustment Rate</b>
Open Global Property Fund	0.05%	0.75% – 2.00%
Open Global Return Fund	1.00%	0.30%
Open Global Distribution Fund	1.00%	0.30%
World Selection– Cautious Portfolio	1.00%	0.30%
World Selection – Balanced Portfolio	1.00%	0.30%
World Selection – Dynamic Portfolio	1.00%	0.30%
World Selection – Income Portfolio	1.00%	0.30%
World Index Cautious Portfolio	1.00%	0.30%
World Index Balanced Portfolio	1.00%	0.30%
World Index Dynamic Portfolio	1.00%	0.30%

In all cases where such threshold is exceeded the Share price of the relevant Fund may be adjusted by an amount which shall reflect both the estimated fiscal charges and dealing costs that may be incurred by the Fund and the estimated bid/offer spread of the assets into which the Fund invests. The calculated dilution adjustment amount will be an addition when the net movement results in an increase of all Shares of the Fund and a deduction when it results in a decrease. As certain stock markets and jurisdictions may have different charging structures on the buy and sell sides, the resulting adjustment may be different for net inflows and for net outflows.

Furthermore, the ACD shall have discretion to apply a dilution adjustment in any other case where it considers that the imposition of a dilution adjustment shall be in the interest of Shareholders.

As dilution adjustment is directly related to the inflows and outflows of monies from a Fund, it is not possible to predict accurately whether dilution adjustment will occur at a future point in time. However, the ACD expects to make a dilution adjustment on all occasions when the threshold is exceeded.

### ACD Expenses

The ACD is entitled to all reasonable, properly incurred expenses in the performance of its duties.

### Depositary’s Remuneration and Expenses

The Depositary is entitled to receive out of the property of the Fund, by way of remuneration, a periodic charge, which will accrue daily and will be paid monthly in arrears. The rate of the

Depository's periodic charge in respect of each Fund will be such rate or rates as agreed from time to time between the Company and the Depository.

The rate of periodic charge for each Fund is currently 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 0.0075% per annum. In the case of the Open Global Distribution Fund and the World Selection – Income Portfolio such fee is taken from the capital property of the scheme which may have the effect of limiting capital growth or eroding capital if there is insufficient growth.

The charge will be calculated, pro-rata each month, based on the value of the assets held on the last Business Day monthly. Value Added Tax on the amount of the periodic charge will be paid out of each Fund in addition.

The Depository Agreement between the Company and the Depository provides that in addition to a periodic charge the Depository may also be paid by way of remuneration custody fees where it acts as custodian and other transaction and bank charges. At present the Depository does not itself act as custodian.

In addition to the remuneration referred to above, the Depository is entitled to receive reimbursement for expenses properly incurred by it in the discharge of its duties or exercising any powers conferred upon it in relation to the Company and each Fund. Such expenses include, but are not restricted to:

- (a) the charges and expenses payable to HSBC Bank plc, HSBC Securities Services ("HSBC Bank plc"), to whom the Depository has delegated the function of custody of the scheme property, such charges being the subject of agreement between the Depository and the Company and HSBC Bank plc (subject to the FSA Rules) from time to time. The remuneration for acting as custodian is calculated at such rates and/or amounts as the ACD, the Depository and the Custodian may from time to time agree.

In addition the custodian makes a transaction charge determined by the territory, or country in which the transaction is effected.

The cost of custody generally depends upon the market value of the stock involved and currently in respect of each Fund ranges from 0.005% per annum and 0.45% per annum of such market value. The current range of transaction charges is between £15 and £100 per transaction.

- (b) all charges imposed by, and any expenses of, any agents appointed by the Depository to assist in the discharge of its duties;
- (c) all charges and expenses incurred in connection with collection and distribution of income;
- (d) all charges and expenses incurred in relation to the preparation of the Depository's annual report to Shareholders;
- (e) all charges and expenses incurred in relation to stocklending or other transactions; and
- (f) fees and expenses payable to any professional adviser advising or assisting the Depository.

### Administrator's Fee

This will be paid by the ACD out of the fees payable to the ACD and not out of the scheme property of the Company.

## Duplicate Statement Fee

Individual statements of Shareholders' (or in the case of joint holdings, the first named) Shares will also be issued at any time on request by the registered holder(s). The right is reserved to make a charge for duplicate copies of statements.

## Payments out of the Scheme Property of the Company

So far as the FSA Rules allow the Company or Fund, as the case may be, is responsible for all its other expenses including the following:

- (a) the fees and expenses payable to the ACD (which will include the fees of the ACD (including fees and expenses in respect of establishing and maintaining the register of Shareholders and related functions) and any third party appointed to carry out administration functions) or any other director;
- (b) the fees and expenses payable to the Depositary;
- (c) expenses incurred in distributing income to Shareholders;
- (d) fees in respect of the publication and circulation of details of the Net Asset Value;
- (e) the fees and expenses of the auditors, tax, legal and other professional advisers of the Company;
- (f) the costs of convening and holding Shareholder meetings (including meetings of Shareholders in any particular Fund or any particular Class within a Fund);
- (g) the costs of printing and distributing reports, accounts and Prospectuses (including printing of the Simplified Prospectus), publishing prices, any costs incurred as a result of periodic updates of any Prospectus, any costs incurred in amending the Instrument of Incorporation and any other administrative expenses;
- (h) taxation and duties payable by the Company;
- (i) interest on any charges incurred on borrowings;
- (j) any amount payable by the Company under any indemnity provisions contained in the Instrument of Incorporation or any agreement with any functionary of the Company;
- (k) fees of the FSA under Schedule I Part III (17) of the Act and the corresponding periodic fees of any regulatory authority in any country or territory outside the United Kingdom in which Shares are or may be marketed;
- (l) fees of any paying agent or other third party the appointment of which is required to facilitate the marketing of Shares outside the United Kingdom;
- (m) safe custody charges;
- (n) expenses incurred in acquiring and disposing of investments and the costs of registering investments;
- (o) royalty fees, licence or other fees levied by owners, calculation agents or other entities in the calculation or provision of indices or similar;
- (p) certain liabilities on amalgamation or reconstruction arising after transfer of property to the Company in consideration for the issue of Shares in accordance with the FSA Rules;
- (q) directors' remuneration in the event that the Company has directors in addition to the ACD;
- (r) the fees and expenses incurred in establishing any new Class and/or Funds;

(s) any value added or similar tax payable on these fees, charges or expenses.

It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in the future the fees connected with the listing (including those of professional advisors) will be payable by the Company. Expenses are allocated between capital and income in accordance with the FSA Rules however, in the case of the Open Global Distribution Fund and the World Selection – Income Portfolio fees and expenses are generally taken from the capital property of the scheme which may have the effect of limiting capital growth or eroding capital if there is insufficient growth.

#### **Allocation of Fees and Expenses between Funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred but where an expense is not considered to be attributable to any one Fund, the expenses will be allocated by the ACD in a manner which is fair to Shareholders generally. They will normally be allocated to all Funds pro rata to the Net Asset Value of the relevant Funds.

Expenses specific to a Class will be allocated to that Class. They will otherwise be allocated in the manner described on page 32 of this Prospectus.

Any expenses for any Class or Fund in excess of the income properly attributable to such Class or Fund shall be deemed to be capital in nature and may be taken from the capital property attributable to that Class or Fund.

The Annual Management Charge will be attributed to the Class of Shares in respect of which it is imposed.

# Taxation

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## General

The information given in this Section is based on current UK legislation and HM Revenue & Customs practice in force at the time of printing and does not constitute legal or tax advice and applies only to UK Shareholders holding Shares as investments (and not to dealers in securities). Prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, switching or disposing of Shares under the laws of the jurisdiction in which they may be subject to tax.

## The Company

Each of the Funds comprised in the Company is liable to Corporation Tax at a rate equivalent to the lower rate of income tax, currently 20%. Each of the Funds is treated as an open-ended investment company such that the capital gains or losses realised by the Company are exempt from tax subject to the comments in the following paragraphs.

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

Where a Fund holds an investment in any other onshore or offshore fund that during the Fund's accounting period is broadly greater than 60% invested, directly or indirectly (through similar funds or derivatives) in cash, bonds or derivatives linked to similar assets, any amounts accounted for as income will be taxable income of the Fund for the period concerned. In addition, any dividends paid by such funds will be taxed as interest income for the period concerned. Also where a Fund holds an interest in a collective investment scheme constituted outside of the United Kingdom ("an offshore fund") which has not been certified by HM Revenue & Customs as a "reporting" offshore fund for the entire time that the Fund held it, the Fund will be liable to tax on the gain realised on disposal as income rather than an exempt capital gain.

It is the intention of the Company to remain in the position where no more than 50% of the assets of any Fund by value are invested in offshore funds that are non-reporting funds for UK tax purposes.

## Taxation of Shareholders

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

Generally, a Shareholder may receive two types of income in respect of his Shares. Gilt or bond funds (broadly those with over 60% invested for the whole of the accounting period in bonds, cash or derivatives linked to similar assets and UK funds which qualify) usually make "Interest Distributions" to Shareholders. All other types of Funds usually make "Dividend Distributions" to Shareholders. Details of Distribution types allocated to each of the Funds are detailed under the

General Information section on page 53.

A distribution statement, in respect of the first distribution for Shares 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 Shares for the purposes of calculating any Capital Gains/Loss on disposal of those Shares. In the case of Accumulation Shares, no adjustment needs to be made to the cost of the Shares for the purposes of determining any capital gain or loss on eventual disposal of the Shares.

## UK Resident Individual Shareholders

### *Interest Distributions*

Interest Distributions are generally paid after the deduction of tax at the lower rate. Non taxpayers are entitled to reclaim the Income Tax deducted. Other taxpayers will be subject to Income Tax at the lower or higher rates on the gross amount of interest distributions. Credit will be allowed for the Income Tax deducted at source. Accordingly basic rate taxpayers will have no further tax to pay. Higher rate taxpayers will pay further tax in relation to interest distributions received by them. The Funds may pay interest distributions gross to a Shareholder that the Funds reasonably believe to be a charity, a pension fund or an ISA manager.

### *Dividend Distributions*

Dividend Distributions are paid with a tax credit equal to 1/9th of the distribution (i.e. 10% of the aggregate of the distributions and the tax credit). Basic rate taxpayers have no further tax to pay. Higher rate taxpayers will be liable to additional income tax in relation to dividend distributions made to them. Shareholders who do not pay tax are not entitled to reclaim tax credits on dividends.

Where a UK resident individual Shareholder holds Shares in an ISA the Shareholder will be exempt from Income Tax on Dividend Distributions paid in respect of such Shares. However, no part of the associated tax credit attaching to such Dividend Distributions may be reclaimed from HM Revenue & Customs by an ISA manager.

### *Capital Gains Tax*

Shareholders disposing of Shares in the Funds (including switching between Funds) 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. In addition, under current HM Revenue & Customs practice, where Shares are switched between Classes of the same Fund, and provided no consideration is given or received apart from the old and new shares, a capital gain will not arise until the time of disposal of the new Shares.

A UK resident individual Shareholder holding Shares in an ISA will be exempt from Capital Gains Tax on the disposal of such Shares.

### *Accumulation/Reinvestment Option*

Where a distribution is accumulated or reinvested, the distribution is treated as if it was actually received by the Shareholder on the distribution date, and Income Tax is payable on such distributions, as above. Where a distribution is reinvested the Shareholder will acquire further Shares which have an acquisition cost equal to the value of the net distribution. Where income is accumulated in relation to Accumulation Shares the amount of notional distribution (excluding equalisation) increases the allowable expenditure on the Shares for the purposes of Capital Gains Tax.

## UK Resident Corporate Shareholders

### *Interest Distributions*

Shareholders subject to UK Corporation Tax should receive their interest distributions or accumulations without suffering any deduction of tax at source. Such Shareholders will be subject to Corporation Tax on the gross amount of the distribution or accumulation. The Funds may require such Shareholders to produce evidence that they are within the charge to UK Corporation Tax in order to allow them to receive those distributions or accumulations as gross payments.

### *Dividend Distributions*

Where a Corporate Shareholder receives a Dividend Distribution from a Fund, such a Shareholder should apportion the amount of the distribution (by way of a formula) between that part representing the Fund's income derived from dividends and that part representing the Fund's other income. Only that part which represents the other income will be liable to Corporation Tax and treated as an annual payment received after deduction of income tax at the lower rate. That deemed income tax will be available to offset the Corporation Tax or may be repaid to the extent that it represents its share of the relevant Fund's net liability to Corporation Tax in respect of the gross income on which the Dividend Distribution is based.

### *Capital Gains*

Corporate Shareholders within the charge to Corporation Tax will be liable to Corporation Tax subject to indexation allowance, on any gain arising on the disposal or deemed disposal of holdings in the Funds, except where such Funds are gilt or bond funds. If UK Corporate Shareholders hold Shares in gilt or bond funds (broadly those over 60% invested directly or indirectly (through similar funds or derivatives) in cash, bonds or derivatives linked to similar assets) the Shareholders must treat the shareholdings as if they are a loan relationship for Corporation Tax purposes. Profits and losses must be brought into account annually on a "mark-to market" basis. The result is that corporate investors in such Funds will have the capital growth on their holdings charged to Corporation Tax on an annual basis. Life insurance companies holding Shares in a Fund may in certain circumstances be treated as realising an annual deemed disposal. Any deemed gain or loss is spread forward over seven years.

## Non UK Resident Shareholders

Non UK resident Shareholders receiving distributions subject to deduction of tax or with a tax credit may be entitled to a payment of the tax credit/income tax subject to the provisions of a relevant double tax treaty with the United Kingdom.

A non UK resident Shareholder with Shares in Funds investing in gilts or bonds and who makes a valid declaration that he is not ordinarily resident in the UK or is a personal representative of a deceased person who was not ordinarily resident in the UK immediately prior to the deceased person's death are entitled to receive the gross amount of an Interest Distribution (i.e. without deduction of tax).

Interest distributions may also be paid gross without the need to complete a non-residence declaration where the "reputable intermediary condition" is satisfied and where the Shareholder is a company or trustee of a unit trust scheme.

## EU Savings Directive

Under the EU Council Directive 2003/48/EC on taxation of savings income (the "Directive")

Member States of the European Union (“Member States”) are required to provide to the tax authorities of other Member States details of payments of interest and other similar income (which in the case of a collective investment fund may include income arising as a result of the sale and redemption of the fund’s shares) paid by a person who is a “paying agent” for the purposes of the Directive to an individual (or certain “residual entities”) resident for the purposes of the Directive in another Member State. However, Austria, and Luxembourg, together with certain dependent and associated territories of EU member states, impose instead a system of withholding tax for a transitional period.

### Individual Savings Accounts (ISAs)

The Shares are qualifying investments for inclusion in an ISA. For details of our range of ISAs please contact your nearest HSBC branch or the ACD on 0800 289 505. Lines are open 9am to 5pm Monday to Friday (excluding public holidays). To help us continually improve our service and in the interests of security, we may monitor and/or record your communications with us. Alternatively you can send an email to [investor.services@hsbc.com](mailto:investor.services@hsbc.com).

### Stamp Duty Reserve Tax

The Finance Act 1999 imposes Stamp Duty Reserve Tax (SDRT) on certain dealings in shares in an open-ended investment company in place of the existing stamp duty regime. SDRT is a tax in respect of surrender of Shares to the Company or the ACD.

The rate of SDRT is 0.5% of the value of any Shares surrendered but the total payable may be reduced where more Shares are surrendered than issued or where some or all of the scheme’s assets are exempt from SDRT. Most investments in other collective investment schemes held by a Fund will not be considered to be exempt assets for that purpose.

Current regulations allow the ACD to pay the tax by either of the following means:

- SDRT may be charged to the property of the Fund; or
- a separate charge may be made to investors as a provision against SDRT at the time of dealing, such charge being paid into the Fund.

The ACD has decided, having considered all material and relevant matters, that it is appropriate to pay SDRT out of the Fund in question but may make a charge to investors for SDRT in respect of sales or redemptions where the total consideration is £15,000 or more.

As SDRT is directly related to the inflows and outflows of monies from the Fund it is not possible to accurately predict how frequently the ACD will need to make such an SDRT charge but in the event that an SDRT charge is made it will not exceed 0.5% of the value of Shares transferred.

SDRT will be payable for transfers of Shares where there is a change in beneficial ownership. The ACD is not required to accept a transfer where SDRT is payable and it or an amount equivalent to the relevant SDRT has not been paid.

### Disclaimer

The above statements are based on the ACD’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 ACD 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. Shareholders are recommended to consult their professional advisers if they are in any doubt as to their individual tax position.

# Instrument of Incorporation

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The Instrument of Incorporation of the Company (which is available for inspection at the ACD's offices) contains provisions to the following effect:

## Object

The object of the Company is to invest the scheme property in transferable securities, money market instruments, deposits, units and shares in collective investment schemes, cash and near cash, derivative instruments and forward transactions, immovables and gold in accordance with the FSA Rules applicable to the Company and each sub-fund (which may include stock lending, borrowing, cash holdings, hedging and using other investment techniques permitted in applicable FSA Rules) and subject to the limitations set out in the Prospectus with the aim of spreading investment risk and giving its Shareholders the benefit of the results of the management of that property.

## Shares and Share Classes

- (a) The Company may from time to time issue Shares of different Classes in respect of a Fund and the directors may by resolution from time to time create additional Classes in respect of a Fund (whether or not falling within one of the Classes in existence on incorporation).
- (b) The ACD may by a resolution from time to time create additional Funds with such investment objectives and such restrictions as to investment or otherwise and denominated in such currencies, as the ACD shall from time to time determine.

## Transfer of Shares

- (a) All transfers of registered Shares must be effected by transfer in writing in any usual or common form or in any other form as may be approved by the ACD. Any signature on an instrument of transfer may be affixed manually or electronically and be an actual signature or a facsimile signature or any form of signature or personal identification approved by the ACD. The ACD shall not be bound to enquire as to the genuineness of any signature.
- (b) No instrument of transfer may be given in respect of more than one Class.
- (c) In the case of a transfer to joint holders, the number of joint holders to whom a Share is to be transferred may not exceed four.
- (d) Unless the ACD in its discretion decides otherwise no transfer may result in either the transferor or the transferee holding fewer Shares of the Class concerned or Shares having a lesser aggregate value than any number or value as is stated in the Prospectus as the minimum which may be held.

The ACD may refuse to register a transfer of Shares unless there has been paid, for the account of the Company, an amount determined by the ACD not exceeding the amount that would be derived by applying the rate of stamp duty reserve tax to the market value of the Shares being transferred. This provision shall not apply to transfers excluded by law from a charge to stamp duty reserve tax.

## Income

The income available for distribution or accumulation in relation to a Fund is determined in accordance with the FSA Rules. In essence it comprises all sums deemed by the Company, after consultation with the auditor, to be in the nature of income received or receivable for the account of

the Company and attributable to the Fund in respect of the accounting period concerned, after deducting charges and expenses paid or payable out of such income and after making such adjustments as the ACD considers appropriate, after consulting the auditors in accordance with the FSA Rules, in relation to taxation and other matters.

Income relating to a Fund is allocated among Classes of Shares in that Fund as it accrues or is received in accordance with the respective proportionate interest in the property of the Fund represented by the Shares in issue at the valuation point in question.

The following provisions shall apply to Shares in issue in respect of the Funds:

- (a) An allocation of income (whether annual, interim or otherwise) to be made in respect of each Share to which this provision applies issued by the Company or sold by the ACD during the accounting period in respect of which that income allocation is made shall be of the same amount as the allocation to be made in respect of the other Shares of the same Class in issue in respect of the same Fund but shall include a capital sum (“income equalisation”) representing the ACD’s best estimate of the amount of income included in the price of that Share.
- (b) The amount of income equalisation shall in respect of any Share be either:
  - (i) the actual amount of income included in the issue price of that Share; or
  - (ii) an amount arrived at by taking the aggregate of the amounts of income included in the price in respect of Shares of that Class issued or sold in the annual or interim accounting period in question and dividing that aggregate amount by the number of such Shares and applying the resultant average to each of the Shares in question.

Each allocation of income made in respect of any Fund at a time when more than one Class of Shares is in issue in respect of that Fund shall be made by reference to the Shareholders’ proportionate interests in the scheme property of the Fund in question. The proportionate interest of each Class in the assets and income of the Fund shall be calculated as follows:

- (a) A notional account will be maintained for each Class. Each account will be referred to as a “Proportion Account”. The word “proportion” in the following paragraphs means the proportion which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts of a Fund at that time.
- (b) There will be credited to a Proportion Account:
  - (i) the subscription money (excluding any initial charges or dilution adjustment to the price of a Share) for the issue of Shares of the relevant Class;
  - (ii) that Class’ proportion of the amount by which the Net Asset Value of the Fund exceeds the total subscription money for all Shares in the Fund;
  - (iii) that Class’ proportion of the Fund’s income received and receivable; and
  - (iv) any notional tax benefit as referred to below.
- (c) There will be debited to a Proportion Account:
  - (i) the redemption payment for the cancellation of Shares of the relevant Class;
  - (ii) that Class’ proportion of the amount by which the Net Asset Value of the Fund falls short of the total subscription money for all Shares in the Fund;
  - (iii) all distributions of income (including income equalisation) made to Shareholders of that Class;

- (iv) all costs, charges and expenses incurred solely in respect of that Class;
- (v) that Class' share of the costs, charges and expenses incurred in respect of that Class and one or more other Classes in the Fund, but not in respect of the Fund as a whole;
- (vi) that Class' proportion of the costs, charges and expenses incurred in respect of or attributable to the Fund as a whole; and
- (vii) any notional tax liability as referred to below.

Any tax liability in respect of the Fund and any tax benefit received or receivable in respect of the Fund will be allocated between Classes in order to achieve, so far as possible, the same result as would have been achieved if each Class of Shares were itself a Fund so as not materially to prejudice any Class of Shares. The allocation will be carried out by the ACD after consultation with the auditors.

Where a Class of Shares is denominated in a currency which is not the base currency, the balance on the Proportion Account shall be converted into the base currency in order to ascertain the proportions of all Classes. Conversions between currencies shall be at a rate of exchange decided by the ACD as being a rate that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

The Proportion Accounts are notional accounts maintained for the purpose of calculating proportionate interests. They do not represent debts from the Company to Shareholders or the other way round.

Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that Class' proportion immediately before the allocation. All such adjustments shall be made as are necessary to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once. The proportionate interest of a Class in the assets and income of a Fund is its "proportion".

The Company may adopt a method of calculating the amount of income to be allocated between the Shares in issue in respect of any Fund which is different to the method set out above if the ACD is satisfied that such method is fair to Shareholders and that it is reasonable to adopt such method in the given circumstances.

If a distribution of income remains unclaimed for three consecutive distributions then the ACD may convert the holding to Accumulation Shares, and will purchase additional Shares with the unclaimed income.

Subject to the preceding paragraph, any distribution remaining unclaimed after a period of six years shall become part of the capital property of the relevant Fund.

### **Number of Directors**

Unless otherwise determined by an extraordinary resolution of Shareholders the Company shall only have one director.

### **Removal of ACD**

The Company may by ordinary resolution remove the ACD before the expiration of its period of office, notwithstanding anything in the Instrument of Incorporation or in any agreement between the

Company and the ACD, but the removal will not take effect until the FSA have approved it and a new authorised corporate director approved by the FSA has been appointed.

### Proceedings at General Meetings

The Instrument of Incorporation contains provisions relating to general meetings and the proceedings at such meetings. Such provisions shall also apply to Class meetings and Fund meetings in the same way as they apply to general meetings.

### Instrument of Incorporation

- (a) The Instrument of Incorporation may be amended by resolution of the ACD to the extent permitted by the FSA Rules.
- (b) In the event of any conflict arising between any provision of the Instrument of Incorporation and either the Open-Ended Investment Companies Regulations 2001 or the FSA Rules, the Rules will prevail.

### Indemnity

The Instrument of Incorporation contains provisions indemnifying the ACD, auditor and Depositary against liability (amongst other things) in defending any proceedings for negligence, default, breach of duty or breach of trust in which judgement is given in their favour.

# Meetings and Voting Rights

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## General Meetings

The Company will not hold an annual general meeting. Copies of the contracts of service between the Company and the ACD will be provided to a Shareholder on request. The ACD or the Shareholders may requisition a general meeting. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of requisition, are registered as the holders of Shares representing not less than one-tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting for a date no later than eight weeks after receipt of such requisition.

## Notice and Quorum

Shareholders will receive at least 14 days' written notice of a Shareholders' meeting. No business may be transacted at a general meeting unless a quorum is present. The quorum for a meeting is two Shareholders present in person or by proxy. If a quorum is not present within fifteen minutes after the time fixed for the start of the meeting, the meeting will stand adjourned.

If at an adjourned meeting a quorum is not present within fifteen minutes after the time fixed for the start of the meeting, one person entitled to be counted in a quorum shall constitute the quorum.

Notices of meetings and adjourned meetings will be sent to Shareholders at their registered addresses.

## Voting Rights

Generally, Shareholders are entitled to receive notice of a meeting and to vote at a meeting if they were holders of Shares in the Company on the date seven days before the notice is deemed served. This will not, however, include those who are known to the ACD not to be holders at the date of the meeting.

At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its properly authorised representative is entitled to one vote.

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share in such a case are such proportion of the voting rights attached to all the Shares in issue as the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of meeting is deemed to have been served.

An instrument appointing a proxy shall be in writing in any usual or common form, or any other form approved by the ACD. The person appointed to act as a proxy need not be a Shareholder.

A Shareholder 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.

The ACD is entitled to attend any meeting but, except in relation to third party Shares, may not vote or be counted in the quorum for a meeting and any Shares it holds are treated as not being in issue for the purposes of the meeting. An associate (as defined in the FSA Rules) of the ACD is entitled to attend any meeting of the Company and may be counted in the quorum, but may not vote except

in relation to third party shares. For these purposes third party Shares are any Shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered Shareholder would be entitled to vote and from whom the ACD or associate has received voting instructions.

### **Powers of a Shareholders' Meeting**

The Instrument of Incorporation and the FSA Rules empower Shareholders in general meeting to approve various matters including:

- (a) removal of the ACD;
- (b) changes to some of the matters contained in the Instrument of Incorporation and this Prospectus; and
- (c) a Scheme of Arrangement.

In accordance with the FSA Rules, other provisions may be changed by the ACD without the approval of Shareholders in general meeting.

For certain other matters the FSA Rules or the Instrument of Incorporation require an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed).

### **Class and Fund Meetings**

The above provisions, unless the context otherwise requires, apply to Class meetings and meetings of Funds as they apply to general meetings of Shareholders but by reference to Shares of the Class or Fund concerned and the Shareholders and prices of such Shares.

### **Variation of Class Rights**

The rights attached to a Class or Fund may only be varied with the sanction of a resolution passed at a meeting of Shareholders of that Class or Fund by a 75% majority of those votes validly cast for and against such resolution.

### **Proceedings at General Meetings**

Prior to each general meeting, a director other than the ACD or an associate of the ACD shall nominate a chairman or, if no such nomination is made, the Depositary shall nominate an individual to act as chairman. If the representative is not present within fifteen minutes after the time fixed for the start of the meeting or is not willing or able to act, the Shareholders present shall choose one of their number to be chairman of the meeting.

The chairman of any quorate meeting may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or for an indefinite period) and from place to place. No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

A resolution put to the vote of a general meeting or Class meeting must be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:-

- (a) the chairman of the meeting;
- (b) not less than two Shareholders; or

(c) the Depositary.

Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book or other record of proceedings, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such a manner (including the use of ballot papers or electronic or computer voting systems) as the chairman may direct.

The chairman of a general meeting may take any action he considers appropriate for, for example, the safety of people attending a general meeting, the proper and orderly conduct of the general meeting or in order to reflect the wishes of the majority.

### **Corporations Acting by Representatives**

Any corporation which is a Shareholder of the Company may, by resolution of the directors or other governing body of such corporation and in respect of any Share or Shares in the Company of which it is the holder, authorise such individual as it thinks fit to act as its representative at any general meeting of the Shareholders or of any Class meeting or Fund meeting. The individual so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise in respect of such Share or Shares if it were an individual Shareholder of the Company and such corporation shall be deemed to be present in person at any such meeting if an individual so authorised is so present.

# Winding up of the Company and Termination of Funds

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The Company may be wound up under the FSA Rules or as an unregistered company under Part V of the Insolvency Act 1986. A Fund may only be terminated under the FSA Rules. Winding up under the FSA Rules may only be commenced following approval by the FSA. The FSA may only give such approval if the ACD provides a statement (following a full enquiry into the affairs of the Company) either that the Company will be able to meet its liabilities (including contingent and prospective) within 12 months of the date of the statement or that the Company will be unable to do so. The Company may not be wound up under the FSA Rules if there is a vacancy in the position of authorised corporate director at the relevant time.

Subject to the above, the Company or a Fund may be wound up or terminated under the FSA Rules:

- (a) if an extraordinary resolution to that effect is passed by Shareholders; or
- (b) if the Share capital of the Company is below its prescribed minimum or (in relation to any Fund) the Net Asset Value of the Fund is less than £1 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund; or
- (c) if the FSA agrees to a request by the ACD for the revocation of the authorisation order in respect of the Company or the relevant Fund.

Following the occurrence of any of the above:

- (a) The provisions in Sections 5 (Investment and Borrowing Powers); 6.2 (Dealing); and 6.3 (Valuation and Pricing) of the FSA Rules will cease to apply to the Company or to the Shares and scheme property in the case of a Fund;
- (b) The Company will cease to issue and cancel Shares in the Company or the particular Fund;
- (c) The ACD will cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the particular Fund;
- (d) No transfer of a Share will be registered and no other change to the Register will be made without the sanction of the ACD;
- (e) Where the Company is being wound up, the Company will cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- (f) The corporate status and powers of the Company and, subject to the provisions of (a) and (e) above, the powers of the ACD will remain until the Company is dissolved; and
- (g) As soon as practicable after winding up or termination has commenced the ACD must, if it has not previously notified Shareholders of the proposal to wind up the Company or to terminate the Fund, give written notice of the commencement of the winding up or termination to the Shareholders.

Winding up under the FSA Rules is carried out by the ACD. The ACD will, as soon as practicable after the Company or the Fund falls to be wound up or terminated, realise the assets and meet the liabilities of the Company and, after paying or making adequate provision for the cost of winding up and for all liabilities properly payable, may arrange for the Depositary to make one or more

interim distributions out of the remaining Funds to Shareholders proportionately to their rights to participate in the scheme property of the Company or the Fund.

When the ACD has caused all of the scheme property to be realised and all of the liabilities of the Company or the particular Fund known to the ACD to be realised, the ACD will arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining (net of a provision for any future expenses of the Company) in proportion to their holdings in the Company or the particular Fund.

The winding up or termination of the Company or the Fund is subject to the terms of any 'Scheme of Arrangement' sanctioned by an extraordinary resolution passed on or before the commencement of the winding up or termination.

On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) standing to the account of the Company, will be paid into court within one month of dissolution.

As soon as reasonably practicable after the completion of the winding up of the Company or any particular Fund, the Depositary shall notify the FSA that the winding up has been completed.

Following the completion of a winding up of the Company or termination of a Fund, the ACD must prepare a final account showing how the winding up was conducted and how the scheme property was distributed. The Company's auditors will make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. Within two months of the end of the final accounting period this final account and the auditors' report must be sent to the FSA and to each Shareholder (or in the case of joint holders the first named).

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the FSA Rules will be met first out of the scheme property attributable or allocated to that particular Fund.

If the liabilities of a particular Fund are greater than the proceeds of the realisation of the scheme property attributable or allocated to the Fund, the deficit will be met out of the scheme property attributable or allocated to the solvent Funds in respect of which the proceeds of realisation exceed liabilities and will be divided between the Funds in a manner which is fair to Shareholders of those Funds.

# General Information

## Accounting Periods

The annual accounting period of the Company ends each year on 15 April (the accounting reference date) and the interim accounting period ends each year on 15 October.

## Annual Reports and Distributions

Annual long and short reports of the Company will be published within four months of the end of each annual accounting period. Half-yearly long and short reports will be published within two months of the end of each interim accounting period. The ACD has determined that annual and half-yearly short reports will be sent to Shareholders of the Company when they are published.

Distributions will be made within two months of the annual accounting period and where applicable, within two months of the interim accounting period.

Long reports containing the full financial statements are available on request from the ACD.

The frequency of income distribution and dates for each Fund are shown below.

It is the ACD's policy to distribute all available income received into the Fund on the relevant distribution dates.

Fund	Income Frequency	Distribution Dates		Distribution Type
		Annual	Interim	
Open Global Return Fund	Half Yearly	15 June	15 December	Dividend
Open Global Distribution Fund	Quarterly	15 June	15 September, 15 December & 15 March	Dividend
Open Global Property Fund	Half Yearly	15 June	15 December	Dividend
World Selection – Cautious Portfolio	Half Yearly	15 June	15 December	Dividend
World Selection – Balanced Portfolio	Half Yearly	15 June	15 December	Dividend
World Selection – Dynamic Portfolio	Half Yearly	15 June	15 December	Dividend
World Selection – Income Portfolio	Quarterly	15 June	15 September, 15 December & 15 March	Interest
World Index Cautious Portfolio	Half Yearly	15 June	15 December	Dividend
World Index Balanced Portfolio	Half Yearly	15 June	15 December	Dividend
World Index Dynamic Portfolio	Half Yearly	15 June	15 December	Dividend

## Documents of the Company

The following documents may be inspected free of charge between 9.00am and 5.00pm on every Business Day at the ACD's office:

- (a) the most recent annual and half-yearly long and short reports of the Company;
- (b) the Instrument of Incorporation (and any amending Instrument of Incorporation); and
- (c) the ACD Agreement.

Shareholders and potential Shareholders may obtain copies of these documents from the ACD, HSBC Global Asset Management (UK) Limited, 78 St James's Street, London SW1A 1EJ. The ACD reserves the right to make a charge at its discretion for copies of the documents listed at (b) and (c) above.

## Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and the ACD:

- (a) The ACD Agreement dated 28 November 2007 between the Company and the ACD;
- (b) The Depositary Agreement dated 9 November 2006 (novated to the new ACD on 28 November 2007) between the Company and the Depositary. Details of the above contracts are given in the earlier Section "Management and Administration" on page 28.

## Exemption from liability to account for profits

The Company, ACD, Depositary, Custodian, Registrar and Administrator are not liable to account to each other or to Shareholders for any profits or benefits made or received that are made or received from or in connection with:

- (a) dealings in the Shares;
- (b) any transaction in the scheme property; or
- (c) the supply of services to the Fund/Company.

## Property

There is no intention for the Company to have an interest in any immovable property.

## Stewardship

The ACD's policy on exercising any voting rights on the underlying assets of the Fund(s) is available on [www.assetmanagement.hsbc.com/uk/individuals](http://www.assetmanagement.hsbc.com/uk/individuals), together with information about how the ACD has voted on any previous voting events.

## Complaints

Complaints may be referred to the Compliance Officer of the ACD at Frobisher House, Nelson Gate, Commercial Road, Southampton, SO15 9DF. If the complaint has not been resolved to the satisfaction of the complainant within two months, the Compliance Officer of the ACD must report to the FSA.

A complainant also has the right to address a complaint directly to the Financial Ombudsman Service whose address is South Quay Plaza, 183 Marsh Wall, London E14 9SR. Telephone: 0800 0 234 567 (free for landlines); 0300 123 9 123 (free for mobiles). Email: [complaint.info@financialombudsman.org.uk](mailto:complaint.info@financialombudsman.org.uk).

Further details may be obtained from the Compliance Officer at the above address.

#### Further information

References to time in this Prospectus are to London time unless otherwise stated.

# Appendix 1

## Investment Objectives, Investment Policies and Share Classes

<b>Fund Name</b>	<b>Investment Objective</b>	<b>Investment Policy</b>	<b>Share Classes Currently Offered</b>
Open Global Return Fund	To provide capital growth and income by investing in a broad range of asset classes across global markets.	<p>To invest primarily in collective investment schemes that in turn invest in fixed income securities, equities, property, commodities and derivatives. The ACD may also invest at its discretion in other transferable securities, money market deposits, cash and near cash.</p> <p>Subject to obtaining and maintaining the requisite permissions from the FSA under the Financial Services and Markets Act 2000 on giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes.</p> <p>[Note: where the use of derivatives is for investment purposes in addition to hedging it is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.]</p>	Retail Income Retail Accumulation
Open Global Distribution Fund	To provide a high level of income by investing in a broad range of asset classes, across global markets.	<p>To invest primarily in collective investment schemes that in turn invest in fixed income securities, higher yielding equities, property, commodities and derivatives. The ACD may also invest at its discretion in other transferable securities, money market deposits, cash and near cash.</p> <p>Subject to obtaining and maintaining the requisite permissions from the FSA under the Financial Services and Markets Act 2000 on giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes.</p> <p>[Note: where the use of derivatives is for investment purposes in addition to hedging it is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.]</p>	Retail Income Retail Accumulation

Open Global Property Fund	To provide long term capital growth.	<p>The Fund will predominantly invest in property securities and property related securities and collective investment schemes that, in turn, invest directly or indirectly in property, unlisted property and listed property securities. There will be no geographical restrictions. The ACD may also invest at its discretion in other transferable securities, money market instruments, deposits, cash and near cash and may use derivatives for the purposes of hedging and tactical asset allocation on a short or long term basis.</p> <p>On giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers as set out above, use derivatives for other investment purposes and for meeting the investment objective of the Fund (including but not limited to exchange traded and over the counter derivatives, forward and forward currency contracts and other investment techniques permitted in the COLL sourcebook). Using derivatives in this way may mean, in particular, maintaining positions in these investments for the long term. However, where derivatives are used for the purposes of meeting the investment objective of the Fund it is not intended that the use of derivatives would raise the risk profile of the Fund.</p>	Retail Income Retail Accumulation Institutional Income Institutional Accumulation Institutional A Income Institutional A Accumulation
World Selection – Cautious Portfolio	To provide capital growth through cautious investment in a broad range of asset classes across global markets.	<p>To invest primarily in collective investment schemes that in turn invest in fixed income securities, equities, property, commodities and derivatives. Typically the Fund will have a bias towards asset classes that focus on fixed interest or absolute return strategies. The ACD may also invest at its discretion in other transferable securities, money market instruments, deposits, cash and near cash.</p> <p>On giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes.</p> <p>Where the use of derivatives is for investment purposes in addition to hedging it is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.</p>	Retail Income Retail Accumulation Institutional Accumulation

World Selection – Balanced Portfolio	To provide capital growth through balanced investment in a broad range of asset classes across global markets.	<p>To invest primarily in collective investment schemes that in turn invest in fixed income securities, equities, property, commodities and derivatives. The ACD may also invest at its discretion in other transferable securities, money market instruments, deposits, cash and near cash.</p> <p>On giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes.</p> <p>Where the use of derivatives is for investment purposes in addition to hedging it is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.</p>	Retail Income Retail Accumulation Institutional Accumulation
World Selection – Dynamic Portfolio	To provide capital growth through dynamic investment in a broad range of asset classes across global markets.	<p>To invest primarily in collective investment schemes that in turn invest in fixed income securities, equities, property, commodities and derivatives. Typically the Fund will have a bias towards asset classes that focus on equity investment strategies. The ACD may also invest at its discretion in other transferable securities, money market instruments, deposits, cash and near cash.</p> <p>On giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes.</p> <p>Where the use of derivatives is for investment purposes in addition to hedging it is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.</p>	Retail Income Retail Accumulation Institutional Accumulation

World Selection – Income Portfolio	To provide income through cautious investment in a broad range of asset classes across global markets.	<p>To invest primarily in collective investment schemes that in turn invest in fixed income securities, equities, property, commodities and derivatives. Typically the Fund will have a bias towards asset classes that focus on fixed interest or absolute return strategies. The ACD may also invest at its discretion in other transferable securities, money market instruments, deposits, cash and near cash.</p> <p>On giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes.</p> <p>Where the use of derivatives is for investment purposes in addition to hedging it is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.</p>	Retail Income Retail Accumulation Institutional Accumulation
World Index Cautious Portfolio	To provide capital growth through cautious investment in a broad range of asset classes across global markets, with a bias towards fixed interest securities.	<p>To invest mainly in collective investment schemes, exchange traded funds and, where appropriate, direct investment into certain other assets. The collective investment schemes and exchange traded funds are those that will aim to match the return of market indices and shall, in turn, invest in fixed income securities, equities, commodities, private equity and property that make up the relevant index. The ACD will use direct investment in assets where, in its opinion, an asset class can be adequately replicated with a relatively low number of instruments.</p> <p>Typically the Fund shall have a bias towards assets that focus on fixed interest securities.</p> <p>The ACD may also invest, at its discretion, in other collective investment schemes, transferable securities, money market instruments, deposits, cash and near cash.</p> <p>On giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes however, it is envisaged that the use of such instruments in this way will not affect the overall risk profile of the Fund.</p>	Retail Income Retail Accumulation Retail X Income Retail X Accumulation Institutional Accumulation

World Index Balanced Portfolio	To provide capital growth through investment in a broad range of asset classes across global markets.	<p>To invest primarily in collective investment schemes and exchange traded funds that aim to match the returns of market indices. Such assets shall, in turn, invest in fixed income securities, equities, commodities, private equity and property that make up the relevant index.</p> <p>The ACD may, where it considers appropriate to do so, also use direct investment in assets in circumstances where, in its opinion, an asset class can be adequately replicated with a relatively low number of instruments. It may also invest, at its discretion, in other collective investment schemes, transferable securities, money market instruments, deposits, cash and near cash.</p> <p>On giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes however, it is envisaged that the use of such instruments in this way will not affect the overall risk profile of the Fund.</p>	Retail Income Retail Accumulation Retail X Income Retail X Accumulation Institutional Accumulation
World Index Dynamic Portfolio	To provide capital growth through investment in a broad range of asset classes across global markets, with a bias towards equities.	<p>To invest primarily in collective investment schemes and exchange traded funds that aim to match the returns of market indices. Such assets shall, in turn, invest in fixed income securities, equities, commodities, private equity and property that make up the relevant index and typically the Fund shall have a bias towards assets that focus on equity markets.</p> <p>The ACD may, where it considers appropriate to do so, also use direct investment in assets in circumstances where, in its opinion, an asset class can be adequately replicated with a relatively low number of instruments. It may also invest, at its discretion, in other collective investment schemes, transferable securities, money market instruments, deposits, cash and near cash.</p> <p>On giving 60 days' notice to Shareholders, the Fund may, in addition to its other investment powers, use exchange traded and over the counter derivatives and forward currency contracts for investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes however, it is envisaged that the use of such instruments in this way will not affect the overall risk profile of the Fund.</p>	Retail Income Retail Accumulation Retail X Income Retail X Accumulation Institutional Accumulation

# Appendix 2

## Historical Fund Performance

These figures refer to the past. Past performance is not a reliable indicator of future returns.

Sub Fund	Oct 2010 – Sept 2011 % growth	Oct 2009 – Sept 2010 % growth	Oct 2008 – Sept 2009 % growth	Oct 2007 – Sept 2008 % growth	Oct 2006 – Sept 2007 % growth
Open Global Return Fund	1.17	6.24	6.43	-2.66	N/A
Open Global Distribution Fund	-1.01	9.99	8.07	-6.94	N/A
Open Global Property Fund	-3.12	13.19	6.74	N/A	N/A
World Selection – Cautious Portfolio	-0.93	5.11	N/A	N/A	N/A
World Selection – Balanced Portfolio	-4.40	7.49	N/A	N/A	N/A
World Selection – Dynamic Portfolio	-6.65	8.77	N/A	N/A	N/A
World Selection – Income Portfolio	0.43	N/A	N/A	N/A	N/A
World Index Cautious Portfolio*	N/A	N/A	N/A	N/A	N/A
World Index Balanced Portfolio*	N/A	N/A	N/A	N/A	N/A
World Index Dynamic Portfolio*	N/A	N/A	N/A	N/A	N/A

The table shows Fund performance for complete 12 month periods for the last year ending on 30 September 2011. More recent performance information may be available in the Fund Factsheets issued by the Investment Manager.

Performance on the Open Global Distribution Fund and Open Global Return Fund, which were launched on 9 November 2006, is only available for 4 years.

Performance on the Open Global Property Fund, which was launched on 26 November 2007, is only available for 3 years.

Performance on the World Selection – Cautious Portfolio, World Selection – Balanced Portfolio and World Selection – Dynamic Portfolio Funds, which were launched on 2 January 2009, is only available for 2 years.

Performance on the World Selection – Income Portfolio, which was launched on 5 July 2010, is only available for 1 year.

\* Please note that performance will not be illustrated on the World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio Funds until after a one-year track record has been achieved. More recent performance information may be available in the Fund Factsheets issued by the ACD.

This information has been taken from Morningstar, an independent data source. The Fund performance is based on single priced Retail Income Shares, allowing for net income reinvested, excluding any initial charge. More recent performance information may be available by contacting us.

# Appendix 3

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## Part A

### Investment Powers and Restrictions

The range of investments that may generally be held within the individual Fund of the Company is set out below. The Company may exercise restricted powers, as set out below, in respect of each Fund under Section 5 of the FSA Rules for an ICVC belonging to the Non-UCITS Retail Scheme type.

The property of each Fund will be invested with the aim of providing a prudent spread of risk and achieving the investment objective and policy of that Fund but subject to the limits set out in the FSA Rules and this Prospectus. These limits apply to each Fund as set out below.

1. The scheme property of a Fund must, except where otherwise provided in Section 5 of the FSA Rules consist of any one or more of:
  - transferable securities;
  - money market instruments;
  - permitted collective investment schemes;
  - permitted derivatives;
  - permitted deposits;
  - permitted immovables\*; and
  - gold up to a limit of 10% of the value of the property of the Fund\*.

**\* As at the date of this Prospectus no Fund of the Company is able to invest in permitted immovables or physical gold. However, if any of the Funds invest in other collective investment schemes which in turn hold commodities including gold, this is permitted.**

2. Except in respect of Government and public securities each Fund may invest:
  - (a) not more than 20% of the value of the property of a Fund in deposits with a single body;
  - (b) not more than 10% of the value of the property of a Fund in transferable securities or money market instruments issued by any single body however, except in the case of the Open Global Distribution Fund, Open Global Return Fund, Open Global Property Fund, World Selection – Cautious Portfolio, World Selection – Balanced Portfolio, World Selection – Dynamic Portfolio, World Selection – Income Portfolio, World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio this limit may be raised to 25% of the value of the property of a Fund in respect of covered bonds and, in either case, certificates representing certain securities will be treated as equivalent to the underlying security;
  - (c) in an over the counter derivative transaction however, the exposure to any one counterparty must not exceed 10% of the value of the property of the Fund;
  - (d) not more than 35% of the value of the property of a Fund in units or shares in any one collective investment scheme.

3. For the purposes of calculating the limit in 2 (c) above, such exposure may be reduced to the extent that collateral is held provided the collateral meets each of the following conditions:
- (a) it is marked to market on a daily basis and exceeds the value of the amount at risk; and
  - (b) it is exposed only to negligible risks and is liquid; and
  - (c) it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
  - (d) it can be fully enforced by the Fund at any time.

Furthermore, any over the counter derivative positions with the same counterparty may be netted provided that the netting procedures:

- (e) comply with the conditions set out in the Banking Consolidation Directive; and
  - (f) are based on legally binding agreements.
4. Where the investment policy of a Fund is to replicate the performance or composition of an index meeting certain criteria as specified in the FSA Rules up to 20% of the value of the property of the Fund may be invested in shares and debentures which are issued by the same body and such limit may be increased to 35% of the value of the property of the Fund in respect of one body where justified by exceptional market conditions. **This does not apply to any Fund of the Company available for investment as at the date of this Prospectus.**
5. In applying 2 – 4 above, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
- (a) it is backed by an appropriate performance guarantee; and
  - (b) it is characterised by a daily mark-to-market valuation of the derivative positions and an at least daily margining.

Furthermore a single body is, in relation to transferable securities and money market instruments, the person by whom they are issued and, in relation to deposits, the person with whom they are placed.

6. Where no more than 35% of the value of the property of a Fund is invested in government and public securities there is no limit on the amount which may be invested in such securities or in any one issue.
7. More than 35% of the value of the property of a Fund can be invested in government and public securities issued or guaranteed by any one body provided that:
- (a) the ACD has, before any such investment is made, consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Fund;
  - (b) no more than 30% of the value of the property of that Fund consists of such securities of any one issue;
  - (c) the scheme property of that Fund includes such securities issued or guaranteed by that or another issuer of at least six different issues; and
  - (d) certain details have been disclosed in the Prospectus.

8. The Funds to which 7 above applies (if any) and the names of the States, local authorities and public international bodies issuing government and public securities in which each such Fund may invest over 35% of its assets (if any) will be noted in Part B below.
9. A warrant may be held only if the exposure created by the exercise of the right conferred by the warrant will not exceed the limits imposed by Section 5 of the FSA Rules.

**For the Open Global Return Fund, Open Global Distribution Fund, Open Global Property Fund, World Selection – Cautious Portfolio, World Selection – Balanced Portfolio, World Selection – Dynamic Portfolio, World Selection – Income Portfolio, World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio no more than 5% of the Net Asset Value of the property of the Fund may consist of warrants.**

10. Transferable securities or approved money market instruments on which any sum is unpaid may be held only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the relevant Fund at the time when the payment is required without contravening the rules in Section 5 of the FSA Rules.
11. Each Fund may invest up to 100% in units or shares in regulated collective investment schemes provided that the second scheme meets the requirements at each of (a) – (e) below, although no Fund may invest in Shares of another Fund of the same Company.
  - (a) the second scheme:
    - (i) satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
    - (ii) is a Non-UCITS Retail Scheme; or
    - (iii) is a recognised scheme; or
    - (iv) is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than a Non-UCITS Retail Scheme; or
    - (v) is a scheme not falling within (i) to (iv) and in respect of which no more than 20% in value of the scheme property (including any transferable securities which are not approved securities) is invested;
  - (b) the second scheme operates on the principle of the prudent spread of risk;
  - (c) the second scheme is prohibited from having more than 15% in value of the property of that scheme consisting of units or shares in collective investment schemes;
  - (d) the participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price:
    - (i) related to the net value of the property to which the units or shares relate; and
    - (ii) determined in accordance with the scheme; and
  - (e) where the second scheme is an umbrella, the provisions in (b) – (d) apply to each sub-fund as if it were a separate scheme.
12. Each Fund may invest in transferable securities and money market instruments which are:

- (a) admitted to or dealt in on an eligible securities market or an eligible derivatives market; or
  - (b) be recently issued transferable securities provided that:
    - (i) the terms of issue include an undertaking that application will be made to an eligible market; and
    - (ii) such admission is secured within a year of issue; or
  - (c) in the case of approved money market instruments not admitted to or dealt in on an eligible market provided that such instrument fulfils certain criteria as specified in the FSA Rules; and
  - (d) provided such transferable securities also satisfy the criteria in COLL 5.2.7A R, COLL 5.2.7C R and COLL 5.2.7E R.
13. No more than 20% of the value of the Fund may be invested in transferable securities which do not fall within 12 above, or money market instruments which are liquid with a value that can be determined accurately at any time.
14. Each of the Funds may invest in the units or shares of other collective investments schemes which are managed or operated by the ACD or an associate of the ACD. Where investment or disposal is made in a collective investment scheme which is managed or operated by the ACD or an associate of the ACD then such investment will comply, where relevant, with the FSA Rules for investments in other group schemes, which means that:
- (a) it must not invest in or dispose of units or shares in another collective investment scheme (the second scheme), which is managed or operated by (or in the case of an ICVC, whose ACD is), the authorised fund manager of such authorised fund, or an associate of that authorised fund manager, where there is a charge in respect of such investment or disposal, unless the fund manager of the authorised fund is under a duty to pay the authorised fund by the close of business on the fourth Business Day next after the agreement to buy or sell the amount referred to in (b) and (c) below.
  - (b) on investment, either:
    - (i) any amount by which the consideration paid by the authorised fund for the units in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units been newly issued or sold by it; or
    - (ii) if such price cannot be ascertained by the authorised fund manager of the authorised fund, the maximum amount of any charge permitted to be made by the seller of units in the second scheme.
  - (c) on disposal, the amount of any charge is any charge made for the account of the authorised fund manager or operator of the second scheme or an associate of any of them in respect of the disposal.
  - (d) in (a), (b) and (c):
    - (i) any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution adjustment or SDRT provision, in each case being properly applied in accordance with the FSA Rules is to be treated as part of the price of the units or shares and not as part of any charge; and

- (ii) any charge made in respect of an exchange of units or shares in one sub-fund or separate part of the second scheme for units or shares in another sub-fund or separate part of that scheme is to be included as part of the consideration paid for the units or shares.

For the purposes of the maximum limits specified in this Section each sub-fund of an umbrella scheme is to be treated as if it were a separate scheme.

The investment policy of a Fund may mean that, at times, it is not appropriate to be fully invested but to hold cash or 'near cash'. This will only be the case where the ACD reasonably regards it as necessary to enable the pursuit of the Fund's objectives, Shares to be redeemed or for the efficient management of the Fund in accordance with its investment objectives or for other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.

## **Part B**

As well as the limits outlined in Part A, the Funds, as set out below, are subject to additional restrictions:

- (a) **Open Global Return Fund, Open Global Distribution Fund, Open Global Property Fund, World Selection – Cautious Portfolio, World Selection – Balanced Portfolio, World Selection – Dynamic Portfolio and World Selection – Income Portfolio:**

Not more than 35% of the value of the Fund may be invested in government and public securities issued by any one body.

- (b) **World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio:**

More than 35% in value of the Fund may be invested in Government and public securities issued by or on behalf of the Government of the United Kingdom and the Government of the United States of America, provided that if more than 35% of the value of the Fund is so invested, the securities of at least six different issues shall be held and no holding of a single issue shall represent more than 30% in value of the Fund.

## **Part C**

### **Derivatives**

With the exception of the Open Global Return Fund, Open Global Distribution Fund, World Selection – Cautious Portfolio, World Selection – Balanced Portfolio, World Selection – Dynamic Portfolio, World Selection – Income Portfolio, World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio the Company can invest in certain types of derivatives and forward transactions as set out in this Part. As at the date of this Prospectus the Open Global Return Fund, Open Global Distribution Fund, World Selection – Cautious Portfolio, World Selection – Balanced Portfolio, World Selection – Dynamic Portfolio, World Selection – Income Portfolio, World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio only use derivatives for the purposes of efficient portfolio management as set out in Part D below.

Upon the giving of 60 days' notice to all Shareholders in the Open Global Return Fund, Open Global Distribution Fund, World Selection – Cautious Portfolio, World Selection – Balanced

Portfolio, World Selection – Dynamic Portfolio, World Selection – Income Portfolio, World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio the ACD will no longer operate under Efficient Portfolio Management, as set out in Part D below, but instead, certain types of derivatives and forward transactions as set out in this Part, may be effected for a Fund. **The use of derivatives will be for the purposes of hedging and/or meeting the investment objectives of the Fund(s). However, it is envisaged that the use of such instruments will not affect the overall risk profile of the Funds.**

The use of derivatives under this Part is as follows:

- (a) transactions in approved derivatives (i.e. effected on or under the rules of an eligible derivatives market); and
- (b) permitted over the counter transactions in derivatives.

In the case of the Open Global Property Fund, while the Fund has the ability to use derivatives under this Part, the ACD currently only intends to use such instruments for the purposes of hedging and tactical asset allocation on a short or long term basis. However, on giving 60 days notice to all investors in the Open Global Property Fund, the ACD may elect to use derivatives under this Part for investment purposes and/or meeting the investment objective. If the ACD elects to use derivatives in this way it will not affect the overall risk profile of the Open Global Property Fund.

A transaction in an approved derivative must be effected on or under the rules of an Eligible Derivatives Market. The Eligible Derivatives Markets are set out in Section 4 of the Prospectus and the addition of new Eligible Derivatives Markets for a Fund will be carried out in accordance with the FSA Rules.

The underlying of a transaction in derivatives must consist of any one or more of the following (to which the relevant Fund is dedicated):

- transferable securities;
- money market instruments;
- units or shares in permitted collective investment schemes;
- permitted derivatives and forward transactions;
- permitted deposits;
- permitted immovables;
- gold up to a limit of 10% of the value of the Fund;
- financial indices;
- interest rates;
- foreign exchange rates; and
- currencies.

Any transaction in a derivative must not cause a Fund to diverge from its investment objectives and a transaction must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more of: transferable securities, money market instruments, collective investment scheme shares or units and derivatives provided that a sale is not to be considered as uncovered if the conditions of the FSA Rules (Requirement to cover sales) are satisfied.

Any forward transaction must be made with an Eligible Institution or an approved bank.

Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in Part A or Part B above although, where a Fund invests in an index based derivative, provided the index is a relevant index in accordance with the FSA Rules and the ACD takes account of the rules relating to a prudent spread of risk, then the underlying constituents of the index do not have to be taken into account for such purposes. Where a transferable security or money market instrument embeds a derivative, this must be taken into account for the purposes of calculating any limit in the relevant part of Section 5 of the FSA Rules.

The global exposures relating to derivatives for the Funds may not exceed the Net Asset Value of the scheme property.

A transaction in a derivative or forward transaction which will or could lead to a delivery of property for the account of the Fund may only be entered into if the property can be held by the Fund and the ACD has taken reasonable care to ensure that delivery of the property under the transaction will not result in a breach of the FSA Rules.

Except in relation to deposits, no agreement by or on behalf of a Fund to dispose of scheme property or rights may be made, unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund, by delivery of property or the assignment of rights and the property and rights are owned by the Fund at the time of the agreement. This does not apply where:

- (a) the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or
- (b) the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the scheme property which is cash, liquid debt instruments with appropriate safeguards or other highly liquid assets having regard to the correlations with the underlying financial derivative instruments subject to appropriate safeguards. An asset may be considered as liquid when the instrument can be converted into cash in no more than seven Business Days at a price corresponding to the current valuation of the financial instrument on its own market.

Any transaction in an over the counter derivative must be:

- (a) with an approved counterparty (i.e. an Eligible Institution, an approved bank or a person whose FSA permission or Home State authorisation permits it to enter into the transaction as a principal off-exchange) which may be an associate of the ACD;
- (b) on approved terms (i.e. the authorised Fund Manager carries out, at least daily, a reliable and verifiable valuation in respect of that transaction at least daily and corresponding to its fair value and which does not rely only on market quotations by the counterparty and the ACD can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value arrived at under the pricing model or other agreed reliable basis;
- (c) capable of reliable valuation (i.e. the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy on the basis of a an up to date market value which the ACD and the depositary have agreed is reliable or, if such value is not available, on the basis of a pricing model agreed between the ACD and the Depositary using an adequate recognised methodology); and
- (d) subject to verifiable valuation (i.e. if throughout the life of the derivative, verification of the valuation is carried out by an appropriate third party, which is independent from the

counterparty of the derivative, at an adequate frequency and in such a way that the ACD is able to check it or a department within the ACD which is independent from the department in charge of managing the property of the Fund and which is adequately equipped for such purpose).

## Risk Management Process

The ACD uses a risk management process enabling it to monitor and measure as frequently as appropriate the risk of a Fund's derivatives and forward positions and their contribution to the overall risk profile of the Fund.

## Part D

### Efficient Portfolio Management

#### Use of derivatives for the efficient portfolio management of the Funds

This Part D applies to the Open Global Return Fund, Open Global Distribution Fund, World Selection – Cautious Portfolio, World Selection – Balanced Portfolio, World Selection – Dynamic Portfolio, World Selection – Income Portfolio, World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio.

**Each of the Funds may use derivatives transactions for the purposes of efficient portfolio management. Accordingly, derivatives may be used for hedging purposes but in the opinion of the ACD the use of derivatives for the efficient management of the Fund portfolios does not increase the risk profile or the volatility of the Funds.**

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

- (a) approved derivatives (i.e. options, futures or contracts for differences which are dealt in or traded on an Eligible Derivatives Market);
- (b) off-exchange derivatives (i.e. futures, options or contract for differences resembling options with a counterparty falling within certain specified categories and meeting certain other criteria); or
- (c) synthetic futures (i.e. derivatives transactions in the nature of composite derivatives created out of two options bought and written on the same Eligible Derivatives Market and having certain characteristics in common).

The Eligible Derivatives Markets for each Fund are listed in Appendix 4 of this Prospectus. New Eligible Derivatives Markets may be added in accordance with the FSA Rules.

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

There is no limit on the amount of the scheme property of any Fund which may be used for transactions for the purposes of efficient portfolio management but each transaction for the account of any Fund must satisfy three broadly based requirements:

- (a) the transaction must be one which the ACD has ascertained with reasonable care to be economically appropriate to the efficient portfolio management of the relevant Fund in that it is realised in a cost effective way. This means that the ACD must take reasonable care to determine that, for a transaction undertaken to reduce 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. A transaction may not be entered into if its purpose could reasonably be regarded as speculative;
- (b) the purpose of the transaction must be to achieve one of the following in respect of the Fund in question;
  - (i) **reduction of risk** – this, for example, allows the use of the technique of cross-currency hedging in order to switch all or part of the scheme property of the Fund away from a currency the ACD considers unduly prone to risk into another currency. This aim also permits the use of tactical asset allocation, described in (ii) below;
  - (ii) **reduction of cost** – for example, the aims of reduction of risk and reduction of cost, together or separately, allow the ACD on a temporary basis to use the technique of tactical asset allocation. Tactical asset allocation permits the ACD to undertake a switch in the Fund’s exposure by the use of derivatives rather than through the sale and purchase by the Fund of transferable securities. If a transaction for the Fund relates to the acquisition or potential acquisition of transferable securities, the ACD must intend that the Fund should invest in transferable securities within a reasonable time and the ACD must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.
  - (iii) **generation of additional capital or income for the Company with a risk level which is consistent with the risk profile of the Fund and the risk diversification rules laid down in the FSA Rules** – there is an acceptably low level of risk in any case where the ACD has taken reasonable care to determine that the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit from stocklending (which is described below under ‘Stocklending’) or on the basis of either taking advantage of pricing imperfections in relation to the acquisition and disposal (or vice versa) of rights in relation to property the same as, or equivalent to property which the Fund holds or may properly hold or of receiving premiums for the writing of covered put or call options.

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

- (c) the maximum potential exposure created by each transaction must be covered in accordance with the FSA Rules.

## Part E

### Underwriting

The Funds may enter into agreements and understandings with regard to the underwriting and sub-underwriting of securities or the acceptance of placing commitments subject to the provisions set out in the FSA Rules.

### Borrowing Powers

The Company may borrow money from an Eligible Institution or an approved bank for the use of any Fund on terms that the borrowing is to be repayable out of the Fund property. The ACD must ensure that any such borrowings comply with the FSA Rules.

The ACD must ensure that borrowing is of a temporary nature, i.e. it must not exceed three months without the prior consent of the Depositary. The Depositary's consent may only be given on conditions which appear appropriate to the Depositary to ensure that the borrowing remains on a temporary basis. The ACD must ensure that borrowing does not exceed 10% of the value of the property of the Fund on any one Business Day.

These restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted so as to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

### Cover for transactions in derivatives and forward transactions

The maximum exposure (in terms of principal or notional principal created by the transaction to which the scheme is or may be committed by another person) created by each transaction must be covered globally. This means that there must be adequate cover from within the scheme property available to meet the Fund's total exposure taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk and the time available to liquidate any positions. Cash not yet received into the scheme property but due to be received within one month is available for cover as is scheme property which is subject to stocklending transaction where the ACD has taken reasonable care to determine that such property is obtainable in time to meet the obligation for which cover is required.

### Cover and Borrowing

Cash obtained from borrowing, and borrowing which the ACD reasonably regards as an Eligible Institution or an approved bank to be committed to provide, is not available for cover except where the Company borrows an amount of currency from an Eligible Institution or an approved bank and keeps an amount in another currency, at least equal to the borrowing, on deposit with the lender (or his agent or nominee) in which case Section 5.3.5 of the FSA Rules applies as if the borrowed currency, and not the deposited currency, were part of the scheme property.

The ACD must as frequently as is necessary, recalculate the amount of cover required in respect of derivatives and forward positions already in existence and derivative and rights under forward transactions may be retained in the scheme property provided they remain covered globally.

# Appendix 4

## Eligible Securities Markets and Eligible Derivatives Markets

Fund	Open Global Return Fund	Open Global Distribution Fund	Open Global Property Fund	World Selection – Cautious Portfolio	World Selection – Balanced Portfolio	World Selection – Dynamic Portfolio	World Selection – Income Portfolio	World Index Cautious Portfolio	World Index Balanced Portfolio	World Index Dynamic Portfolio
<b>Eligible securities market</b>										
Vienna Stock Exchange (Wiener Borse AG )	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Australia Stock Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Euronext Brussels	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Toronto Stock Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Montreal Stock Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TSX Venture Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NASDAQ OMX Nordic (Copenhagen)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NASDAQ OMX Nordic (Helsinki )	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Euronext Paris	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Deutsche Borse	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Athens Stock Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Euronext Amsterdam	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stock Exchange of Hong Kong	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Irish Stock Exchange (ISE)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Borsa Italiana SpA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tokyo Stock Exchange (TSE)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Korea Exchange (KRX)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Luxembourg Stock Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bursa Malaysia Securities Berhad	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Borsa Mexicana de Valores (Mexico Stock Exchange)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
New Zealand Exchange Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Oslo Bors (Stock Exchange)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Euronext Lisbon	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Singapore Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
JSE Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Bolsas y Mercados Espanoles (BME Spanish Exchanges)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NASDAQ OMX Nordic (Stockholm)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SIX Swiss Exchange	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stock Exchange of Thailand (SET)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
London Stock Exchange (LSE)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
New York Stock Exchange (NYSE)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NASDAQ	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

## Name of Eligible Derivatives Markets

### **In respect of the following Fund(s):**

Open Global Return Fund, Open Global Distribution Fund and Open Global Property Fund:

Euronext.liffe

### **In respect of the following Fund(s):**

World Selection – Cautious Portfolio, World Selection – Balanced Portfolio, World Selection – Dynamic Portfolio, World Selection – Income Portfolio, World Index Cautious Portfolio, World Index Balanced Portfolio and World Index Dynamic Portfolio:

Athens Derivative Exchange

Borsa Italiana (IDEM)

Budapest Stock Exchange

Bursa Malaysia

CBOE Futures Exchange

Chicago Board of Trade

Chicago Mercantile Exchange

Eurex

Euronext.liffe

Hong Kong Futures Exchange

ICE Futures US Indices

Korea Exchange

Meff Renta Variable (Madrid)

Montreal Exchange

National Stock Exchange of India

NYSE LIFFE – Amsterdam

NYSE LIFFE – Brussels

NYSE LIFFE - Lisbon

NYSE LIFFE – London

NYSE LIFFE – Paris

OMX Nordic Exchange Copenhagen

OMX Nordic Exchange Stockholm

Osaka Securities Exchange

Oslo Stock Exchange

Singapore Exchange (was SIMEX)

South African Futures Exchange

Sydney Futures Exchange

Thailand Futures Exchange

Tokyo Financial Exchange

Tokyo Stock Exchange

Turkish Derivatives Exchange

Warsaw Stock Exchange

Wiener Borse

# Appendix 5

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HSBC Global Asset Management (UK) Limited acts as the manager for the following authorised Collective Investment Schemes:

## Authorised Unit Trusts

HSBC Ethical Charity Unit Trust\*

HSBC FSAVC Unit Trust

HSBC Personal Pension Unit Trust

HSBC Portfolio Fund\*

## Open-Ended Investment Companies

HSBC Investment Funds

HSBC Specialist Investment Funds

HSBC Index Tracker Investment Funds

HSBC Investment Funds of Funds

HSBC Private Investment Funds

HSBC MERIT Investment Funds

Smart Invest Growth Portfolio\*

\* These Funds are currently being wound up and are no longer available for investment.

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