HSBC

HSBC Mandatory Provident Fund – SuperTrust Plus and HSBC Mandatory Provident Fund – ValueChoice (each the "HSBC Master Trust" and collectively the "HSBC Master Trusts")

December 2016

DIS Pre-implementation Notice to Participating Employers and Members

Attention: This notice is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional advice. The Sponsor and the Trustee of the HSBC Master Trusts accept responsibility for the information contained in this document.

This notice only summarises the changes to the HSBC Master Trusts with regard to Default Investment Strategy ("DIS"). Details of the DIS are set out in the First and Second Supplements of the Principal Brochures of each HSBC Master Trusts (the "Principal Brochures"). You should refer to the Principal Brochures and First and Second Supplements for details of the DIS. The Principal Brochures and their respective supplements will be available on HSBC MPF website www.hsbc.com.hk/mpf or you may request copies of them by contacting the HSBC MPF Employer Hotline (852) 2583 8033 or HSBC MPF Member Hotline (852) 3128 0128.

You should consider your own risk tolerance level and financial circumstances before investing in the DIS. You should note that the Core Accumulation Fund ("CAF") and the Age 65 Plus Fund ("A65F") (collectively the "DIS Funds") may not be suitable for you, and there may be a risk mismatch between the CAF and the A65F and your risk profile (the resulting portfolio risk may be greater than your risk preference). You should seek financial and/or professional advice if you are in doubt as to whether the DIS is suitable for you, and make the investment decision most suitable for you taking into account your circumstances.

Dear Participating Employers and Members,

We are writing to you because important changes to the Mandatory Provident Fund Schemes Ordinance will take effect on 1 April 2017 ("**Effective Date**"). From the Effective Date, the default investment arrangement of the HSBC Master Trusts will be the DIS replacing the Existing Default Fund (as defined in the upfront box below) of the HSBC Master Trusts.

You should read this notice carefully because the changes made to the MPF legislation may affect the investment of both your accrued benefits and Future Investments (as defined in the upfront box below). Capitalised terms not defined in this notice have the same meanings as ascribed to them in the Principal Brochures of the HSBC Master Trusts.

1. What is DIS?

- DIS is a default investment arrangement as stipulated in accordance with the Mandatory Provident Fund Schemes Ordinance. **For members who do not make a fund choice for their MPF account, their accrued benefits and future investments (i.e. future contributions and accrued benefits transferred from another Registered Scheme) (the "Future Investments") will be invested in the DIS.** The DIS is also available as an investment choice itself for members.

- The DIS is not a fund – it is a strategy that uses two constituent funds, namely the CAF and the A65F, to automatically reduce the risk exposure as the member approaches retirement age. The DIS Funds will invest in a globally diversified manner and invest in different classes of assets (e.g. equities, bonds, money market instruments, etc.). Details of the investment objectives and policies of each of the DIS Funds are set out in the **Appendix** to this notice. The DIS Funds are subject to fee and expense caps as imposed by the legislation.

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2. How does DIS affect you?

If you have accounts in the HSBC Master Trusts that are set up before the Effective Date ("**pre-existing account**"), depending on whether you have previously made any fund choices, it may affect you in different ways:

- If you have already given a valid investment instruction for the accrued benefits and Future Investments in your pre-existing account or you are 60 years old or above before the Effective Date, you will not be affected by the implementation of the DIS.

- If **all** your accrued benefits in a pre-existing account are invested in the existing default fund (currently "MPF Conservative Fund" of each HSBC Master Trust (the "**Existing Default Fund**")) as at the Effective Date and you have not given a valid investment instruction for the pre-existing account, you will receive a separate notice (i.e. the "**DIS Re-Investment Notice**") sent to you on or before the end of September 2017. The DIS Re-Investment Notice will explain that if you do not make an investment choice by replying within a specified period, your accrued benefits in the Existing Default Fund will be redeemed in whole and re-invested in accordance with the DIS. **Therefore, if you receive the DIS Re-Investment Notice, please pay special attention to the contents and make appropriate arrangement.** You should note that the risk of the Existing Default Fund may be different from that of the DIS and you may be exposed to market risks as a result of any reinvestment of your accrued benefits in the DIS.

- There are special circumstances. Where the accrued benefits in the pre-existing account are transferred from another account within the same HSBC Master Trust (e.g. in the case of cessation of employment, where accrued benefits in your contribution account are transferred to a personal account within the same HSBC Master Trust), your accrued benefits in the pre-existing account will be invested in the same manner as they were invested immediately before the transfer but your Future Investments may be invested in the DIS after the implementation of the DIS, unless otherwise instructed. Please refer to the section headed "C. Implications for New and Pre-existing Accounts on or after DIS Implementation" below for further details.

3. What are the other changes to the HSBC Master Trusts that are related to the DIS?

- From the Effective Date, the following changes (the "**CF Changes**") will take place under the relevant HSBC Master Trusts for DIS purposes:

HSBC Mandatory Provident Fund – SuperTrust Plus	• convert the existing Stable Growth Fund by: (a) changing its name to the CAF and (b) changing its investment objective and asset allocation to become the CAF; and • convert the existing Flexi-Managed Fund by: (a) changing its name to the A65F and (b) changing its investment objective and asset allocation to become the A65F
HSBC Mandatory Provident Fund – ValueChoice	• convert the existing ValueChoice Stable Growth Fund by: (a) changing its name to the CAF and (b) changing its investment objective and asset allocation to become the CAF; and • set up a new constituent fund meeting the requirements of the A65F

The changes above also apply to members who choose the Stable Growth Fund and/or the ValueChoice Stable Growth Fund (to be renamed and converted to become CAF) and/or the Flexi-Managed Fund (to be renamed and converted to become A65F) as investment choices. Please refer to the section headed "G. Other Changes" below for further details.

4. Do you need to do anything? • Apart from the above, there are other circumstances where your accrued benefits or Future Investments may be affected by the implementation of the DIS. If you have any query on how it will affect you and what actions you need to take, you should contact the HSBC MPF Employer Hotline (852) 2583 8033 or HSBC MPF Member Hotline (852) 3128 0128. • If you receive the DIS Re-Investment Notice after the Effective Date, you are advised to pay special attention to the contents and make appropriate arrangement.

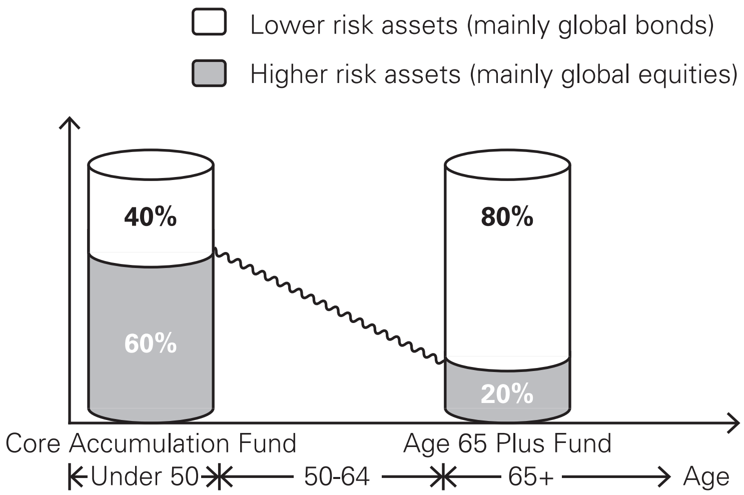
A. What is DIS?

DIS is a ready-made investment arrangement mainly designed for those members who are not interested or do not wish to make a fund choice, and is also available as an investment choice itself, for members who find it suitable for their own circumstances. For those members who do not make an investment choice, their Future Investments will be invested in accordance with the DIS. The DIS is required by law to be offered in every Registered Scheme and is designed to be substantially similar in all Registered Schemes.

(a) Objective and Strategy

The DIS aims to balance the long term effects of risk and return through investing in two constituent funds, namely the CAF and the A65F, according to the pre-set allocation percentages at different ages. The CAF will invest around 60% in higher risk assets (higher risk assets generally mean equities or similar investments) and 40% in lower risk assets (lower risk assets generally mean bonds or similar investments) of its net asset value ("**NAV**") whereas the A65F will invest around 20% in higher risk assets and 80% in lower risk assets (see Diagram 1 below). The DIS Funds adopt globally diversified investment principles and use different classes of assets, including global equities, fixed income, money market instruments and cash, and other types of assets allowed under the MPF legislation.

Diagram 1: Asset Allocation between the DIS Funds according to the DIS



Note: The exact proportion of the portfolio in higher/lower risk assets at any point in time may deviate from the target glide path due to market fluctuations.

(b) Annual de-risking

Existing accrued benefits and Future Investments invested through the DIS will be invested in a way that adjusts risk depending on a member's age. The DIS will manage investment risk exposure by **automatically** reducing the exposure to higher risk assets and correspondingly increasing the exposure to lower risk assets as the member gets older. Such de-risking is to be achieved by way of reducing the holding in the CAF and increasing the holding in the A65F over time. The asset allocation stays the same up until 50 years of age, then reduces steadily until age 64, after which it stays steady again.

In summary, under the DIS:

(1) When a member is below the age of 50, all existing accrued benefits and Future Investments will be invested in the CAF.

(2) When a member is between the ages of 50 and 64, all existing accrued benefits and Future Investments will be invested according to the allocation percentages between the CAF and the A65F as shown in the DIS De-risking Table (see Diagram 2 below). The de-risking of the existing accrued benefits and Future Investments will be automatically carried out as described above.

(3) When a member reaches the age of 64, all existing accrued benefits and Future Investments will be invested in the A65F.

(4) If the relevant member has reached 60 years of age before 1 April 2017, unless the member has given a specific investment instruction (as defined in the section headed "F. Rules and Procedures relating to Investment Instructions" below), the member's accrued benefits (including Future Investments) will be invested in the same manner as at 31 March 2017.

(5) For a deceased member, de-risking will cease once the Trustee has received proof of the death of the member to the Trustee's satisfaction. If de-risking has already been taken place between the death of the member and the time at which the Trustee received the satisfactory proof of such death, such de-risking will not be undone, although no further de-risking will take place in respect of the deceased member.

(6) If the Trustee does not have the full date of birth of the relevant member:

(i) If only the year and month of birth is available, the annual de-risking will use the last calendar day of the birth month, or if it is not a dealing day, the next available dealing day.

(ii) If only the year of birth is available, the annual de-risking will use the last calendar day of the year, or if it is not a dealing day, the next available dealing day.

(iii) If no information at all on the date of birth, member's accrued benefits will be fully invested in the A65F with no de-risking applied.

Diagram 2: DIS De-risking Table

Age	Core Accumulation Fund ("CAF")	Age 65 Plus Fund ("A65F")
Below 50	100.0%	0.0%
50	93.3%	6.7%
51	86.7%	13.3%
52	80.0%	20.0%
53	73.3%	26.7%
54	66.7%	33.3%
55	60.0%	40.0%
56	53.3%	46.7%
57	46.7%	53.3%
58	40.0%	60.0%
59	33.3%	66.7%
60	26.7%	73.3%
61	20.0%	80.0%
62	13.3%	86.7%
63	6.7%	93.3%
64 and above	0.0%	100.0%

Note: The above allocation between the CAF and the A65F is made at the point of annual de-risking and the proportion of the CAF and the A65F in the DIS portfolio may vary during the year due to market fluctuations.

(c) *Fees and out-of-pocket expenses of the CAF and the A65F*

The aggregate of the payments for services of the CAF and the A65F must not, in a single day, exceed a daily rate of 0.75% per annum of the NAV of each of the DIS Funds divided by the number of days in the year. It includes the fees paid or payable for the services provided by the Trustee, the Administrator, the Sponsor, the Investment Managers of the relevant HSBC Master Trusts and the underlying approved pooled investment funds and ITCIS(s) of the respective DIS Funds, and any of the delegates from these parties and such fees are calculated as a percentage of the NAV of each of the DIS Funds and its underlying approved pooled investment fund(s) and ITCIS(s), but does not include any out-of-pocket expenses incurred by each DIS Fund and its underlying approved pooled investment fund(s) and ITCIS(s).

The total amount of all payments that are charged to or imposed on the DIS Funds or members who invest in the DIS Funds, for out-of-pocket expenses incurred by the Trustee on a recurrent basis in the discharge of the Trustee's duties to provide services in relation to the DIS Funds, shall not in a single year exceed 0.2% of the NAV of each of the DIS Funds. For this purpose, out-of-pocket expenses include, e.g. annual audit expenses, printing or postage expenses relating to recurrent activities (such as issuing annual benefit statements), recurrent legal and professional expenses, safe custody charges which are customarily not calculated as a percentage of NAV and transaction costs incurred by a DIS Fund in connection with recurrent acquisition of investments for the DIS Fund (including, e.g. costs incurred in acquiring underlying approved pooled investment fund(s) and ITCIS(s)) and annual statutory expenses (such as compensation fund levy where relevant) of the DIS Fund.

Members should note that out-of-pocket expenses that are not incurred on a recurrent basis may still be charged to or imposed on the CAF and the A65F. Such fees are not subject to the statutory caps mentioned in the preceding paragraphs.

(d) *Key Risks Relating to the DIS*

Members should note that the DIS is subject to various risks and limitations, including:

(1) Limitations on the strategy

(i) Age as the sole factor in determining the asset allocation under the DIS

The DIS does not take into account factors other than age, such as market and economic conditions nor member's personal circumstances.

(ii) Pre-set asset allocation

The CAF and the A65F have to follow the prescribed allocation between higher risk assets and lower risk assets at all times. Such prescribed allocation will limit the ability of the Investment Manager of the underlying approved pooled investment fund(s) and ITCIS(s) of the CAF and the A65F to adjust asset allocations in response to sudden market fluctuations.

(iii) Annual de-risking between the CAF and the A65F

Members should note that de-risking for each relevant member will generally be carried out on a member's birthday, regardless of the prevailing market conditions. Members should be aware that the de-risking operates automatically regardless of the wish of a member to adopt a strategy which might catch market upside or avoid market downside.

(iv) Potential rebalancing within each of the CAF and the A65F

In order to maintain the prescribed allocation between the higher risk assets and lower risk assets within each of the CAF and the A65F, the investments of each of the CAF and the A65F may have to be continuously rebalanced.

(v) Additional transaction costs

Due to (a) the potential rebalancing of assets and (b) the annual reallocation of accrued benefits for members under the de-risking process, the DIS may incur greater transaction costs than a fund/strategy with more static allocation.

(2) General investment risk related to DIS

Although the DIS is a statutory arrangement, it does not guarantee capital repayment nor positive investment returns. Members should note that the DIS which invests in the DIS Funds is subject to the general investment risks that apply to mixed asset funds.

(3) Risk on early withdrawal and switching

Since the DIS has been developed having regard to the long-term balance between risks and likely returns, and assumes retirement at the age of 65, any cessation of the strategy (e.g. through early withdrawal of accrued benefits or switching into other funds) will affect that balance.

(4) Impact on members keeping benefits in the DIS beyond the age of 64

The A65F holds around 20% of its assets in higher risk assets which may not be suitable for all members beyond the age of 64.

(e) Information on Performance of DIS Funds

The fund performance of the DIS Funds will be published in the fund fact sheets (one of which will be attached to annual benefit statement), members can visit HSBC MPF website www.hsbc.com.hk/mpf or contact the HSBC MPF Employer Hotline or HSBC MPF Member Hotline for information. Members may also obtain the fund performance information at the website of the Mandatory Provident Fund Schemes Authority www.mpfa.org.hk.

B. Summary of the Existing Default Fund and the DIS

Please find below the key features of the Existing Default Fund and the DIS for reference:

	Existing Default Fund	**The DIS comprising the CAF and the A65F with a de-risking strategy**	
Name	MPF Conservative Fund	Core Accumulation Fund ("**CAF**")	Age 65 Plus Fund ("**A65F**")
Fund Type	Money Market Fund	Mixed Assets Fund – Global	Mixed Assets Fund – Global
De-risking Feature	No	Yes	Yes
Total Management Fees	0.79% pa of NAV	0.75% pa of NAV	0.75% pa of NAV
Daily Fee Cap	No	Yes	Yes
Risk*	Low	Medium	Low
Guarantee Features	No	No	No

* The risk level categorization is determined by the Sponsor and the Trustee, taking into account relevant factors including price volatility, asset allocation and liquidity. The risk levels are for reference only and will be reviewed periodically.

For details of the key features of the Existing Default Fund and the DIS, please refer to the Principal Brochures (or contact the Trustee or the HSBC MPF Employer/HSBC MPF Member Hotline).

C. Implications for New and Pre-existing Accounts on or after DIS Implementation

(a) Implications on accounts opened on or after 1 April 2017

When members join the relevant HSBC Master Trust or set up a new account in the relevant HSBC Master Trust on or after 1 April 2017, they have the opportunity to give a specific investment instruction (as defined in the section headed "F. Rules and Procedures relating to Investment Instructions" below) for their Future Investments. If members fail to or do not want to submit to the Trustee a specific investment instruction at the time of their requests to join/set up a new account in the relevant HSBC Master Trust, the Trustee shall invest any of their Future Investments into the DIS.

(b) Implications on accounts opened before 1 April 2017

There are special rules to be applied for pre-existing accounts and these rules only apply to members who are under or becoming 60 years of age on 1 April 2017

(1) For a member's pre-existing account with all accrued benefits being invested in the Existing Default Fund which was generally resulted from no investment instruction being given on the existing accrued benefits (known as "**DIA account**"):

There are special rules and arrangements to be applied to determine whether accrued benefits in a DIA account will be transferred to the DIS. If your pre-existing account is considered as a DIA account, you will receive a notice called the DIS Re-investment Notice explaining the impacts on your pre-existing account and giving you an opportunity to give a specific investment instruction to the Trustee before the accrued benefits will be invested in the DIS.

For details of the arrangement, members should refer to the DIS Re-investment Notice.

(2) For a member's pre-existing account which, as at 31 March 2017:

(i) has part of the accrued benefits in it invested in the Existing Default Fund (as a result of no valid investment instruction being given in respect of that part of the accrued benefits), or

(ii) has all of the accrued benefits in it invested in constituent funds other than the Existing Default Fund after scheme restructuring whereby all or any of the accrued benefits in the pre-existing account were transferred to the pre-existing account from an account in another Registered Scheme in a restructuring to which the MPFA consented under section 34B(5) of the Mandatory Provident Fund Schemes Ordinance,

unless the Trustee has received any specific investment instructions (as defined in the section headed "F. Rules and Procedures relating to Investment Instructions" below), the member's accrued benefits as well as Future Investments paid to the member's pre-existing account on or after 1 April 2017 will be invested in the same manner as at 31 March 2017.

(3) For a member's pre-existing account which, as at 31 March 2017, has all of the accrued benefits in it invested in constituent funds other than the Existing Default Fund for whatever reasons (e.g. as a result of switching instructions or accrued benefits from another account within the HSBC Master Trust being transferred to the pre-existing account) and no investment mandate has ever been given for the pre-existing account in respect of Future Investments, unless the Trustee has received any specific investment instructions, the member's accrued benefits will be invested in the same manner as they were invested as at 31 March 2017, while the Future Investments paid to the member's pre-existing account on or after 1 April 2017 will be invested in the DIS.

D. Rules and Procedures Applicable to Investment through the DIS

(a) Fund Choice Combination

Members who join or set up a new account in the relevant HSBC Master Trust on or after 1 April 2017 may choose to invest their Future Investments in:

(1) the DIS; or

(2) one or more constituent funds of their own choice from the list under the sub-section headed "Description of Constituent Funds" in Part II – Fund Structure (including the CAF and the A65F as standalone investments) of each of the Principal Brochures and according to their assigned allocation percentage(s) to relevant fund(s) of their choice.

Members should note that, if they choose the CAF and/or the A65F as standalone investments, those investments/benefits will not be subject to the de-risking process. If a member's accrued benefits are invested in any combination of (i) the CAF and/or the A65F as standalone investments and (ii) the DIS (no matter by default or by member's specific investment instruction), accrued benefits invested under (i) will not be subject to the de-risking process whereas for accrued benefits under (ii) will be subject to the de-risking process. In this connection, members should pay attention to the different on-going administration arrangements applicable to accrued benefits invested in (i) and (ii). In particular, members will, when giving an investment instruction, be required to specify to which part of the benefits (namely, under (i) or (ii)) the instruction relates.

(b) Switching/transfer in and out of the DIS

Members can switch into or out of the DIS at any time, subject to the rules of the HSBC Master Trust. No partial switching of the DIS is allowed (e.g. it will not be possible for a member to elect to have Future Investments invested in the DIS while the existing accrued benefits invested outside of the DIS, or vice versa). Members should, however, bear in mind that the DIS has been designed as a long-term investment arrangement. Where the relevant member's existing investment is under the DIS, he/she may only switch out of the DIS if his/her specific investment instruction will result in both the existing accrued benefits and Future Investments invested outside of the DIS. Conversely, where the relevant member wishes to switch into the DIS, he/she may only do so if his/her specific investment instruction will result in both the existing accrued benefits and Future Investments invested in the DIS.

For the avoidance of doubt, where the members not investing in the DIS change the investment options with regard to their existing investments, such change only applies to existing investments and not Future Investments.

E. Rules and Procedures of Annual De-Risking

The de-risking is to be achieved by annual adjustments of asset allocation gradually from the CAF to the A65F under the DIS. Save for the circumstances set out in this section, switching of the existing accrued benefits and Future Investments among the CAF and the A65F will be automatically carried out each year on a member's birthday and according to the allocation percentages as shown in the DIS De-risking Table (see Diagram 2 above). If:

(a) the member's birthday is not on a dealing day, then the investments will be moved on the next available dealing day; or,

(b) the member's birthday falls on 29 February and in the year which is not a leap year, then the investments will be moved on 1 March or if it is not a dealing day, the next available dealing day.

If there is any exceptional circumstance (e.g. market closure or suspension of dealing), on the member's birthday which makes it impossible for the investments to be moved on that day, the investments will be moved on the next available dealing day.

When one or more of the specified instructions (including but not limited to subscription, redemption, or switching instructions) are being received prior to or on the annual date of de-risking for a relevant member and being processed on such date, the annual de-risking may be deferred and the annual de-risking will only be completed after completion of these specified instructions, provided that in any case, the annual de-risking will be carried out as soon as practicable. For the avoidance of doubt, where the instruction is to switch out of the DIS (e.g. an instruction to change the investment mandate in respect of the existing investments or a withdrawal instruction), if the instruction is given and completed before de-risking takes place, no de-risking will take place until and unless the relevant member switches back into the DIS. In any event, the specified instructions will be effected within the relevant timeframes as set out in the "Trustee Service Comparative Platform" in the MPFA's website.

Members should be aware that the above de-risking will not apply where the member chooses the CAF and the A65F as standalone investments (rather than as part of the DIS).

F. Rules and Procedures relating to Investment Instructions

A specific investment instruction means:

(a) subject to (b) below, an instruction for investment allocations which meets the following requirements:

(1) each investment allocation percentage must be in whole numbers (e.g. 50% not 50.5%); and

(2) the total of the investment allocation must be 100%; and

(3) the instruction (in paper form) must be properly signed and the signature must be the same as the specimen signature submitted to the Trustee; or

(b) where the instruction is to invest in the DIS, an instruction to invest 100% of existing accrued benefits and Future Investments in the DIS; or

(c) any confirmation (whether through investment option form, Personal Internet Banking or IVRS (Interactive Voice Response System)) by a member with regard to any investment arrangements of the existing accrued benefits and/or Future Investments.

Any selection of investment mandate, change of investment mandate or switching instruction must meet the requirements for a specific investment instruction.

A specific investment instruction applies to all types of contributions, including without limitation, employer's mandatory and voluntary contributions, employee's mandatory and voluntary contributions, and Flexi-Contributions.

If a member opts for (a)(2) under the section headed "D. Rules and Procedures Applicable to Investment through the DIS" above upon enrolment or sets up a new account, the minimum investment allocation in any constituent fund selected must meet the requirements for a specific investment instruction. If the investment instruction does not meet those requirements or if the member does not give any investment instructions, then the instruction will be considered invalid and all Future Investments will be invested into the DIS.

G. Other Changes

(a) Changes to be made to certain constituent funds

As you know, with effect from 1 October 2016, the management fees of each of the Stable Growth Fund and the Flexi-Managed Fund under the HSBC Mandatory Provident Fund – SuperTrust Plus, and the ValueChoice Stable Growth Fund under the HSBC Mandatory Provident Fund – ValueChoice (collectively, the "**Relevant CFs**") have been lowered to 0.75% per annum of their respective NAV; please refer to the details as follow:

	Management fees (As a percentage of NAV per annum)			
	Contribution account		Personal account	
Constituent funds	Level before 1 October 2016	Current level	Level before 1 October 2016	Current level
HSBC Mandatory Provident Fund – SuperTrust Plus				
Stable Growth Fund	1.65%	**0.75%**	1.35%	**0.75%**
Flexi-Managed Fund	1.45%	**0.75%**	1.10%	**0.75%**
HSBC Mandatory Provident Fund – ValueChoice				
ValueChoice Stable Growth Fund	0.79%	**0.75%**	0.79%	**0.75%**

In addition, the CF Changes will take place under the relevant HSBC Master Trusts for DIS purposes:

HSBC Mandatory Provident Fund – SuperTrust Plus	• convert the existing Stable Growth Fund by: (a) changing its name to the CAF and (b) changing its investment objective and asset allocation to become the CAF; and • convert the existing Flexi-Managed Fund by: (a) changing its name to the A65F and (b) changing its investment objective and asset allocation to become the A65F
HSBC Mandatory Provident Fund – ValueChoice	• convert the existing ValueChoice Stable Growth Fund by: (a) changing its name to the CAF and (b) changing its investment objective and asset allocation to become the CAF; and • set up a new constituent fund meeting the requirements of the A65F

The CF Changes will be effective from the Effective Date. The Relevant CFs have been identified to be converted for the DIS purposes because they share similar asset allocation with the CAF and the A65F. The Trustee considers that the CF Changes will be in the members' interest as these would not only help simplify the investment choices under, and maintenance and operation of, the HSBC Master Trusts, but may also help enhance operational efficiency. In addition, the CF Changes would help streamline our offerings and maintain a clean product shelf.

That said, if the participating employer/member does not wish to be involved in the CF Changes, he/she may apply to the Trustee to switch out the existing balance from Relevant CFs and/or change his/her existing investment allocation so that Future Investments (in the case of members) and balances in the reserve accounts (in the case of participating employers) will not be invested in the Relevant CFs. As with the usual changing request, there will be no withdrawal conditions, limitation, charge or penalty fees imposed on any switching/change of investment allocation. Participating Employers and Members should review all terms and conditions under the HSBC Master Trusts and Constituent Funds before making any decision.

(b) Details of the CF Changes

The investment objectives and asset allocations of the Relevant CFs will go through the following changes:

Constituent Funds	Constituent Fund's ***current*** investment objective and asset allocation in equities/debt securities	Constituent Fund's investment objective and asset allocation in equities/debt securities ***upon the launch of the DIS on the Effective Date***
HSBC Mandatory Provident Fund – SuperTrust Plus		
Stable Growth Fund (to be renamed and converted to become CAF)	Investment objective • achieve medium capital growth with medium-low volatility Asset allocation • equities: 35-65% • deposits, debt securities and other investments: Remainder	Investment objective • provide capital growth to members by investing in a globally diversified manner Asset allocation • higher risk assets (generally mean equities or similar investments): 55-65% • lower risk assets (generally mean global bonds and money market instruments): Remainder
Flexi-Managed Fund (to be renamed and converted to become A65F)	Investment objective • achieve a stable return in the medium to long term with potentially lower volatility and downside risk than a traditional mixed assets fund Asset allocation • global equities: 0-35% • global bonds and debt securities: 65-90% • Hong Kong dollar short term debt securities and deposits: 0-35%	Investment objective • provide stable growth for the retirement savings to members by investing in a globally diversified manner Asset allocation • higher risk assets (generally mean equities or similar investments): 15-25% • lower risk assets (generally mean global bonds and money market instruments): Remainder
HSBC Mandatory Provident Fund – ValueChoice		
ValueChoice Stable Growth Fund (to be renamed and converted to become CAF)	Investment objective • achieve medium capital growth with medium-low volatility Asset allocation • equities: 35-65% • deposits, debt securities and other investments: Remainder	Investment objective • provide capital growth to members by investing in a globally diversified manner Asset allocation • higher risk assets (generally mean equities or similar investments): 55-65% • lower risk assets (generally mean global bonds and money market instruments): Remainder

Following the CF Changes:

- the CAF (renamed and converted from the Stable Growth Fund under the HSBC Mandatory Provident Fund – SuperTrust Plus/the ValueChoice Stable Growth Fund under the HSBC Mandatory Provident Fund – ValueChoice) aims to achieve a return corresponding to the return of the reference portfolio applicable to the CAF, and

- the A65F (renamed and converted from the Flexi-Managed Fund under the HSBC Mandatory Provident Fund – SuperTrust Plus) aims to achieve a return corresponding to the return of the reference portfolio applicable to the A65F.

The reference portfolios applicable to each of the CAF and the A65F will be published in the fund fact sheets (one of which will be attached to the annual benefit statements). The risk profile of the CAF is medium and the risk profile of the A65F is low, which is the same as the risk profile of the Stable Growth Fund/the ValueChoice Stable Growth Fund and the Flexi-Managed Fund respectively.

(c) Management fees of the CAF and the A65F

The management fees of each of the CAF and the A65F under the HSBC Master Trusts will remain the same as the management fees of the Stable Growth Fund and the Flexi-Managed Fund under the HSBC Mandatory Provident Fund – SuperTrust Plus, and the ValueChoice Stable Growth Fund under the HSBC Mandatory Provident Fund – ValueChoice, and will be as follows:

Constituent funds	Management fees (As a percentage of NAV per annum)	
	Contribution account	Personal account
	Level upon the launch of the DIS on the Effective Date	Level upon the launch of the DIS on the Effective Date
HSBC Mandatory Provident Fund – SuperTrust Plus		
CAF	0.75%	0.75%
A65F	0.75%	0.75%
HSBC Mandatory Provident Fund – ValueChoice		
CAF	0.75%	0.75%
A65F	0.75%	0.75%

The management fees can only be charged as a percentage of the NAV of the CAF and the A65F, and is subject to a statutory daily limit equivalent to 0.75% per annum of the NAV of each of the CAF and the A65F, which applies across both the fund and the underlying approved pooled investment(s) and ITCIS(s). The fee breakdown of the management fees in respect of each of the CAF and the A65F and their respective underlying approved pooled investment fund(s) and ITCIS(s) is as follows:

Fees* payable to:	**Level upon the launch of the DIS on the Effective Date (pa) of the net asset value of each of the CAF and the A65F or, where appropriate, their respective underlying approved pooled investment fund(s) and ITCIS(s)**
Investment Manager	0.22%
Sponsor	0.05%
Administrator	0.41%
Trustee	0.07%

* The management fees are payable at the constituent funds level and/or the underlying approved pooled investment fund(s) and ITCIS(s) level (where appropriate).

(d) Changes at the underlying pooled investment fund level

As a result of the CF Changes, certain changes will take place at the underlying pooled investment fund level and are explained as follows:

(1) In relation to the HSBC Mandatory Provident Fund – SuperTrust Plus

- The HSBC MPF 'A' – Stable Growth Fund which is the approved pooled investment fund invested by the Stable Growth Fund under the HSBC Mandatory Provident Fund – SuperTrust Plus will be renamed and converted to become the HSBC MPF 'A' – Core Accumulation Fund;
- The HSBC MPF 'A' – Flexi-Managed Fund, which is the approved pooled investment fund invested by the Flexi-Managed Fund under the HSBC Mandatory Provident Fund – SuperTrust Plus will be renamed and converted to become the HSBC MPF 'A' – Age 65 Plus Fund.

The conversion described above will be to change the investment objectives and strategies of these approved pooled investment funds so as to facilitate the Stable Growth Fund and the Flexi-Managed Fund to meet the asset allocation requirements set out in the table above upon the launch of the DIS on the Effective Date. To facilitate the conversion, prior to the Effective Date, the investment adviser of these approved pooled investment funds may make certain adjustment to the investment portfolios such that these approved pooled investment funds will invest according to the investment allocation strategies of the CAF and A65F as prescribed in the MPF Ordinance from the Effective Date.

(2) In relation to the HSBC Mandatory Provident Fund – ValueChoice

Currently, the ValueChoice Stable Growth Fund under the HSBC Mandatory Provident Fund – ValueChoice invests in the HSBC MPF 'A' – VC Stable Growth Fund. However, to facilitate the CF Changes, the holdings of the ValueChoice Stable Growth Fund in the HSBC MPF 'A' – VC Stable Growth Fund will be redeemed and the redemption proceeds will be utilised to subscribe for units in the HSBC MPF 'A' – Core Accumulation Fund (to be renamed and converted from the HSBC MPF 'A' – Stable Growth Fund). Both the redemption and subscription will take place on the Effective Date. Accordingly, effective from the Effective Date, the ValueChoice Stable Growth Fund will 100% invest in the HSBC MPF 'A' – Core Accumulation Fund (to be renamed and converted from the HSBC MPF 'A' – Stable Growth Fund).

There will not be any change to the investment managers of the underlying pooled investment funds in which the Relevant CFs invest.

H. Means to obtain further Information

Members may obtain information about the DIS through contacting the HSBC MPF Employer Hotline (852) 2583 8033 or HSBC MPF Member Hotline (852) 3128 0128.

Supplements to each of the Principal Brochures will be issued to reflect the features of the DIS set out in this notice. The Principal Brochures and their respective supplements will be available on HSBC MPF website www.hsbc.com.hk/mpf or you may request copies of them by contacting the HSBC MPF Employer Hotline or HSBC MPF Member Hotline.

Likewise, the relevant Master Trust Deeds will also be amended to include the DIS features. All participating employers and members are entitled to the benefit of and bound by the provisions of the relevant Master Trust Deeds and its amendments. Please refer to the relevant Master Trust Deeds and its amendments for further details of all the changes made. Copies of the Master Trust Deeds and the deed(s) of variation as for the time being in force may be inspected during normal business hours at the Administrator's office free of charge and/or obtained copies from the Administrator at a cost of HK$500 each.

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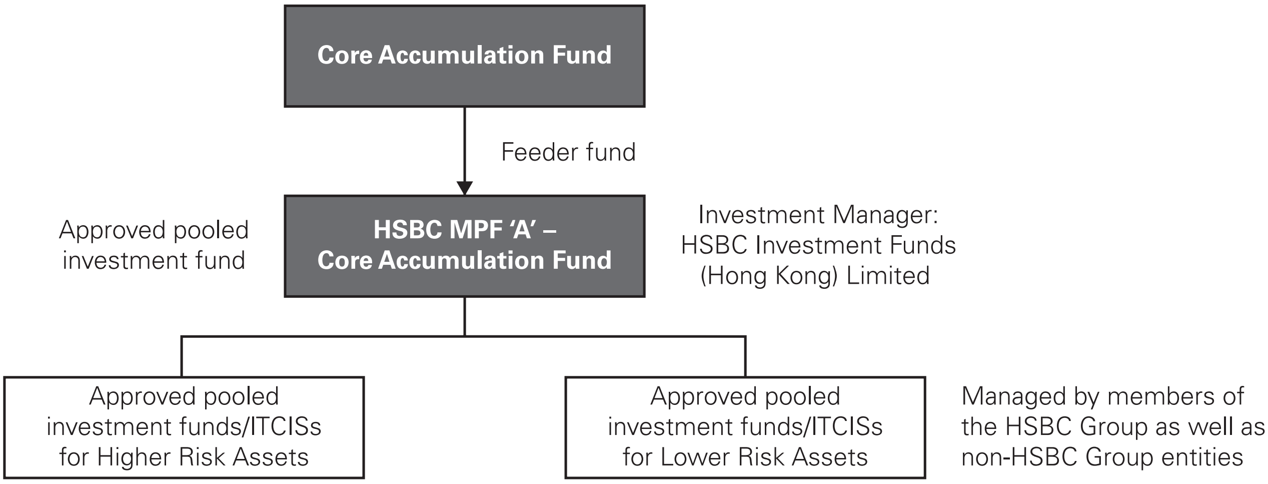
Appendix

Core Accumulation Fund

Investment objective: The investment objective of the Core Accumulation Fund is to provide capital growth to Members by investing in a globally diversified manner.

Investment structure: The Core Accumulation Fund shall invest in an approved pooled investment fund (HSBC MPF 'A' – Core Accumulation Fund) which in turn invests in two or more underlying approved pooled investment fund(s) and/or ITCIS(s) as allowed under the General Regulation. Please refer to the following product structure chart showing the fund structure of the Core Accumulation Fund:



Investment strategy: The HSBC MPF 'A' – Core Accumulation Fund adopts an active investment strategy so that the investment adviser of the HSBC MPF 'A' – Core Accumulation Fund may, subject to the limits as set out in the sub-paragraph "Asset allocation" under this sub-section, allocate the assets among different underlying approved pooled investment fund(s) and/or ITCIS(s) in such proportions as it shall, at its discretion, determine in response to various factors within the market environment for the best interest of the unitholders of the HSBC MPF 'A' – Core Accumulation Fund. The underlying approved pooled investment fund(s) and/or ITCIS(s) may be actively managed or may adopt a passive management style against an index. There is no constraint restricting the investment adviser from investing in underlying collective investment schemes with any particular investment strategy. The investment adviser(s) of the underlying approved pooled investment fund(s) and/or ITCIS(s) in which the HSBC MPF 'A' – Core Accumulation Fund invests in may appoint one or more investment sub-advisers to manage the investment of the underlying approved pooled investment fund(s), and such investment sub-advisers may include members of the HSBC Group as well as non-HSBC Group entities.

Asset allocation: The Core Accumulation Fund, through its underlying investments, will hold 60% of its net assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds and money market instruments). The asset allocation to Higher Risk Assets may vary between 55% and 65% due to differing price movements of various equity and bond markets.

Geographical allocation: There is no prescribed allocation for investments in any specific countries or currencies.

Financial futures, option contracts and security lending: The Core Accumulation Fund itself will not engage in securities lending transactions, financial futures and option trading or enter into repurchase agreements.

For efficient portfolio management, the portfolio of the underlying approved pooled investment fund may acquire financial futures contracts and financial option contracts (for hedging purposes only if acquired directly by the underlying approved pooled investment fund), engage in securities lending, enter into repurchase agreements, and invest in other investments, as allowed under the applicable laws and regulations.

Hong Kong currency exposure: The Core Accumulation Fund will, through the investment of HSBC MPF 'A' – Core Accumulation Fund maintain a minimum Hong Kong currency exposure of 30%, as prescribed by the General Regulation.

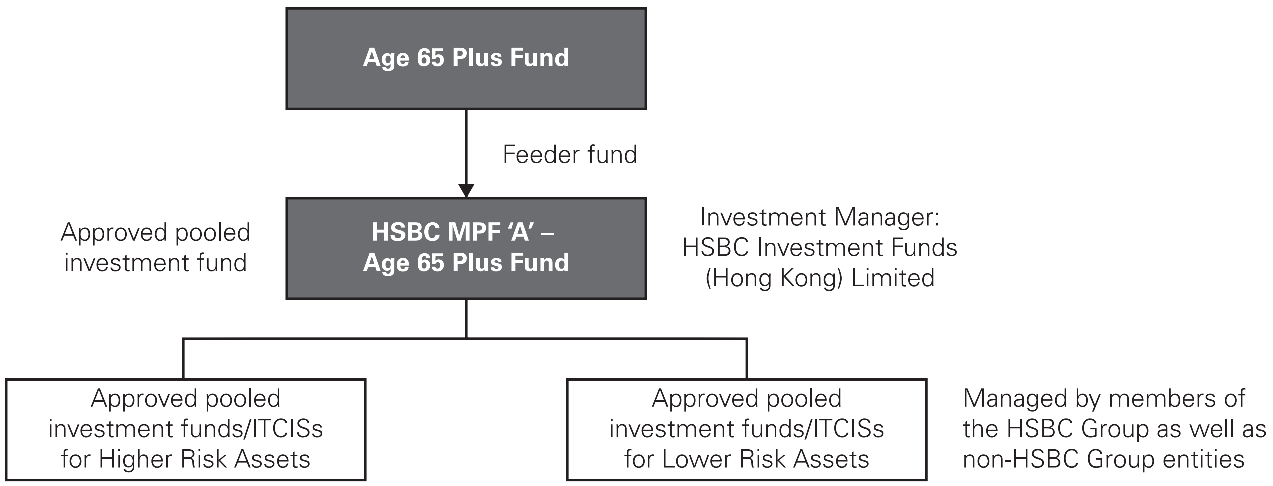
Risks and risk and return profile: Investments in the Core Accumulation Fund are subject to market fluctuations and investment risks, in particular, the risks associated with investments in global bonds and equities.

The risk profile of the Core Accumulation Fund is medium. The risk profile is determined by the Sponsor and the Trustee taking into account relevant factors including price volatility, asset allocation and liquidity. The risk profile is for reference only and will be reviewed periodically. The Core Accumulation Fund aims to achieve a return corresponding to the return of the Reference Portfolio applicable to the Core Accumulation Fund.

<u>**Age 65 Plus Fund**</u>

Investment objective: The investment objective of the Age 65 Plus Fund is to provide stable growth for the retirement savings to Members by investing in a globally diversified manner.

Investment structure: The Age 65 Plus Fund shall be invested in an approved pooled investment fund (HSBC MPF 'A' – Age 65 Plus Fund), which in turn invests in two or more underlying approved pooled investment fund(s) and/or ITCIS(s) as allowed under the General Regulation. Please refer to the following product structure chart showing the fund structure of the Age 65 Plus Fund:



Investment strategy: The HSBC MPF 'A' – Age 65 Plus Fund adopts an active investment strategy so that the investment adviser of the HSBC MPF 'A' – Age 65 Plus Fund may, subject to the limits as set out in the sub-paragraph "Asset allocation" under this sub-section, allocate the assets among different underlying approved pooled investment fund(s) and/or ITCIS(s) in such proportions as it shall, at its discretion, determine in response to various factors within the market environment for the best interest of the unitholders of the HSBC MPF 'A' – Age 65 Plus Fund. The underlying approved pooled investment fund(s) and/or ITCIS(s) may be actively managed or may adopt a passive management style against an index. There is no constraint restricting the investment adviser from investing in underlying collective investment schemes with any particular investment strategy. The investment adviser(s) of the underlying approved pooled investment fund(s) and/or ITCIS(s) in which the HSBC MPF 'A' – Age 65 Plus Fund invests in may appoint one or more investment sub-advisers to manage the investment of the underlying approved pooled investment fund(s), and such investment sub-advisers may include members of the HSBC Group as well as non-HSBC Group entities.

Asset allocation: The Age 65 Plus Fund, through its underlying investments, will hold 20% of its assets in Higher Risk Assets (such as global equities), with the remainder investing in Lower Risk Assets (such as global bonds and money market instruments). The asset allocation to Higher Risk Assets may vary between 15% and 25% due to differing price movements of various equity and bond markets.

Geographical allocation: There is no prescribed allocation for investments in any specific countries or currencies.

Financial futures, option contracts and security lending: The Age 65 Plus Fund itself will not engage in securities lending transactions, financial futures and option trading or enter into repurchase agreements.

For efficient portfolio management, the portfolio of the underlying approved pooled investment fund may acquire financial futures contracts and financial option contracts (for hedging purposes only if acquired directly by the underlying approved pooled investment fund), engage in securities lending, enter into repurchase agreements, and invest in other investments, as allowed under the applicable laws and regulations.

Hong Kong currency exposure: The Age 65 Plus Fund will, through the investment of HSBC MPF 'A' – Age 65 Plus Fund maintain a minimum Hong Kong currency exposure of 30%, as prescribed by the General Regulation.

Risks and risk and return profile: Investments in the Age 65 Plus Fund are subject to market fluctuations and investment risks, in particular, the risks associated with investments in global bonds and equities.

The risk profile of the Age 65 Plus Fund is low. The risk profile is determined by the Sponsor and the Trustee taking into account relevant factors including price volatility, asset allocation and liquidity. The risk profile is for reference only and will be reviewed periodically. The Age 65 Plus Fund aims to achieve a return corresponding to the return of the Reference Portfolio applicable to the Age 65 Plus Fund.

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