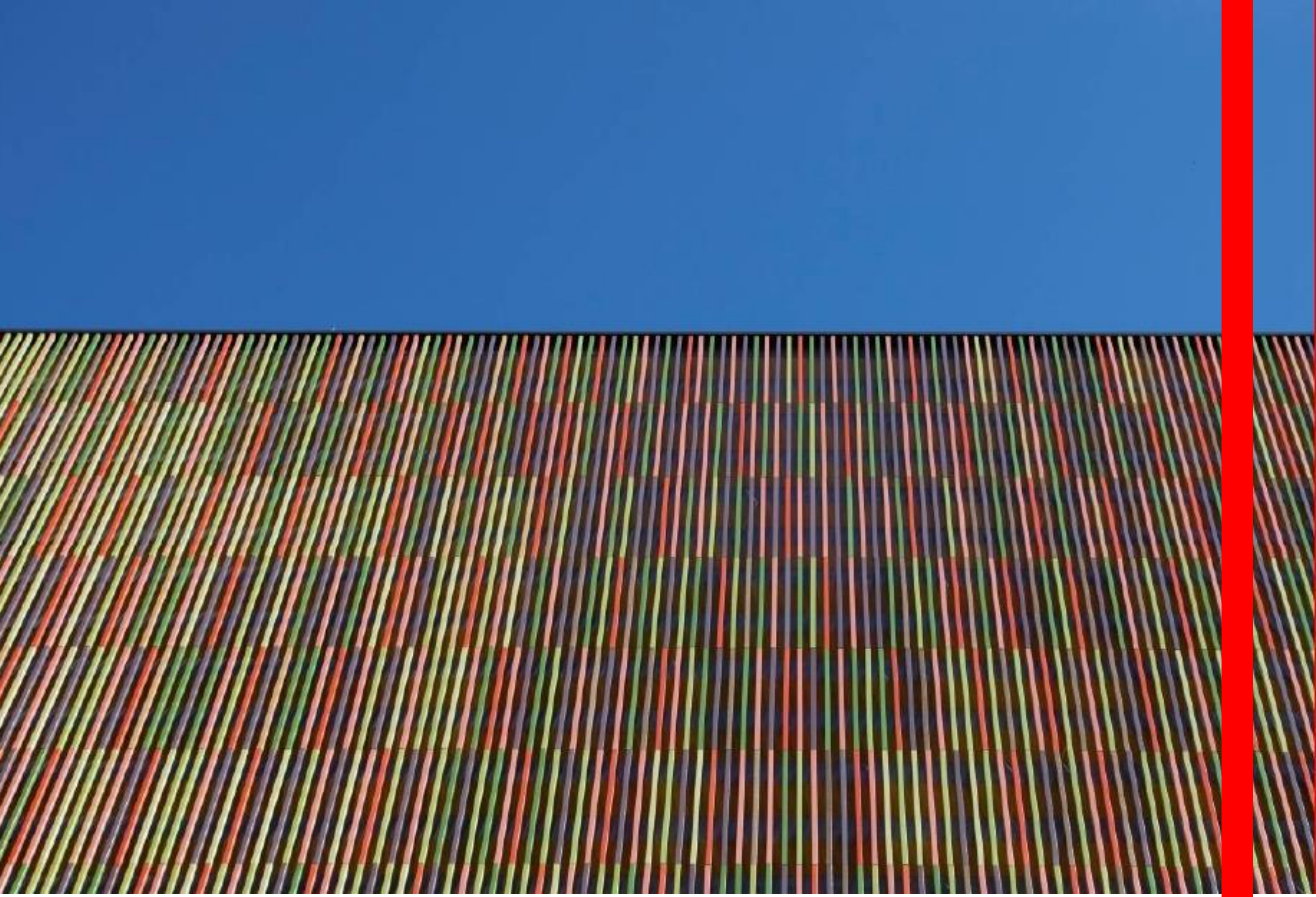

Currency Hedged & Currency Overlay Share Classes

HSBC Global Investment Funds

(a Luxembourg domiciled SICAV)

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HSBC Global Asset Management

There is a range of share classes available for the HSBC Global Investment Funds ('HGIF') sub-funds ('funds') which offer different currency exposures to investors.

This guide explains the features of these share classes in terms of currency exposure:

- Standard reference currency (currency denominated) share classes
- Currency Hedged share classes
- Currency Overlay share classes

It sets out the investor considerations to be made when investing in these classes, and provides examples to help illustrate these clearly.

For further information please speak with the HSBC Global Asset Management team in your region.

Standard reference currency (currency denominated) share classes:

Institutional share classes ('IC') are issued for the HGIF funds, and these may have different reference currencies (i.e. currency of denomination), as not all investors will wish to subscribe and redeem in the base currency of the fund.

The reference currency represents the currency in which the net asset value per share will be calculated, and is also the currency in which subscriptions and redemptions are settled.

This allows investors to make an investment in their currency of choice, rather than having to convert a subscription to the base currency.

There is no currency hedging undertaken for these classes, and investors in these share classes will not only be exposed to market risk, but returns will also depend upon currency fluctuations between their share class reference currency and the fund's underlying portfolio currencies, or the fund base currency (in the case of funds which aim to hedge portfolio currencies to the fund base currency)

These share classes are denoted by the inclusion of the shortened currency name in their share class name (e.g. ICEUR; ICGBP).

In contrast, Currency Hedged and Currency Overlay share classes seek to provide alternative currency exposures.

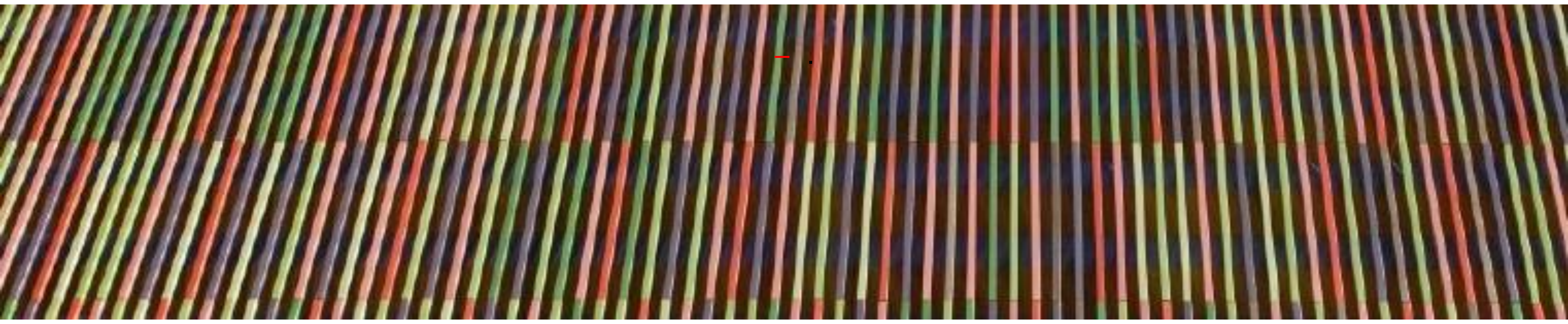
Currency Hedged share classes:

For those investors who are not comfortable with this currency risk, there are a number of HGIF funds which issue Currency Hedged share classes.

The aim of these Currency Hedged share classes is to protect against exchange rate fluctuations between the share class and the base currency of the fund.

HGIF offers Currency Hedged share classes for those funds where either:

- the currency exposure of the fund's underlying investments is predominantly hedged to the currency of the share class, or
- the fund's base currency is hedged to the currency of the share class and the fund is managed to a return in the fund base currency. The portfolio investments may be exposed to multiple currencies (e.g. a EUR hedged class of HSBC GIF GEM Debt Total Return Fund).



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Currency hedging is achieved by entering into foreign currency transactions such as currency forward transactions, currency futures, or other form of derivatives which are specified in the fund's prospectus.

Currency Hedged share classes are denoted as 'H' in the shortened share class name.

The implementation of the Currency Hedged share classes is separate from the various strategies that the fund managers may actively seek to implement at a fund level to manage currency risks within each fund.

Benefits of a currency hedged share class

Offering a hedging strategy allows investors to reduce the risks of exchange rate fluctuations affecting the investment returns from those funds with overseas investments.

Key things to consider

While Currency Hedged share classes aim to limit investors' currency risk:

- Currency hedging does not provide exactly the same return as the base currency share class but rather attempts to replicate the returns as closely as possible
- The purpose of a Currency Hedged share class is not to provide active currency management or hedge any specific underlying currency position within a sub-fund.

Currency Overlay share classes:

The aim of HGIF Currency Overlay share classes is to provide a return consistent with the return on a share class with a reference currency which is the same as the fund's base currency. However, the returns may differ due to various factors including interest rate differentials between the share class reference currency and the fund's base currency and transaction costs.

HGIF issues Currency Overlay share classes where the fund's base currency is hedged to the currency of the share class and the fund's underlying portfolio has a material exposure to assets which are denominated in a currency (or currencies) which is (are) different to the fund's base currency.

Investors will be exposed to currency exchange rate movements of the underlying portfolio currencies against the fund base currency (rather than the reference currency of the share class).

For example, take a fund investing in assets denominated in several emerging markets currencies, operating with a USD base currency.

Following a subscription into the EUR Currency Overlay share class, the Administration agent converts EUR to USD and enters into a USD/EUR currency forward transaction with the aim of creating an overlay currency exposure.

Here, though the investment is in EUR, the investor would be exposed to the movement of the underlying portfolio emerging markets currencies relative to USD.

Currency overlay is achieved in a similar way to currency hedging, by the share class entering into foreign currency transactions such as currency forward transactions, currency futures or other form of derivatives.

Currency hedged share classes are denoted as 'O' in the shortened share class name.

Benefits of a Currency Overlay share class

The Currency Overlay share class enables investors to access base currency returns but in the currency of the share class.

Key things to consider

Investors should remember that:

- There is no guarantee that the underlying portfolio currencies will appreciate against the base currency and, depending on currency movements, an investor's return may be less than if they had invested in a non-Currency Overlay share class denominated in their base currency.
- There is no guarantee that a currency overlay objective will be achieved.

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Potential impacts of hedging on the expected returns of the share classes

While hedged share classes aim to closely replicate the returns of the funds base currency, their investment performance may vary due to the long-term interest rate differential and additional fees.

The main contributor to differences in returns between the hedged share class and the base currency is typically explained by the long-term interest rate differential. This may result in a positive or negative effect, depending on the existing rates.

Secondly, the fees of 5.5 bps charged by an administration agent appointed to carry out the implementation of the Currency Hedged share classes, which are chargeable to the share class, will impact the fund's overall returns.

Example of negative effect on EUR hedged share class	
Base return	5.00%
USD interest rate	0.50%
EUR interest rate	0.25%
Interest rate differential	-0.25%
Hedged EUR total return	4.75%

Example of positive effect on EUR hedged share class	
Base return USD	5.00%
USD interest rate	0.25%
EUR interest rate	1.00%
Interest rate differential	+0.75%
Hedged EUR total return	5.75%

This is an example only for illustrative purposes. Interest rates and performance are likely to change.

Other factors which may also contribute to an imperfect hedge are:

- Changes in interest rate differentials over the short term
- Differences between the timing of the fund's NAV being priced and the implementation of adjustments to the hedge
- Unrealised profit or loss on the hedge that is incorporated in the daily NAV price, but remains uninvested until the profit or loss is crystallised with the rollover of the hedge. Hedged overlays are generally rolled on a monthly basis to avoid unnecessary transactions costs
- Intra-day movements of the underlying securities in the base currency may not be fully reflected, as hedges are normally adjusted once a day
- Transactions costs will also have a minor impact and will reduce the return of the hedged share class over time

Further key things to consider for both Currency Hedged and Currency Overlay investors

- Movements in currency exchange rates can materially impact investment returns and investors should ensure they fully understand the difference between investment in Currency Hedged or Currency Overlay share classes versus investment in standard (currency denominated) share classes.
- Currency Hedged or Currency Overlay share classes are not recommended for investors whose base currency of investment is different to the reference currency of the Currency Hedged or Currency Overlay share class. Investors who choose to convert their base currency to the reference currency of a Currency Hedged or Currency Overlay share class and subsequently invest in a share class should be aware that they may be exposed to higher currency risks and may suffer material losses as a result of exchange rate fluctuations between the reference currency of the Currency Hedged or Currency Overlay share class and their own base currency.
- Currency Hedged and Currency Overlay share classes will be hedged irrespective of whether the target currency is declining or increasing in value.

Explanation of currency exposures using example portfolios:

The table below sets out three example portfolios and explains the currency exposure provided by various share classes. Importantly, this highlights that the combination of the currency profile of the underlying portfolio and the currency profile of the share class will determine the overall exposure an investor will be exposed to.

Example A: Asia Equity Fund example – underlying portfolio has no exposure to the base currency of the fund

Asia Equity Fund example
Base currency: USD

Portfolio currency	Exposure
YEN	50%
SGD	30%
TWD	20%

1. AUD Denominated Class

Investor subscribes and redeems in AUD and is exposed to long portfolio currencies versus AUD.

	Currency	Exposure
Portfolio currencies	YEN	50%
	SGD	30%
	TWD	20%
Investor subscribes in AUD	AUD	-100%

2. AUD Overlay Class

Investor subscribes and redeems in AUD and is exposed to long portfolio currencies versus USD.

	Currency	Exposure
Portfolio currencies	YEN	50%
	SGD	30%
	TWD	20%
Investor subscribes in AUD	AUD	-100%
FX forward (short USD / long AUD)	USD	-100%
	AUD	+100%

Net position

Currency	Exposure
YEN	50%
SGD	30%
YWD	20%
USD	-100%

Example B: Global Equity Fund example – underlying portfolio has some exposure to the base currency of the fund

Global Equity Fund example
Base currency: USD

Portfolio currency	Exposure
USD	50%
EUR	30%
GBP	20%

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1. AUD Denominated Class

Investor subscribes and redeems in AUD and is exposed to long portfolio currencies versus AUD.

	Currency	Exposure
Portfolio currencies	USD	50%
	EUR	30%
	GBP	20%
Investor subscribes in AUD	AUD	-100%

2. AUD Overlay Class

Investor subscribes and redeems in AUD and 50% of their investment is exposed long portfolio currencies versus USD, the other 50% is hedged to AUD.

	Currency	Exposure
Portfolio currencies	USD	50%
	EUR	30%
	GBP	20%
Investor subscribes in AUD	AUD	-100%
FX forward (short USD / long AUD)	USD	-100%
	AUD	+100%

Net position

Currency	Exposure
USD	-50%
EUR	30%
GBP	20%

Example C: Global Equity Fund example– underlying portfolio is hedged to the base currency of the fund

	Currencies	Exposure
Portfolio currencies	USD	50%
	EUR	30%
	GBP	20%
FX forward (short EUR / long USD)	EUR	-30%
	USD	30%
FX Forward (short GBP / long USD)	GBP	-20%
	USD	20%

Net position

Currency	Exposure
USD	100%

1. AUD Denominated Class

Investor subscribes and redeems in AUD and is exposed to USD versus AUD.

	Currency	Exposure
Net portfolio currency exposure	USD	100%
Investor subscribes in AUD	AUD	-100%

2. AUD Hedged Class

Investor subscribes and redeems in AUD and has no currency exposure.

	Currency	Exposure
Net portfolio currency exposure	USD	100%
Investor subscribes in AUD	AUD	-100%
FX Forward (short USD / long AUD)	USD	-100%
	AUD	+100%

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