

## PROSPECTUS

### I - General characteristics

**Form of the UCITS:**

- **Name: HSBC SELECT BALANCED**
- **Legal form and Member State in which the UCITS was established:**  
Mutual fund (FCP) governed by French law
- **Date of establishment and expected term:** 07 January 2009 for a period of 99 years
- **Summary of the offer:**

Units	ISIN code	Allocation of distributable amounts	Currency of issue	Initial net asset value	Target investors	Minimum initial subscription amount	Minimum amount of subsequent subscriptions
A	FR0010329391	Accumulation	Euro	€29.30	All subscribers	1 unit	Ten thousandths of units
R	FR0011512342	Accumulation	Euro	Equal to the net asset value of the A unit on the launch date of the R unit.	Reserved for HSBC Assurance Vie (France)	1 unit	Ten thousandths of units
H	FR0011883313	Accumulation	Euro	€100,000	Institutional Investors and Private Banking Clients	€5,000,000	Ten thousandths of units
B	FR0013313962	Accumulation	Euro	€100	Subscription for this unit is subject to the existence of a specific remuneration agreement between the subscriber and the distributor or the portfolio manager	1 unit	Ten thousandths of units

- **Indication of the location from which the latest annual report and interim statement can be obtained:**

The latest annual reports and asset composition documents are sent within eight working days upon simple written request from the unitholder to:

**HSBC Global Asset Management (France)**  
e-mail: [hsbc.client.services-am@hsbc.fr](mailto:hsbc.client.services-am@hsbc.fr).

Any additional information may be obtained from HSBC Global Asset Management (France) at this same address.

## II - Parties involved

- **Management company:**

- **HSBC Global Asset Management (France)**

- Asset management company approved under no. GP99026 by the Autorité des Marchés Financiers on 31 July 1999.

- Company address: Coeur Défense – 110 esplanade du Général de Gaulle – La Défense 4 – 92400 Courbevoie.

- **Depositary and custodian:**

- **CACEIS Bank**

- A public limited company, a credit institution that provides investment services authorised by the Autorité de Contrôle Prudentiel et de Résolution (French Prudential Supervisory and Resolution Authority)

- Company address: 1/3 place Valhubert 75013 Paris, France

- Postal address: 75206 Paris, France Cedex 13

The depositary's duties cover the tasks, as defined by the applicable regulations, of safekeeping of assets, verification of the regularity of the management company's decisions and monitoring of the cash flows of UCITS.

The depositary is independent of the management company.

### Delegates

The description of delegated custody functions, the list of delegates and sub-delegates of CACEIS Bank and the information related to conflicts of interest which may arise out of these delegations are available on the CACEIS website: [www.caceis.com](http://www.caceis.com)

Up to date information is available to investors upon request.

- **Centralising subscription and redemption orders:**

- **CACEIS Bank**

- A limited liability company credit establishment approved by the investment services bank CECEI, with

- company address: 1/3 place Valhubert 75013 Paris, France

- Postal address: 75206 Paris, France Cedex 13

The depositary is also responsible, as appointed by the management company, for management of the fund's liabilities, which covers the pooling of subscription and redemption orders and maintenance of the fund's unit issuance account.

- **Appointed accounting manager:**

- **CACEIS Fund Administration**

- Company address: 1/3 place Valhubert 75013 Paris, France

- Postal address: 75206 Paris, France Cedex 13

CACEIS Fund Administration is a commercial company specialising in mutual fund accounting. It is a subsidiary of the CACEIS Group.

CACEIS Fund Administration is responsible, in particular, for the valuation of the FCP and the preparation of the interim documents.

- **Statutory auditors:**

- **Ernst & Young Audit**

- Tour First

- 1 Place des saisons

- TSA 14444

- 92037 Paris la Défense CEDEX

- Represented by Youssef Boujanoui

- **Marketing agent:**

- **HSBC Global Asset Management (France)**

- Company address: Coeur Défense – 110 esplanade du Général de Gaulle – La Défense 4 – 92400 Courbevoie.

### **III – Operating and management procedures**

#### **III – 1 General characteristics:**

- **Unit characteristics:**

- **Nature of the right attached to the unit class:**

Each unitholder is entitled to joint ownership of the mutual fund's assets in proportion to the number of units held. Since the mutual fund is a co-ownership of transferable securities, no voting rights are attached to the units held.

- **Entry in a register or other arrangements on liability accounting:**

All units are bearer units. Therefore, there is no record keeping. The issuer account is maintained by CACEIS Bank. The Unit Administration is performed by Euroclear France.

- **Voting right:**

The voting rights attached to the securities held by the mutual fund are exercised by the management company.

- **Form of units:**

Bearer units.

Subscriptions in registered form are only authorised on the prior decision of the management company.

- **Fractional units:**

Possibility of subscription and redemption in ten thousandths of units.

- **Closing date:**

Last net asset value in December

End of the first financial year: 31 December 2009

- **Information about the tax system:**

The UCITS is not subject to corporation tax, but any distributions and capital gains or losses are taxable to its unitholders.

The tax system applicable to the amounts distributed by the UCITS or the unrealised or realised capital gains or losses of the UCITS depends on the tax provisions relevant to the specific situation of the investor, his/her tax residence and/or the investment jurisdiction of the UCITS.

Investors should contact their usual advisor in order to familiarise themselves with the terms and conditions applicable to their personal situation.

### III – 2 Special provisions:

- **ISIN codes:**

Unit classes	ISIN codes
A unit	FR0010329391
R unit	FR0011512342
H unit	FR0011883313
B unit	FR0013313962

- **Management objective:**

The objective of the mutual fund is to offer flexible management on equity and interest rate markets over a minimum investment period of five years. Though fluctuating within wider allocation constraints, the mutual fund profile may be compared with an allocation typically composed of 50% equities and 50% corporate and government bonds, invested in developed markets with a euro basis as well as emerging markets.

- **Benchmark index:**

This mutual fund does not have a benchmark. We believe that there is no representative benchmark for our investment process.

- **Investment strategy:**

- **1. Strategies used:**

The investment strategy is discretionary and relies on a portfolio management process organised around three pillars:

- a strategic allocation of medium/long-term assets based on the mutual fund manager's certainty about the various asset classes, geographic areas, and management styles as well as input from the HSBC Group research teams in building and optimising portfolios.

This allocation is set within minimum and maximum exposure constraints by potentially attainable asset classes according to certain market configurations.

- a tactical short-term allocation illustrating the certitude managers have about different asset classes, with particular leveraging of potential market inefficiencies and opportunities. It provides reactivity and flexibility to strategic allocation, thus optimising global portfolio exposure.
- a selection of investment vehicles most likely to offer the best exposure sought, in our opinion.

The mutual fund may endure forex fluctuations up to a maximum of 75% of its assets.

The net assets of the mutual fund shall then be 35-65% exposed to equity markets, and 0-65% exposed to interest rate markets.

- **2. Assets (excluding embedded derivatives):**

Equities:

None

#### Debt securities and money market instruments:

While not intended to do so, the mutual fund may directly invest up to 10% of net assets in debt securities or bonds and under the same rating conditions as those stipulated in the “interest rate product investment fund” compartment.

#### Units or shares of other investment funds: up to 100% of assets, including:

- French or European UCITS: 70-100%.
- French retail investment funds and European hedge funds meeting the four criteria of Article R. 214-13 of the French Monetary and Financial Code: 30% maximum.
- Other foreign investment funds for up to a maximum of 10% of the assets.

The manager will invest in UCIs managed or distributed by an entity of the HSBC Group, unless such UCIs are not eligible or adapted. The selected UCIs are exposed to the different asset classes (equities, fixed income products, diversified, commodities, money market).

#### Investment fund equities

Depending on the manager’s forecasting, the “equities” compartment may vary and represent between a minimum of 35% and a maximum of 65% of the mutual fund assets. Global mutual fund exposure to equity risk fluctuates identically.

It is composed of units or shares of investment funds exposed to equities of companies of any capitalisation size (including small and medium, with no predetermined limit), sector, or geographic area (including emerging markets, with no predetermined limit).

#### Interest rate product investment funds

The “interest rate” compartment may represent up to 65% of mutual fund assets, with no predetermined minimum.

It is invested in units or shares of interest rate product investment funds (bonds and monetary) divided among European and international government bonds, investment grade (within minimum Standard and Poor’s BBB- and Moody’s Baa3 ratings or the equivalent as set by the management company) as well as high-yield European and international corporate bonds, and European and International convertible bonds backed by assets in all currencies.

The management company does not exclusively or mechanically use ratings provided by credit rating agencies and favours its own credit risk analysis to assess the credit quality of assets and in the selection of securities to buy or sell.

For the “interest rate” compartment, “high-yield” bond investments are limited to 30% of the mutual fund’s assets. Investments in emerging market debt are permitted in the same proportions.

#### Diversified and/or flexible investment funds

The “diversified” and/or flexible compartment may represent up to 20% of mutual fund assets, with no predetermined minimum. It is invested in units or shares of UCIs with a diversified and/or flexible profile applying in particular absolute return strategies (defined as management decorrelated from traditional markets) within the limit of 20% of the fund’s assets, or alternative strategies in accordance with the rules referred to in Articles R. 214-9 to R. 214-30 of the French Monetary and Financial Code, within the limit of 10% of the fund’s assets.

#### Commodity UCIs

For diversification purposes, the fund may invest up to 10% in commodity indices through UCIs and trackers.

The mutual fund may also invest in, with no predetermined limits, French or European index and/or tracker investment funds as well as in, for up to 10% of its assets, foreign French index and/or tracker investments funds in order to increase “equity” or “interest rate” exposure or diversify the portfolio with other asset classes (commodities, real estate, listed, listed infrastructure, etc.), geographic areas, or management styles.

### **3. On derivatives:**

The manager may invest in the following derivative instruments:

Type of markets involved:

- regulated;
- organised;
- over-the-counter.

Risks in which the manager desires to invest:

- equities: the manager reserves the option of using hedging, arbitrage and exposure transactions on equity risk;
- interest rates: the manager reserves the option of using hedging, arbitrage and exposure transactions on interest rate risk;
- change: the manager reserves the option of using hedging, arbitrage and exposure to the foreign exchange risk of currencies other than the euro;
- credit;
  
- other risks: volatility, commodities

Types of transactions and description of all operations that must be limited to the achievement of the investment objective:

- hedging;
- exposure;
- arbitrage

Type of instruments used:

- interest rate futures, equity indices (including dividends), currencies, commodities
- options on futures and equity indices (including dividends), interest rates, foreign exchange, commodities
- swaps: the mutual fund manager may use interest rate, index, inflation and currency swaps
- currency futures
- volatility derivatives: for both purchases and sales, the mutual fund may use volatility derivatives, especially volatility index futures, e.g. US and European equity market volatility indexes (respectively VIX and VSTOXX futures), for up to 3% of fund net assets.
- credit derivatives (Credit Default Swap) to expose the fund to credit risk through the sale of protection or, conversely, to hedge credit exposure of the portfolio through the purchase of protection;
- Total Return Swaps: the fund may enter into total return swaps (“TRS”) under which a counterparty transfers the overall economic performance of an underlying (including interest income and remuneration, capital gains and losses resulting from price fluctuations) to another counterparty. These TRS are used for exposure, arbitrage or hedging purposes and relate to transferable securities (including baskets of transferable securities), such as indices or baskets consisting of equities, bonds, currencies, volatility or commodities. This exposure will be limited to 20% of the fund’s net assets.

Counterparties eligible for transactions on OTC financial futures are selected according to the procedure described in the paragraph: "Brief description of the intermediary selection procedure".

Financial collateral put in place for OTC financial futures is the subject of a financial collateral policy available on the management company's website.

These transactions may be carried out with counterparties selected by the management company among financial institutions that have their registered office in an OECD member country. These counterparties may be companies linked to the HSBC Group.

These counterparties have good credit quality (and in all cases the minimum rating is BBB- on Standard & Poor's scale or equivalent) or have a rating deemed to be equivalent by the management company.

This financial collateral policy specifies:

- The discount applicable to financial collateral. It depends on the security's volatility, which is characterised by the type of assets received, the rating, the maturity of the security, etc. This discount has the effect of requiring financial collateral greater than the market value of the financial instrument.

- The assets accepted as collateral which can be composed of cash, government securities, short/medium negotiable securities and bonds issued by private issuers.

Financial collateral other than cash may not be sold, reinvested, or pledged. Bonds must have a maximum maturity of 50 years.

Financial collateral consisting of cash must be:

- deposited with credit institutions whose registered office is located in an OECD member State or a third party State having equivalent prudential rules,
- invested in reverse repo agreements whose counterpart is a credit establishment subject to reserve monitoring, and from which the UCITS may withdraw cash at any point, and invested in short-term money market UCIs.

Financial collateral in the form of securities and/or cash are held in distinct accounts by the custodian.

• **4. Securities with embedded derivatives (warrants, credit link notes, EMTNs, share warrants, etc.):**

Risks in which the manager intends to trade:

- equity;
- interest rate;
- forex;
- credit;
- other risk (to be specified)

Types of transactions and description of all operations that must be limited to the achievement of the investment objective :

- hedging;
- exposure;
- arbitrage;
- other (to be stipulated).

Type of instruments used: Essentially Warrant, Certificate, EMTN, as well as any type of bond vehicle to which a conversion or subscription right is attached. The proposed average holding range is 0-5% with a maximum authorised level of 10%

• **5. Deposits:**

The mutual fund may invest up to 20% of its assets in euro deposits with a total duration of three months or less so as to replenish its liquid assets.

• **6. Cash loans:**

The mutual fund may borrow cash for up to 10% of its assets. Cash loans strictly cover current account shortfalls resulting from a lag between subscriptions and redemptions on the underlying investment funds.

• **7. Temporary purchases and sales of securities:**

The mutual fund may have incidental recourse to temporarily sell and purchase securities. Repos and reverse repos are favoured in managing cash flow. Temporary purchases and sales are limited to 10 % of committed assets.

○ Types of transactions used:

redemption and reverse repurchase agreements in accordance with the French Monetary and Financial Code;

other (to be stipulated).

○ Category of investments:

Temporary purchase and sales of securities are carried out to achieve the management objective and in the best interest of the UCITS. Only fixed-income instruments may be the subject of temporary purchases and sales of securities.

These transactions aim to:

- For repos and reverse repos: manage UCITS residual cash flow related to subscriptions/redemptions and optimise income.

For protection against counterparty default, temporary purchases and sales of securities may provide for financial collateral discounts in the form of securities and/or cash which are held in distinct accounts by the depository. These conditions are stipulated in the “Derivatives” section.

These transactions may be carried out with counterparties selected by the management company from among financial institutions that have their registered office in an OECD member country. These counterparties may be companies linked to the HSBC Group.

- These counterparties must have trustworthy credit, and regardless, the minimum Standard & Poors rating of BBB-, the equivalent, or a rating deemed equivalent by the management company.

- potential leverage effects: up to the commitment calculated using the absolute VaR probabilistic method.

Given that the fund trades on futures markets, its aggregate exposure level will be calculated based on the absolute VaR, as defined below in Part VI. “Aggregate exposure”.

- Remuneration: see additional information in the “Fees and Commissions” section.



- **Risk profile:**

Investors' money will be primarily invested in financial instruments selected by the management company. These instruments will be subject to market fluctuations and risks.

**Risk related to discretionary management:**

The discretionary management style relies on anticipating developments in both equity and bond markets. There is a risk that the fund may not be invested at any time in the best performing assets or markets, resulting in a lower performance.

**Capital loss risk:**

The mutual fund has no guarantee or protection. It is therefore possible that the initially invested capital will not be returned in full.

**Interest rate risk:**

The portion of the portfolio invested in interest rate products may be impacted by interest rate fluctuations. When long-term interest rates increase, bond prices fall. These movements may cause the net asset value to fall.

**Credit risk:**

Credit risk is the risk that the financial situation of the issuer deteriorates, and, in the worst-case scenario, the issuer becomes insolvent. This deterioration could lead to a drop in the value of the issuer's securities and thus a reduction in the value of the portfolio. This may, for example, involve the risk of non-redemption of a bond within the deadlines. An issuer's credit risk is reflected in the ratings attributed to it by official rating agencies such as Moody's or Standard & Poor's. Ratings increase with credit risk: issuers from the Investment Grade category to the "High Yield" category. The use of subordinated bonds may result in a risk related to the payment characteristics of the security in the event of default by the issuer. The fund which is exposed to a subordinated security will not be priority and the repayment of the capital as well as the payment of coupons will be subordinated to those of other senior creditors. Thus, the redemption of its security may be partial or zero. The use of subordinated bonds may lead to a greater risk of a decrease in the net asset value than that associated with conventional bonds.

The management company does not exclusively or mechanically use ratings provided by credit rating agencies and favours its own credit risk analysis to assess the credit quality of assets and in the selection of securities to buy or sell.

**Convertible bond investment risk:**

The value of convertible bonds relies on many factors: interest rates, changes in the price of underlying equities, changes in the price of the derivative within the convertible bond. These different elements may decrease the UCITS NAV.

**Equity risk:**

Equity risk: the UCITS is exposed to equity risk through investment fund securities, units, or equities and/or financial instruments. Equity risk consists in the dependence of the value of securities on market fluctuations. In the event of a decline in the equity markets, the fund's net asset value may fall more significantly than these markets.

### **Risk associated with investment on emerging markets:**

The UCITS may invest in emerging markets through securities, units or shares of UCITS and/or financial instruments whose value is likely to fluctuate strongly which may lead to significant declines in the NAV more pronounced or rapid than the variation observed on developed markets. The principal risks related to investments in emerging countries may be the strong volatility of securities, the volatility of currency in these countries, potential political instability, governmental interventionist policies, and different financial and accounting practices that offer less liquidity than those in developed countries.

### **Currency risk:**

Foreign exchange risk is the risk of investment currencies falling in relation to the portfolio's reference currency. Currency fluctuation in relation to the reference currency may involve a drop in the value of these instruments and consequently a drop in the UCITS NAV.

### **Derivatives risk:**

The use of futures may increase or decrease the volatility of the mutual fund, and impact its NAV, in either direction.

The UCITS may invest in financial futures and options within the limit of its asset value. This exposure to markets, assets, indices, etc. through financial futures and options, including in the form of credit derivatives (notably in the form of a Credit Default Swap) may lead to a greater or more rapid decline in the NAV than the variation observed in the elements underlying these instruments.

### Ancillary risks:

#### **Counterparty risk:**

The UCITS is exposed to the counterparty risk resulting from the use of OTC financial futures and temporary purchases and sales of securities. This is the risk that the counterparty with which a contract has been made will not meet its obligations, e.g., delivery, payment, repayment, etc. In this case, the counterparty's breach may decrease the NAV of the UCITS. This risk is reduced by the establishment of financial collateral between the UCITS and the counterparty, as described in the collateral exchange.

#### **Risk related to total return swaps (TRS):**

These operations are likely to create risks for the fund such as counterparty risk (described above) and a liquidity risk corresponding to the risk resulting from the difficulty of buying, selling, terminating or valuing a security or a transaction due to the lack of a buyer, seller or counterparty. The occurrence of such a risk could lead to a decrease in the fund's net asset value.

#### **Volatility risk:**

Volatility risk is the risk of a portfolio's price change resulting from changes in the volatility of a risk factor. It generally applies to derivative portfolios, for which the volatility of underlyings is an important factor in price influence. In option pricing formulas, volatility risk indicates the extent to which the return on the underlying asset fluctuates between now and the expiry of the option. The use of volatility futures (the VIX future) could expose (hedging) the portfolio against fluctuations in volatility.

#### **Risk related to exposure to commodity markets:**

Commodity risk refers to the uncertainties of future market values caused by fluctuations in commodity prices. The future price of a commodity may be affected by various factors affecting regulatory or political changes, seasonal changes, technological advances,

**Risk associated with financial collateral management:**

Investors may be exposed to legal risks (in relation to legal documentation, execution of contracts, and limits of contracts), transactional risks, and risks related to the reuse of cash received as collateral. The mutual fund's net asset value may change due to fluctuations of the value of the securities purchased by investing cash received as collateral. Due to exceptional market circumstances, the unitholder may also be exposed to liquidity risk involving, for instance, difficulties trading certain securities.

**Liquidity risk:**

The markets in which the UCITS participates may be occasionally and temporarily affected by a lack of liquidity in certain circumstances or market configurations. These market disruptions can impact the price conditions in which the UCITS may need to liquidate, initiate, or change positions and therefore cause a decline in its NAV.

**Risk associated with small and medium-sized valuations:**

The fund has the possibility of investing in small and mid-cap companies, which can result in larger and faster declines in the value of the fund.

**Integration of sustainability risks into investment decisions and likely impact of sustainability risks on performance**

1. As a financial market player, the management company is subject to Regulation (EU) 2019/2088 of 27 November 2019 on the publication of sustainability information in the financial services sector.

In this context, it has implemented a policy on integrating sustainability risks into its investment decision-making process.

Sustainability risk refers to an event or situation in the environmental, social or governance field which, if any, could have a significant negative impact, whether real or potential, on the value of the investment.

The sustainability risk policy focuses on the ten principles of the United Nations Global Compact ("UNGC") which defines the main areas of financial and non-financial risks: human rights, labour law, environment and anti-corruption. The management company uses service providers to identify companies with poor results in these areas and, if potential sustainability risks are identified, to then perform its own controls. As part of its strategy, the management company monitors sustainability risks on an ongoing basis.

The management company acts in the best interests of investors. Over time, sustainability risks can influence the performance of UCIs through their investment in corporate, sector, regional and asset class issues. Although UCIs have their own management strategy, the management company aims to provide investors with competitive returns taking into account the risk profile. To achieve this, an in-depth financial analysis and a comprehensive assessment of sustainability risks are carried out as part of a broader risk assessment for each UCI.

The sustainability risk policy is available on the management company's website: [www.assetmanagement.hsbc.com/fr](http://www.assetmanagement.hsbc.com/fr).

2. Companies that adequately manage sustainability risks are better able to anticipate future sustainability risks and opportunities. This makes them strategically more resilient and therefore able to anticipate and adapt to long-term risks and opportunities. Similarly, when properly managed,

sustainability risks may have a negative impact on the value of the underlying company or the competitiveness of the country issuing sovereign bonds. Sustainability risks can materialize in different forms for the companies or governments in which the UCIs invest, such as (i) a decline in turnover due to changes in consumer preferences, negative impacts on the workforce, social unrest, and a decline in production capacity; (ii) an increase in capital/operating costs; (iii) the depreciation and early release of existing assets; (iv) a loss of reputation and fines; and all these risks may potentially impact the performance of UCIs.

The potential impact of sustainability risks on the performance of UCIs will also depend on the investments of these UCIs and the materiality of sustainability risks. The likelihood of sustainability risks occurring should be mitigated by their inclusion in the investment decision-making process. The potential impacts of sustainability risks on the performance of UCIs based on ESG criteria are further mitigated. However, there is no guarantee that these measures will completely mitigate or warn of the materialisation of sustainability risks on these UCIs. As a result, the likely impact on the performance of UCIs of a significant or potential decline in the value of an investment due to sustainability risk will vary and depend on several factors.

3. The fund takes into account sustainability risks in the investment decision-making process. The management company integrates sustainability risks by identifying ESG factors that may have a material financial impact on an investment's performance. Exposure to sustainability risk does not necessarily mean that the management company will refrain from taking or retaining a position. Instead, the management company must take into account the sustainability risk assessments as well as other significant factors with regard to the investment company or issuer, the management objective and the investment strategy of the fund.

4. The fund may invest significantly in derivative instruments, ETFs and passive funds that do not incorporate ESG criteria, for which sustainability risks are more difficult to take into account because the fund does not invest directly in the underlying asset.

At the date of the prospectus, no ESG integration methodology may be applied for these financial instruments,

- **Target investors and standard investor profile:**

A unit: All subscribers

R unit: Reserved for HSBC Assurances-Vie (France)

H unit: Institutional Investors and Private Banking Clients

B unit: Subscription for this unit is subject to the existence of a specific remuneration agreement between the subscriber and the distributor or the portfolio manager.

The fund is intended for investors seeking a diversification instrument combining equities and bonds in defined proportions.

Minimum recommended investment period: more than five years.

The reasonable amount to invest in this UCITS depends on the personal situation of each investor. To determine this, investors must take into account their personal assets, their current needs and the recommended investment period, as well as their desire to take risks, or instead favour a prudent investment. Investors are also strongly recommended to diversify their investments sufficiently so as not to expose themselves solely to the risks of this UCITS.

The mutual fund's units may not be offered to or subscribed by **Non-Eligible Persons**, as defined below:

- **Regulations for Automatic Exchange of Tax Information**

FATCA refers to Sections 1471 to 1474 of the US code, any current or future regulation or their official interpretations, any agreement concluded pursuant to Section 1471(b) of the Code, or any tax regulation, law, or practice adopted pursuant to any inter-governmental agreement concluded in relation to the implementation of these sections of the US Code. FATCA was implemented in France through the signing of the inter-governmental agreement concluded between France and the United States on 14 November 2013 for the application of the US regulation Foreign Account Tax Compliance Act (FATCA).

US Code refers to the United States Internal Revenue Code of 1986;

Common Reporting Standard (CRS) refers to Council Directive 2014/107/EU of 9 December 2014 (DAC 2 Directive) amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation as well as the conventions entered into by France enabling the automatic exchange of information in tax matters. This is based on the regulations on the automatic exchange of information in tax matters drafted by the OECD.

The FATCA and CRS regulations were transposed into French law by Article 1649 AC of the French General Tax Code. They formalise the collection by financial institutions of information related to the status of a US Person and to the tax residence of their clients, particularly upon the opening of a financial account.

These financial institutions must send to the French tax authorities, for transmission to the corresponding foreign tax authorities, certain information relating to the reportable financial accounts of the US Person clients and clients with tax residence outside of France in an EU Member State or in a state with which an agreement covering the automatic exchange of information is applicable.

The determination of the financial institution upon which these obligations are incumbent depends on the holding arrangement of the units.

- **RESTRICTIONS ON THE ISSUANCE AND REDEMPTION OF UNITS FOR US PERSONS**

The mutual fund's units may not be offered or sold to any US person. For the purposes of this restriction, the term "US person" ("USP") refers to:

1. A natural person who is deemed to be a resident of the United States under a law or regulation of the United States.
2. An entity:
  - i. that is a joint-stock company, a private company, a limited liability company, or other commercial entity:
    - a. that has been created or incorporated under a federal law or a state of the United States, including any foreign agency or branch of this entity; or
    - b. that, regardless of its place of inception or incorporation, was incorporated mainly for passive investments (such as a company or an investment fund or a similar entity, other than an employee savings scheme or an employee savings fund, managers or officers of a foreign entity whose principal place of business is located outside of the United States);
      - and that is directly or indirectly owned by one or more USP, in respect of which these USPs (unless they are defined as Qualified Eligible Persons under Regulation 4.7(a) of the CFTC) hold in total, directly or indirectly, an equity interest of 10% or more; or
      - if a USP is the general partner, managing partner, or managing director or has another function with the power to direct the activities of the entity; or

- was incorporated by or for a USP mainly in order to invest in securities that are not registered with the SEC; or
  - more than 50% of whose equity securities with voting rights or equity securities without voting rights are held directly or indirectly by USPs; or
  - c. that is an agency or branch of a foreign entity located in the United States; or
  - d. whose principal place of business is located in the United States; or
- ii. that is a trust created or formed under a federal law or a law of state of the United States regardless of its place of inception or formation;
- a. in which one or more USPs have the power to control all major decisions; or
  - b. whose administration or whose incorporation documents are subject to the control of one or more courts of the United States; or
  - c. whose creator, founder, trustee, or other person responsible for decisions regarding the trust is a USP; or
- iii. that is an estate of a deceased person, irrespective of the place of residence of the person when he or she was alive, whose executor or administrator is a USP.
3. An employee savings scheme established and managed in accordance with the laws of the United States.
4. A discretionary or non-discretionary management mandate or a similar investment method (other than an estate or trust) held by a foreign or US broker or other authorised representative to the benefit of or for the account of a USP (as defined above).

For the purposes of this definition, “United States” or “US” refers to the United States of America (including the States and the District of Columbia), its territories, possessions, and other areas subject to its jurisdiction.

If, as the result of an investment in the mutual fund, unitholders become a US Person, they shall be prohibited from (i) making additional investments in the mutual fund and (ii) their units shall be the subject of a forced redemption as soon as possible by the mutual fund (subject to the provisions of the applicable law).

From time to time, the mutual fund may amend the aforementioned restrictions or waive them.

- **RESTRICTIONS ON THE ISSUANCE AND REDEMPTION OF UNITS FOR CANADIAN RESIDENTS**

The units described in this prospectus may be distributed in Canada only through HSBC Global Asset Management (Canada) Limited; in addition, this prospectus may not be used for solicitation purposes or constitute a solicitation or an offer to purchase the units in Canada, unless HSBC Global Asset Management (Canada) Limited carries out the said solicitation. A distribution or solicitation shall be deemed to have taken place in Canada when it is made to a person (i.e., a natural person, a joint stock company, a trust, a private company or other entity, or other legal entity) residing or established in Canada at the time of the solicitation. For these purposes, the following persons are generally regarded as Canadian Residents:

1. A natural person, if
  - i. the primary residence of this natural person is located in Canada; or
  - ii. the natural person is physically present in Canada at the time of the offer of the sale or other activity concerned.
2. A joint-stock company, if
  - i. its registered office or principal place of business is located in Canada; or

- ii. the securities of the joint stock company entitling their holder to elect a majority of the directors are held by natural persons constituting Canadian Residents (according to the definition above) or by legal entities established or located in Canada; or
- iii. the natural persons who make the investment decisions or give instructions in the name of the joint stock company are Canadian Residents (according to the definition above).

3.A trust, if

- i. the principal place of business of the trust (where applicable) is located in Canada; or
- ii. the trustee (in case of multiple trustees, a majority of them) is a natural person who is a Canadian Resident (as described above) or legal entity residing or otherwise located in Canada; or
- iii. natural persons who make investment decisions or provide instructions on behalf of the trust are natural persons who are Canadian Residents (as described above).

4.A limited partnership, if

- i. the registered office or principal place of business (where applicable) of the company is located in Canada; or
- ii. the holders of a majority of the company's equity securities are Canadian Residents (as described above); or
- iii. the general partner (if applicable) is a Canadian Resident (as described above); or
- iv. natural persons who make investment decisions or provide instructions on behalf of the company are natural persons who are Canadian Residents (as described above).

• **Calculation and allocation of the distributable amounts:**

In accordance with regulatory provisions, net earnings for the financial year equals the amount of interest, arrears, dividends, premiums, bonuses, and directors' fees, as well as all income relating to securities that constitute the mutual fund's portfolio, plus income from temporary cash holdings, minus management fees and borrowing costs.

Amounts distributable by a UCITS consist of:

1. Net earnings plus retained earnings, plus or minus the balance of accrued income;
2. Capital gains realised, net of costs, less capital losses realised, net of costs, recognised during the financial year, plus net capital gains of the same type recognised in previous financial years that were not distributed or accumulated, plus or minus the balance of accrued capital gains.

The amounts stated in 1 and 2 above may be distributed independently of each other, in whole or in part.

<b>Distributable amounts</b>	<b>A, R, H, and B units</b>
Net income (1)	Accumulation
Net capital gains realised (2)	Accumulation

• **Characteristics of the units:**

The units are denominated in euros.

• **Subscription and redemption procedures:**

Subscription requests are received at any time by your usual financial intermediary and centralised by HSBC Continental Europe and CACEIS Bank on each day on which the net asset value is calculated at 12 noon (Paris time). They are executed on the basis of the next net asset value (at an unknown price).

Settlements relating to subscription requests are carried out on the second business day (D+2) following the date of establishment of the net asset value.

Redemption requests are received at any time by your usual financial intermediary and centralised by HSBC Continental Europe and CACEIS Bank on each day on which the net asset value is calculated at 12 noon (Paris time). They are executed on the basis of the next net asset value (at an unknown price).

Settlements relating to redemption requests are carried out on the second business day (D+2) following the date of establishment of the net asset value.

Orders are executed in accordance with the table below:

Day D trading day	Day D trading day	D: NAV calculation day	D+1 trading day	D+2 trading days	D+2 trading day
Centralisation before 12:00 noon of subscription orders <sup>1</sup>	Centralisation before 12:00 noon of redemption orders <sup>1</sup>	Execution of the order at the very latest on D	Publication of the NAV	Subscription settlement	Redemption settlement

<sup>1</sup>Except for potential deadlines specifically agreed upon with your financial institution.

A unit class:

The initial net asset value of the unit is 29.30 euros.

Minimum number of units of the first subscription: 1 unit.

Subscriptions and redemptions may be made in ten thousandths of units.

R unit class:

The initial net asset value of the R unit is equal to the initial net asset value of the A unit on the launch date of the R unit.

Minimum number of units of the first subscription: 1 unit.

Subscriptions and redemptions may be made in ten thousandths of units.

H unit class:

The initial net asset value of the unit is €100,000.

Minimum initial subscription: €5,000,000.

Subscriptions and redemptions may be made in ten thousandths of units.

B unit class:

The initial net asset value of the unit is €100.

Minimum initial subscription: 1 unit.

Subscriptions and redemptions may be made in ten thousandths of units.

The addresses of HSBC Continental Europe and CACEIS Bank are as follows:

**HSBC Continental Europe**

38 avenue Kleber  
75116 Paris

**CACEIS Bank**

1-3, place Valhubert  
75013 Paris

Shareholders should be aware that orders transmitted to marketers other than the institutions mentioned above must take account of the fact that the order centralisation deadline applies to



said marketers with regard to CACEIS Bank. Accordingly, these marketing agents may apply their own deadline, prior to the deadline mentioned above, in order to take the transmission time of orders to CACEIS Bank into account.

- **NAV calculation date and frequency:**

Each trading day, with the exception of statutory public holidays in France and Luxembourg, and closed days on the French markets (official Euronext Paris SA calendar) the London Stock Exchange (LSE official calendar) and the New York Stock Exchange (official NYSE calendar).

- **Location and frequency of NAV calculation:**

HSBC Global Asset Management premises. The net asset value of the UCITS is also available on the HSBC Global Asset Management website: [www.assetmanagement.hsbc.fr/fr](http://www.assetmanagement.hsbc.fr/fr)

- **Fees and commissions:**

- *Subscription and redemption commissions:*

The subscription and redemption commissions are added to the subscription price paid by the investor or deducted from the reimbursement price. Commissions earned by the mutual fund compensate for the expenses incurred from investing or divesting the assets entrusted to it. Commissions not earned are returned to the management company and the marketing agent.

<b>Charges billed to the investor, deducted at the time of subscriptions and redemptions</b>	<b>Base</b>	<b>Scale rate</b>
Subscription fee not payable to the UCITS	Net asset value x number of units	A, R, H, and B units: max. 2%
Subscription fee payable to the UCITS	Net asset value x number of units	None
Redemption fee not payable to the UCITS	Net asset value x number of units	None
Redemption fee payable to the UCITS	Net asset value x number of units	None

Cases of exemption: For redemptions and subscriptions made simultaneously and for the same amount.

• **Fees:**

The financial management expenses and external administrative fees of the management company cover all expenses billed directly to the UCITS, with the exception of transaction fees. Transaction fees include intermediation, i.e. brokerage, market taxes, etc., and transfer fees, as necessary, which may be deducted especially by the depository and the management company.

In addition to financial management fees and fees for administration services outside the management company, the management company may also include:

- performance commissions. These commissions remunerate the management company if the UCITS exceeds its objectives. They are invoiced to the UCITS;
- transaction fees billed to the UCITS;
- a share of the income from temporary purchases and sales of securities.

	<b>Fees charged to the UCITS</b>	<b>Base</b>	<b>Scale rate</b>
1 and 2	External administrative and management charges, i.e., non-management company	Net assets	<p><b>A and R units:</b> Internal charges: maximum 1.10% including taxes External charges: maximum 0.30% including taxes</p> <p><b>H and B units:</b> Internal charges: maximum 0.55% including taxes External charges: maximum 0.30% including taxes</p>
3	Maximum indirect costs (management fees and commissions)	Net assets	maximum 1% including taxes
4	Transaction fees	Deduction from each transaction	None
5	Performance commission	Net assets	None

• **Additional information about temporary purchases and sales of securities:**

The management company does not receive any remuneration for these temporary purchases and sales of securities.

Revenue and income generated by temporary purchases and sales of securities are fully earned by the UCITS.

Operational costs and charges relating to these transactions may also be charged to the management company and not billed to the UCITS.

- **Brief description of the intermediary selection procedure:**

The management company selects brokers or counterparties according to a procedure consistent with the applicable regulations and in particular the provisions of Article 314-69 *et seq.* of the General Regulations of the AMF. As part of this selection, the management company fulfils its best execution obligation at all times.

The objective selection criteria used by the Management Company specifically includes the quality of order executions, the rates applied, and the financial soundness of each broker or counterparty.

The choice of counterparties and investment firms and service providers of HSBC Global Asset Management (France) is made according to a precise evaluation process intended to guarantee a high-quality service company. This is a key element in the general decision-making process which incorporates the impact of the service quality of the broker across all our departments: Management, Financial and Credit Analysis, Trading and Middle Office.

Counterparty selection can involve an entity linked to the HSBC Group or the UCITS's depository. The "Policy of best execution and selection of intermediaries" is detailed on the management company's website.

## **IV – Marketing information**

All information concerning the mutual fund may be obtained by directly contacting the management company:

### **HSBC Global Asset Management (France)**

Coeur Défense – 110 esplanade du Général de Gaulle – La Défense 4 – 92400 Courbevoie.

The most recent annual and periodic documents are available upon written request from the unitholder at:

### **HSBC Global Asset Management (France)**

e-mail: [hsbc.client.services-am@hsbc.fr](mailto:hsbc.client.services-am@hsbc.fr).

Subscription and redemption requests are centralised with HSBC Continental Europe and CACEIS Bank, whose addresses are as follows:

#### **HSBC Continental Europe**

38, avenue Kléber  
75116 Paris

#### **CACEIS Bank**

1-3, place Valhubert  
75013 Paris

### Information relating to compliance with social, environmental and governance quality objectives in the investment policy

Pursuant to Article L. 533-22-1 of the French Monetary and Financial Code, information on the social, environmental, and governance (ESG) criteria in this UCITS's investment policy is available on HSBC Global Asset Management's website at [www.assetmanagement.hsbc.fr/fr](http://www.assetmanagement.hsbc.fr/fr) and in the fund's annual report.

## **V – Investment rules**

The mutual fund complies with the investment rules defined in Articles L. 214-4 and D. 214-1 *et seq.* of the French Monetary and Financial Code.

## VI - Overall risk

The absolute VaR method is used to calculate global risk.

### Details about calculating global risk of the UCITS:

This method consists in calculating the value at risk (VaR) of a UCITS, defined as the maximum loss that it can endure over a given period with a determined probability called the “confidence level.”

Calculated as the sum of par values of financial contracts used, the indicative leverage level of the UCITS is 35%.

The maximum, minimum, and average risk levels are stipulated in the fund’s annual report.

## VII – Rules for asset valuation and recording

The asset valuation rules applied by the accounting manager are the following, depending on the instruments held in the UCITS:

The UCITS adopted the euro as its reference currency.

The prices used for the valuation of securities traded on the stock exchange are the closing prices. The prices used for the valuation of OATs (fungible government bonds) are closing prices.

Investment funds are valued at the last known price.

Negotiable debt securities with a residual life of more than three months are valued at the market rate, with the exception of variable-rate or adjustable-rate negotiable debt securities not presenting any particular market sensitivity.

Negotiable debt securities with a residual maturity of three months or less are valued according to the straight-line method.

Repos are valued at the contract price.

Futures, options, or exchange transactions made on OTC markets, authorised by applicable UCI regulations, are measured at their market value or at an estimated value according to methods chosen by the management company. Interest rate and/or currency swaps are valued at their market value based on the price calculated by discounting future cash flows (principal and interest), at the market interest and/or exchange rates.

European and foreign futures are valued on the basis of the clearing prices.

The valuation of interest-rate swaps against share performance is carried out:

- under market conditions for the fixed income branch
- according to the underlying security rate for the equity branch.

The valuation of Credit Default Swaps (CDS) stems from a model populated by market spreads.

The commitments appearing on the off-balance sheet in the European and foreign futures markets are calculated

#### - FUTURES

(Qty x Nominal x Daily rate x Contract currency)

#### - OPTIONS

(Qty x delta) x (Nominal of the underlying instrument x Daily rate of the underlying instrument x Contract currency).

As far as swaps are concerned, the off-balance-sheet commitment corresponds to the nominal value of the contract plus or minus the interest differential and the unrealised capital gain or loss noted on the closing date.

Interest is booked according to the cashed coupon method.

Items entered in the portfolio are entered at their acquisition price minus costs.

. Futures

Futures contracts on derivative markets are valued at the clearing price on the day of the valuation.

. Options

Options on derivative markets are valued at the clearing price on the day of the valuation.

. Currency futures

The contracts are valued at the exchange rate on the valuation date, taking into account the amortisation of the swap point.

Transaction fees are stated in the specific fund accounts and are not included in the price.

Purchases and sales of securities are recorded exclusive of costs.

Financial instruments whose prices have not been determined on the valuation day, or whose prices have been adjusted, are valued under the Management Company's responsibility at their probable trading price. These valuations and proof therein are provided to the auditor in connection with its audits.

Valuation of financial collateral

Collateral is valued daily at market price (mark to market).

Haircuts can be applied to collateral received in the form of securities according to the level of risk.

Margin calls occur daily unless otherwise indicated in the master agreement covering these transactions or in case of agreement between the management company and the counterparty on the application of a trigger point.

Swing pricing mechanism

The management company has implemented a swing pricing mechanism to adjust the fund's net asset value once a trigger threshold is reached in order to protect the interests of the fund's unitholders.

Under this mechanism, investors bear the portfolio adjustment costs – including transaction fees, bid/offer spreads and taxes or fees applicable to the UCITS – related to investments or disinvestments when there are significant numbers of subscriptions and redemptions.

When the net balance of investor subscription and redemption orders exceeds a predefined threshold, called the "trigger point", the NAV is adjusted.

The NAV is adjusted up or down if the balance of subscriptions/redemptions is respectively positive or negative, so as to take into account the readjustment costs attributable to the net subscription and/or redemption orders.

The trigger point is expressed as a percentage of the fund's net assets.

The parameters for the trigger point and the NAV adjustment factor are determined by the management company and periodically reviewed.

The adjusted (“swung”) NAV is the fund’s only NAV and is therefore the only NAV published and communicated to unitholders.

By applying swing pricing with a trigger point, it is possible that the UCITS’s volatility will not come from only the volatility of the financial instruments in the portfolio.

In accordance with the regulatory provisions, the management company does not communicate the trigger threshold levels and ensures that internal communication channels are restricted so as to maintain the confidential nature of the information.

#### Alternative practical methods in exceptional circumstances

Since the NAV is calculated by an external service provider, any potential problems with information systems used by the management company will not affect the mutual fund’s capacity to have its NAV determined and published.

In the event of an issue with the service provider’s systems, the service provider’s backup plan shall be implemented in order to guarantee continuity in the calculation of the NAV.

However, the redemption by the mutual fund of its units and the issuance of new units may be temporarily suspended by the management company according to Article L. 214-30 of the French Monetary and Financial Code where required by exceptional circumstances and if required by the interest of unitholders.

Exceptional circumstances are defined in particular as any period during which:

- a) Negotiations in one of the markets in which a significant proportion of investments in the mutual fund are generally negotiated are suspended or one of the methods generally used by the service provider or its agents to value investments or determine the NAV of the mutual fund is temporarily withdrawn, or
- b) The valuation of the financial instruments held by the mutual fund cannot be completed according to the service provider in a reasonable, rapid, and fair manner, or
- c) According to the management company, it is not reasonably possible to realise all or some of the assets in the mutual fund or to intervene in the investment markets of the mutual fund, or it is not possible without seriously harming the interests of unitholders in the mutual fund, notably in the case of a *force majeure* event that temporarily deprives the management company of its management systems, or
- d) Transfers of funds required for the realisation or payment of assets in the mutual fund or for the execution of subscriptions or redemptions of units in the mutual fund are postponed or, according to the management company, cannot be carried out quickly under normal exchange rates.

In all cases of suspension, with the exception of ad hoc market communications, the unitholders will be informed as soon as possible by means of a press notification. The information shall be provided beforehand to the French AMF.

### **VIII. Remuneration:**

The management company HSBC Global Asset Management (France) has implemented a remuneration policy that is tailored to its structure and its business activities.

This policy aims to provide a framework for the various methods of remunerating employees with decision-making, oversight or risk-taking authority within the group.

This remuneration policy has been defined to reflect the economic strategy, objectives, values and interests of the management company within the HSBC Group, and the investment funds managed and their unitholders/shareholders.

The objective of the policy is to discourage risk-taking that is excessive when compared to the risk profile of the managed investment funds.

The management company has implemented adequate measures to prevent conflicts of interest.

The remuneration policy is adapted and monitored by the Remuneration Committee and the Board of Directors of HSBC Global Asset Management (France).

The remuneration policy is available on the website at the following address: [www.assetmanagement.hsbc.fr/fr](http://www.assetmanagement.hsbc.fr/fr) or, at no cost, by requesting a copy in writing from the management company.

<i>Document updated on:</i>	<i>12 July 2021</i>
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# **MUTUAL FUND RULES HSBC SELECT BALANCED**

## **TITLE I**

### **ASSETS AND UNITS**

#### **ARTICLE I - JOINTLY-OWNED UNITS**

The rights of joint owners are expressed in units, with each unit corresponding to an identical share of the fund's assets. Each unitholder is entitled to joint ownership of the mutual fund's assets in proportion to the number of units held.

The duration of the fund is 99 years from the date of its establishment unless it is wound up early or extended pursuant to these regulations.

The characteristics of the various unit classes and their access conditions are set out in the mutual fund's prospectus.

The different unit classes may:

- Be eligible for different income distribution methods (distribution or accumulation);
- Be denominated in different currencies;
- Incur different management charges;
- Be charged different subscription and redemption fees;
- Have different nominal values;
- Be systematically hedged against risk, either partially or in full, as set out in the prospectus. This hedging is achieved using financial instruments that minimise the impact of hedging transactions on the UCITS's other unit classes;
- Be reserved for one or more distribution networks.

Units may be divided, grouped, or split, on the decision of the management company's Board of Directors, into tenths, or hundredths, or thousandths, or ten-thousandths of units, called fractional units.

The provisions of the regulations governing the issue and redemption of units shall also apply to fractional units, whose value shall always be proportionate to that of the unit that they represent. Unless otherwise stated, all other provisions of the regulations relating to units shall apply to fractional units without any need to make a specific provision.

Lastly, the Board of Directors of the management company may decide, at its sole discretion, to split the units by creating new units which are allocated to unitholders in exchange for the former units.

#### **ARTICLE II - MINIMUM ASSET AMOUNT**

Units may not be redeemed if the assets fall below €300,000; where net assets remain below that level for 30 days, the management company shall take the necessary measures to wind up the UCITS in question or to perform one of the transactions listed in Article 411-16 of the AMF General Regulations (transfer of the UCITS).

#### **ARTICLE III - ISSUANCE AND REDEMPTION OF UNITS**

Units may be issued at any time at the request of the unitholders on the basis of their NAV plus subscription commissions if applicable.

Subscriptions and redemptions shall be completed under the terms and conditions set forth in the prospectus.

Fund units may be traded in accordance with the applicable regulations.



Subscriptions must be fully paid up on the day when the net asset value is calculated. They may be made in cash and/or by the contribution of financial instruments. The management company may turn down the securities offered and must announce its decision within seven days. In the event of acceptance, the contributed securities shall be valued according to the rules set forth in Article IV, and the subscription shall be carried out on the basis of the first NAV following the acceptance of the securities concerned.

Redemptions shall be carried out exclusively in cash except in the case of the liquidation of the fund when the unitholders have notified their agreement to be reimbursed in securities. They shall be settled by the account holder within a maximum period of five days following the valuation date of the unit.

However, if, under exceptional circumstances, the reimbursement requires the prior sale of fund assets, this period may be extended but shall not exceed 30 days.

Except in the event of inheritance or *inter vivos* distribution, the sale or transfer of units between unitholders or from unitholders to a third party is equivalent to a redemption followed by a subscription. If a third party is involved, the amount of the sale or transfer must be supplemented by the beneficiary where applicable in order to reach the minimum subscription level required by the fund prospectus.

Pursuant to Article L. 214-8-7 of the French Monetary and Financial Code, the redemption of units by the mutual fund as well as the issue of new units may be temporarily suspended by the management company in exceptional circumstances and if this is in the interest of the unitholders.

If the net assets of the mutual fund fall below the minimum regulatory requirement, no units may be redeemed.

The management company's Board of Directors may restrict or prevent the holding of units of the mutual fund by any person or entity prohibited from holding units of the mutual fund (hereafter "Non-Eligible Person"), as defined in the "Target subscribers and typical investor profile" section of the prospectus.

To this end, the Board of Directors of the management company may:

- (i) Refuse to issue any unit when it appears such issue would or could result in said units being directly or indirectly held for a Non-Eligible Person;
- (ii) At any time, request that any information it deems necessary to determine whether or not the beneficial owner of the units in question is a Non-Eligible Person be provided to it by any person or entity whose name appears in the account holder's book, along with a sworn statement;
- (iii) In the event of failure to transmit the information mentioned in (ii), or when a unitholder proves to be a Non-Eligible Person, transmit information about the investor concerned to the competent tax authorities of the country or countries with which France has entered into an information exchange agreement; and
- (iv) When it appears that a person or entity is (i) a Non-Eligible Person and (ii) alone or jointly, the beneficial owner of the units, prohibits any new subscription of units in the mutual fund by the unitholder, forcing the holder to sell their stake in the mutual fund or, in some cases, proceed with the compulsory redemption of all the units held by such a unitholder.

The forced redemption must be carried out by the account keeper of the Non-Eligible Person, on the basis of the NAV following the formal decision of the management company, minus any applicable charges, duties, and commissions, which shall remain the responsibility of the Non-Eligible Person.

The formal decision of the management company shall be preceded by a period of discussion suitable for the case in question but no less than 10 days during which the beneficial owner of the units may submit their remarks to the relevant body of the management company.

The UCITS may cease issuing units pursuant to Article L. 214-8-7(3) of the French Monetary and Financial Code, temporarily or permanently, partially or fully, in objective situations resulting in the closing of subscriptions such as a maximum number of units issued, a maximum amount of assets reached, or the expiry of a specified subscription period. The trigger for this tool shall be subject to a disclosure by any means to the existing unitholders regarding its activation, as well as the threshold and the objective situation having led to the decision of partial or total closure. In case of partial closure, this disclosure by any means shall explicitly stipulate the modalities according to which the existing unitholders may continue to subscribe for the duration of this partial closure. Unitholders shall also be informed by any means of the decision by the UCITS or the management company either to end the total or partial closure of subscriptions (once they have fallen below the trigger point) or not to end it (in the event of a change of threshold or a change in the objective situation leading to the activation of this tool). A modification of the objective situation invoked or the trigger point of the tool must always be made in the interest of the unitholders. The disclosure by any means stipulates the exact reasons for these modifications.

#### **ARTICLE IV - CALCULATION OF THE NAV**

The net asset value of the units shall be calculated in accordance with the valuation rules indicated in the prospectus.

### **TITLE II**

#### **OPERATION OF THE FUND**

#### **ARTICLE V - THE MANAGEMENT COMPANY**

The fund shall be managed by the management company according to the main guidelines defined for the fund.

In all circumstances, the management company shall act in the sole interest of the unitholders and may alone exercise the voting rights attached to the securities included in the fund.

#### **ARTICLE V B - OPERATING RULES**

The prospectus describes the instruments and deposits eligible for inclusion in the fund's assets as well as the investment rules.

#### **ARTICLE V C - TRADING ON A REGULATED MARKET AND/OR A MULTILATERAL TRADING SYSTEM**

The units may be admitted to trading on a regulated market and/or multilateral trading system in accordance with the regulations in force. In the event where the mutual fund whose units are traded on a regulated market has an objective based on an index, the fund must take steps to ensure that the price of units remains meaningfully constant with its NAV.

#### **ARTICLE VI - DEPOSITARY**

The depositary shall perform the duties for which it is responsible in accordance with the legal and regulatory provisions in force and those contractually entrusted to it by the management company. In particular, it must ensure that the management company's decisions are lawful. Where applicable, it must take any protective measures that it deems useful. In the event of a dispute with the management company, it shall inform the AMF.

#### **ARTICLE VII - STATUTORY AUDITOR**

A Statutory Auditor shall be appointed by the governance body of the management company for a term of six financial years after approval from the AMF.

It shall certify that the accounts are true and fair.

Its term of office may be renewed.

The Statutory Auditor shall be required to notify, as soon as practicable, the AMF of any fact or decision concerning the UCITS of which it has become aware in the performance of its duties that might:

1. Constitute an infringement of applicable laws or regulations and which may have a significant effect on its financial situation, earnings, or assets
2. Adversely affect the conditions or the continuity of its operations
3. Result in a qualified opinion or a refusal to certify the accounts.

Asset valuations and the determination of exchange rates used in currency conversions, mergers, or demergers shall be audited by the Statutory Auditor.

It shall be responsible for the valuation of all contributions in kind.

It shall verify the accuracy of the composition of the assets and other information before publication.

The Statutory Auditor's fees shall be set by mutual agreement with the Board of Directors of the management company in accordance with a work schedule specifying the measures deemed necessary.

It shall certify the circumstances underlying any interim distributions.

The statutory auditor's fees shall be included in the administrative charges outside the management company.

## **ARTICLE VIII - FINANCIAL STATEMENTS AND MANAGEMENT REPORT**

At the end of each financial year, the management company shall draw up summary documents and shall establish a fund management report for the financial year ended.

At least once every six months, under the depositary's supervision, the management company shall prepare an inventory of the UCI's assets.

The management company shall hold these documents available for consultation by the unitholders for a period of four months from the year-end and inform them of their revenue entitlement. These documents shall be either sent by post, at the express request of the unitholders, or made available to them at the management company.

## **TITLE III**

### **APPROPRIATION OF DISTRIBUTABLE AMOUNTS**

## **ARTICLE IX - APPROPRIATION OF DISTRIBUTABLE AMOUNTS**

Net income for the financial year is equal to the amount of interest, arrears, dividends, premiums and bonuses, as well as all income relating to the securities in the fund's portfolio, plus income from temporary cash holdings, minus management fees and borrowing costs.

The amounts distributable by a UCITS consist of:

- (1) Net earnings plus retained earnings, plus or minus the balance of accrued income;
- (2) Capital gains realised, net of costs, less capital losses realised, net of costs, recognised during the financial year, plus net capital gains of the same type recognised in previous

financial years that were not distributed or accumulated, plus or minus the balance of accrued capital gains.

The amounts indicated in points 1° and 2° above may be distributed independently of each other, in whole or in part.

The appropriation of distributable amounts is detailed in the prospectus.

## **TITLE IV**

### **MERGER - DEMERGER - DISSOLUTION - LIQUIDATION**

#### **ARTICLE X - MERGER - DEMERGER**

The management company may either merge all or part of the assets of the fund with another UCITS under its management or split the fund into two or more other mutual funds.

Such mergers or demergers may only be carried out after unitholders have been notified. They shall result in the issuance of a new certificate stating the number of units held by each unitholder.

#### **ARTICLE XI - DISSOLUTION - EXTENSION**

If the fund's assets remain below the minimum level set in article 2 above for 30 consecutive days, the management company shall notify the AMF and either arrange a merger with another mutual fund or dissolve it.

The management company may dissolve the fund early. In this case, it shall inform the unitholders of its decision, and subscription and redemption requests shall no longer be accepted after that date.

The management company shall dissolve the fund if it receives a request to redeem all its units, if the depositary ceases to operate and no other depositary has been appointed, or on expiry of its term, if it is not extended.

The management company shall inform the AMF by post of the planned dissolution date and procedure. It shall then send the Statutory Auditor's report to the AMF.

The management company may decide to extend the fund with the agreement of the depositary. The decision must be taken at least three months before expiry of the fund's anticipated term and reported to the unitholders and the AMF.

## **ARTICLE XII - LIQUIDATION**

In the event of dissolution, the management company shall assume the role of liquidator; if this is not possible, a liquidator shall be appointed by the court at the request of any interested party. In such an event, they shall be entrusted with full powers to realise assets, pay off any creditors, and distribute the remaining balance among the unitholders in the form of cash or securities.

The Statutory Auditors and the depositary shall continue in office until all liquidation operations have been completed.

## **TITLE V**

### **CONTESTATION**

## **ARTICLE XIII - COMPETENCE - ELECTION OF DOMICILE**

Any disputes relating to the fund which may arise during its operating term or at the time of its liquidation either between unitholders or between the unitholders and the management company or the depositary shall be subject to the jurisdiction of the competent courts.

*Document updated on:*

*11 February 2019*