

# HSBC Specialist Funds Limited

## Short Duration Fixed Income Fund Supplement

Date: 4 January 2021

This document (the “Short Duration Fixed Income Fund Supplement”) is supplemental to the prospectus of the HSBC Specialist Funds Limited (the “Company”) dated 31st July 2019 (as it may be amended or supplemented from time to time, the “Prospectus”) and relates to the offer of Shares designated as forming the Fund known as the “Short Duration Fixed Income Fund”, which is divided into three classes of Shares. Terms defined in the Prospectus have the same meanings in this Short Duration Fixed Income Fund Supplement unless the context of this Short Duration Fixed Income Fund Supplement requires otherwise, and with the Prospectus together constitutes the Prospectus for the offer of the Shares.

This Short Duration Fixed Income Fund Supplement is an integral part of the Prospectus issued by the Company and the distribution of this Short Duration Fixed Income Fund Supplement is not authorized unless it is accompanied by the Prospectus. The Prospectus contains essential details of the Company and applies in every respect save as it may be modified by this Short Fund Duration Fixed Income Fund Supplement. This Short Duration Fixed Income Fund Supplement should be read in conjunction with the information appearing in the Prospectus and the documents described therein.

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## Investment Objective and Policy

The Fund is designed for investors seeking security of capital and daily liquidity together with an investment return.

The Fund's principal objective is to maximize income while attempting to minimize the risk of capital deterioration. The Fund aims to achieve its objective by applying a diversification strategy focused on high-quality fixed-income instruments with an average duration of one to three years. The investments of the Fund may include other mutual funds and/or collective investment schemes managed by the Manager or by one of the companies within the HSBC Group. Investment selection is based on stringent criteria established by the Manager and includes quantitative and qualitative evaluation of all prospective and continuing investments.

The Fund will endeavour to obtain and maintain, a "Double A" rating from one of the two most recognized rating agencies. The Manager will ensure that the Fund will invest in securities which are consistent with maintaining this rating. The rating is not intended to evaluate the performance of the Fund with respect to appreciation, volatility of net asset value or yield.

The following credit portfolio requirements shall be maintained:

Long Term Rating Category Range	Maximum Operational Limits
Triple A	100%
Double A	70%
Single A	50%

All securities in the Fund will have a minimum long term rating of single A (inclusive of A-/A3) or higher. The terms of the Fund are as follows:

## Key Information for Subscriptions and Redemptions

<b>Offer Price:</b>	Class AC, AD, and CC Shares of the Fund are issued at subscription prices based on the Net Asset Value per Share of the relevant Class.
<b>Business Day</b>	For purposes of the Fund only, a day (excluding Saturday and Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Bermuda and the United States of America.
<b>Dealing Day:</b>	Every Business Day.
<b>Dealing Deadlines:</b>	<p><b>For new investors in the Fund:</b></p> <p>When investing in the Fund for the first time, investors should complete the application form, obtainable from the Administrator, the Banker or the Company and submit such form, together with all required ancillary documentation, by hand, post or email to the Administrator or the Banker so as to be received by the Administrator or the Banker no later than 5 business days prior to the applicable Dealing Day (the "Initial Dealing Deadline").</p> <p>Investors purchasing Shares for the first time should complete the relevant application form obtainable from the Administrator, the Banker or the Company and forward it to the Administrator or Banker by hand, post, or email in accordance with the details set out in the application form by no later than the Initial Dealing Deadline. Investors who send the duly completed application form via email must also forward the original application form to the Administrator or Banker, as appropriate, together with all referenced supporting documentation including but not limited to any and all money laundering prevention information ("AML Information") by no later than the Initial Dealing Deadline. In the event of a delay or failure on the part of the investor in producing any required AML Information, the Banker, the Company and/or the Administrator may refuse to accept the application for Shares or delay processing the application until such time as all required AML Information has been duly received and reviewed for and on behalf of the Company. In the event of a refusal to accept the application for Shares, any funds received from the investor will be returned, without interest, in due</p>

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course to the account from which they were originally debited or dealt with in accordance with Bermuda law. Subsequent investments may be made by post or email. In the case of a subsequent subscription, original versions of the application are not required.

**For existing investors in the Fund making an additional subscription:**

**For Subscriptions** – 3 p.m. (Bermuda time) on the Business Day prior to the Dealing Day;

**For Redemptions** – 3 p.m. (Bermuda time) on the Business Day prior to the Dealing Day;

or such other time as the Directors may determine on prior notification to Shareholders.

Where applications for Subscription or Redemptions are sent to the Banker, they must be delivered at least an hour earlier than the above noted time (the "Banker Dealing Deadline"). The Banker Dealing Deadline is subject to change from time to time and at any time.

Applications received by the Administrator/Banker up to the Dealing Deadline or Banker Dealing Deadline (as the case may require) will be dealt with on that Dealing Day. Any applications received after the relevant Dealing Deadline or Banker Dealing Deadline, as applicable, will be dealt with on the following Dealing Day.

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**Valuation Point:**

5.00 p.m. (Bermuda time) on the Business Day prior to the Dealing Day or such other time as the Directors may determine, provided that the Valuation Point on the final Dealing Day before Christmas and New Year's Day shall be 11.00 a.m. (Bermuda time) or such other time as the Directors may determine.

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**Charges and Expenses**

Charges and Expenses are detailed in clause 2.9 of the Prospectus which should be read in conjunction with the section entitled "Fees, Charges and Expenses" in section 5.4 of the Prospectus.

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**Minimum Initial Subscription and Minimum Holding:**

Class AC: USD100,000.  
Class AD: USD100,000.  
Class CC: USD10,000,000.

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**Minimum Subsequent Transaction Level:**

Class AC: USD10,000.  
Class AD: USD10,000.  
Class CC: USD100,000.

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**Base Currency:**

US Dollars

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**Settlement Date:**

Payment for the issuance of Shares of the Fund must be received in cleared funds by the Administrator on the applicable Dealing Day, unless the Manager determines otherwise.

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**Redemptions:**

Subject to any suspension of the determination of the Net Asset Value of the Fund and otherwise as set out in the Prospectus, Shares may be redeemed on any Dealing Day.  
The redemption price in respect of any redemption of Shares will be the Net Asset Value per Share of the Fund as of the applicable Dealing Day. Redemption proceeds will ordinarily be paid two Business Days after the applicable Dealing Day.

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**Contact Details for Subscriptions and Redemptions:**

HSBC Specialist Funds Limited – Short Duration Fixed Income Fund  
C/o 37 Front Street, Hamilton, HM11, Bermuda.  
Tel: 1-441-299-6900.  
Fax: 1-441-279-5800.  
Email: [hsbcfundtrade@hsbc.bm](mailto:hsbcfundtrade@hsbc.bm)

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## **Dividend Policy**

The declaration of dividends is at the discretion of the Directors. It is the present intention of the Directors of the Company to declare quarterly dividends with respect to the Class AD Shares of the Fund, the amount of which may fluctuate depending on market conditions. It is the policy of the Directors to distribute the net income from the underlying investments of the Class AD shares of the Fund.

It is the intention of the Directors of the Company not to make distributions of net income to holders of the Class AC and Class CC shares of the Fund. Accordingly, shareholders will not receive dividends in respect of Class AC shares or Class CC shares of the Fund. Income and profits are accumulated and reflected in the daily Net Asset Value per Share of the Class AC and CC Shares.

## **Investment Restrictions**

The Directors intend that the Company shall not for the account of the Fund:

- a. acquire securities or instruments with an unexpired maturity or interest rate refixing date of more than 5 years and 1 month;
- b. invest more than 10% of the value of the net assets of the Fund in securities issued by any one body corporate or group of companies (except for securities issued by the government of an OECD country, supra-national entities and securities issued by agencies backed by such governments or supra-national entities and for Triple A rated money market funds). In the case of securities with a rating of Single A, the limit is reduced to 5%;
- c. make loans (except to the extent that the acquisition of an investment might constitute a loan) or guarantee the repayment of loans other than the making of deposits with the Banker or any bank or deposit-taking institution approved by the Manager;
- d. invest in real property, commodities or commodity contracts;
- e. invest more than 15% of the net assets of the Fund in asset backed securities;
- f. acquire any asset or investment which would involve the assumption of unlimited liability unless a corresponding hedge transaction is entered into in respect to that asset or investment;
- g. make investments which will result in the Company exercising legal or management control of any underlying investments; and
- h. sell securities short, buy securities on margin or buy, sell or deal in options in securities or warrants except for the purposes of hedging

The Directors intend to adopt additional restrictions on their investment powers in respect of the Fund as may be set out from time to time in the Prospectus.

## **Risk Factors**

The risk factors relating to the Company and the Fund are set out in the Prospectus. In addition, the following specific risk factor applies to the Fund:

### **Changes in Interest Rates**

The value of Shares may, notwithstanding the policy of the Fund of investing in short-term instruments, be affected by substantial adverse movements in interest rates. This may result in the amount realized on the sale of Shares being less than the original amount invested.

## Fees, Charges and Expenses

Under the terms of the Management Agreement, the Manager is entitled to receive from the Company in respect of the Fund, a monthly management fee of up to 1% per annum of the average of the daily value of the net assets of the Fund during the month and to be reimbursed its out-of-pocket expenses.

The management fee (the "Management Fee") attributable to each Class of Shares of the Fund, expressed as a per annum percentage of each Class' Net Asset Value is currently as follows:

<b>Class AC Fees</b>	<b>Class AD Fees</b>	<b>Class CC Fees</b>
0.40%	0.40%	0.25%

The Manager is entitled in its absolute discretion to increase (or decrease) this percentage from time to time up to a maximum Management Fee of 2.5% per annum for the Fund. The Manager may also rebate any Management Fee, either generally or in any particular case, in its sole discretion.

The Management Fees is accrued at each Valuation Point and paid monthly at the Class level. The Management Fee is calculated by taking the 'net asset value before variable accruals' at the Class level multiplied by the annual fee rate per class level (as set out above); divided by 365; and multiplied by the number of days in the valuation period.

## Listing

The Shares of the Fund issued, or to be issued, have been or will be listed on the Bermuda Stock Exchange. It is not anticipated, at this time, that the Fund Shares will be listed on any other stock exchange.

