

## Form ADV Part 2A – Appendix 1

### **MANAGED PORTFOLIO ACCOUNT (MPA) WRAP FEE PROGRAM BROCHURE**

**HSBC GLOBAL ASSET MANAGEMENT (USA) INC.**

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SEC Registration No. 801-25999**

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**This wrap fee program brochure provides information about the qualifications and business practices of HSBC Global Asset Management (USA) Inc. and the Managed Portfolio Account program that should be considered before investing in a Managed Portfolio Account. If you have any questions about the contents of this brochure, please contact us at (212) 525-4588. The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority.**

**Additional information about HSBC Global Asset Management (USA) Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**HSBC Global Asset Management (USA) Inc. is a registered investment adviser. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

## Material Changes (Item 2)

There are no material changes to be reported at this time. In the future this item will provide a summary of material changes made to this brochure.

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## Services, Fees and Compensation (Item 4)

HSBC Global Asset Management (USA) Inc., hereafter referred to as “AMUS”, is the sponsor of a wrap fee account program, referred to herein as the Managed Portfolio Account (MPA), which is a multi-product, fee-based separate account program. Services provided through MPA may be provided through a separately managed account (SMA) or unified managed account (UMA). MPA is designed to assist clients, including individuals, pension plans, profit sharing plans, and institutions, with the communication of their investment preferences. It will also facilitate the acquisition of professional asset management and other services provided by AMUS, third party portfolio managers, mutual funds, and/or exchange-traded funds (ETFs) for a convenient single "wrap" fee. UMA may provide, at the client's election, tax optimization services, at no additional cost, to U.S. persons, for U.S. taxes only.

MPA includes the following services:

- a. **Investor Profile** - The Client, in consultation with his or her Financial Adviser who may be a representative of HSBC Securities (USA) Inc. (“HSI”), may utilize the MPA Client Profile Questionnaire or, may utilize other means at the Financial Adviser’s disposal, to assist the client in the evaluation of the level of risk and investment preference they desire for the client’s MPA investment portfolio. As a result of this consultative process, the Financial Adviser facilitates the preparation of an Investment Policy Statement (IPS) for the client’s MPA investment portfolio. The IPS will contain a recommended asset allocation with consideration of the risk tolerance and other factors pertinent to ascertaining the suitability of MPA and the investment products available through MPA. The Client may make adjustments, within certain parameters, to stock and bond asset allocation targets or asset class allocation targets. Subject to client approval, client assets may be invested in accordance with a mix of investment strategies utilizing multiple third party investment advisory firms. The client will be advised to express their personal preferences for the MPA account, including restrictions on specific investments, which will be reflected in the IPS. The IPS will be prepared with the MPA recommendations and the client’s investment selections which may differ significantly from the recommendations. The IPS will be confirmed by the client with their authorized signature. Through this process the client is provided with individualized professional investment consultation.

The client’s Financial Adviser will consult with the client periodically, but not less than once each year, to determine whether to update the client’s financial information previously provided through the Financial Adviser’s consultative process with the client and determine whether any changes should be made to the client's IPS, asset allocation, risk tolerance, or other factors pertaining to the continued suitability of MPA and the investments available through MPA. Clients also are encouraged to contact their Financial Adviser promptly in the

event of material changes to the information the client has provided or any other changes in the client's financial circumstances or investment goals. In addition, clients should feel free to contact their Financial Adviser with any questions they have about MPA.

- b. **Portfolio Management** - AMUS recommends an asset allocation based upon a client's responses to the questions in the Client Profile Questionnaire. The recommended asset allocation is based on a set of broadly diversified, core investment portfolios through which the client may choose investment managers prescreened and chosen by AMUS to participate in MPA. The MPA investment managers are selected by AMUS through a process involving a variety of qualitative and quantitative criteria. Although the selection process is designed to select managers based upon the highest conviction of Multimanager from among available managers there can be no assurance that any manager will be successful and a manager may incur losses. The client may also indicate their own personal preference for an asset allocation in consideration of assets and each client's unique financial circumstances.

In connection with UMA, AMUS will serve as Overlay Manager. As Overlay Manager, AMUS will coordinate asset allocation, portfolio rebalancing, investment restrictions, and, if selected, tax optimization, in each UMA, with consolidated reporting. AMUS is the primary investment manager for UMA portfolios and is responsible for selecting portfolio investments based on non-binding advice provided by the MPA third party investment managers. AMUS may delegate all or part of the Overlay Management function to an affiliate or third party at its discretion.

An MPA client may choose a UMA account in a two step process:

- i. AMUS will provide a model portfolio based on the asset allocations selected by the client in the IPS. In each asset allocation portion of the client portfolio, the client will be presented with the recommended mutual funds, ETFs, and MPA Model Managers in the investment style of the asset allocation portion.
- ii. The client, in consultation with the Financial Advisor, will select one or more of the underlying MPA recommended investment selections to fulfill each of the asset allocation portions of the portfolio selected by the client. The MPA UMA portfolios will be monitored by the Overlay Manager and may be periodically rebalanced to the model selections.

Client adjustments to recommended asset allocation models, investment selections, imposed investment restrictions and preferences may materially affect the composition and performance of portfolios. In addition, each client's account may begin investing at different times in different market conditions which may also have an effect on the investment return earned by each account. The timing

of contributions to the account or withdrawals from the account initiated by the client may also have an effect on the performance of the portfolio. For these reasons, the performance and investment returns of MPA client portfolios with the same or similar investment objectives may differ.

The optional tax optimization service in UMA utilizes client specific portfolio information to evaluate the tax implications of portfolio trades prior to execution. Within a single MPA UMA client's investment portfolio, where possible, gains and losses across multiple investment styles will be selected to minimize the overall tax impact. The tax impact of portfolio rebalancing will also be subject to evaluation. Specific information as to client's tax status and other financial information (including holdings in non-MPA accounts) will not be considered in respect of this service. There can be no assurances that such service will result in the optimal tax consequences for clients. In addition, the tax optimization service may have a negative impact on the investment performance of a UMA portfolio and any such negative impact may not be fully offset by tax benefits, if any. The tax optimization services should not be considered tax advice. Potential clients should consult with their independent tax advisors to assess the tax implications of any investment in the MPA program

Pursuant to the MPA SMA and UMA client agreements, AMUS is authorized to vote proxies for the securities held in MPA client accounts. AMUS has delegated this authority to the MPA third party managers in SMA accounts. In UMA accounts, where AMUS is acting as Overlay Manager, AMUS will vote the proxies on the client's behalf with the guidance, when available and appropriate, from the sub-advisors providing the investment styles utilized in the UMA account. Pursuant to the MPA Client Agreement, AMUS will not vote proxies in respect of pooled investment vehicles advised or administered by AMUS or its affiliates. AMUS will not advise the client or act for the client in any legal proceedings, including bankruptcies, involving securities held or previously held in the Managed Portfolio Account or the issuers of those securities.

- c. **Performance Evaluation and Monitoring Services** – HSI or another financial intermediary will serve as custodian for accounts (the “Custodian”). Currently, HSI delegates its custodial responsibilities to Pershing LLC. The Custodian will generally furnish monthly, but no less frequently than quarterly, account statements summarizing account activity during the period. Clients will also receive trade confirmations for each trade executed for their account unless the client elects to suppress trade confirmations by signing an opt-out form to do so. AMUS will facilitate the production and mailing of quarterly performance statements to clients in the Managed Portfolio Account program. AMUS may utilize a third party service provider to facilitate the production and mailing of the performance statements to clients in the MPA program. The performance statements are intended to inform clients as to how their accounts within the Managed Portfolio Account program have performed during the period.

AMUS has an Investment Committee (IC) whose objective is to address matters relating to asset allocation products offered by AMUS, including but not limited to the MPA Program. The IC will delegate authority to Multimanager with regards to third party investment products.

AMUS, through its Multimanager division (referred to herein as “Multimanager”), conducts due diligence based upon both quantitative (e.g., investment performance returns, rankings, tracking error etc.) and qualitative (e.g., firm, people, investment strategy and process, idea generation, portfolio construction etc.) factors to recommend the unaffiliated asset managers, and mutual funds available through MPA. As part of the qualitative review, multimanager will send firm and strategy questionnaires, analyze portfolio holdings, review performance attribution and conduct manager meetings.

Multimanager seeks to identify unaffiliated managers that they believe will deliver consistent risk-adjusted returns going forward over a market cycle. Multimanager also conducts ongoing evaluation of the MPA managers through evaluation of key factors including personnel, organizational changes and investment performance. Style analytics, attribution and periodic performance comparisons against representative benchmarks and peers are used as part of the monitoring process.

Based upon its findings Multimanager may place an unaffiliated MPA manager on probation (“Suspend”). If the factors that led to the probation remain unresolved, Multimanager may recommend the removal the manager from the MPA program and may recommend a new or pre-existing alternative manager to replace the removed manager. In the event of an MPA manager change, impacted SMA investors will be notified by their respective Financial Adviser and provided with information on the alternative manager recommendations available by AMUS. The portion of the client’s portfolio invested with the manager to be removed may be frozen until the replacement manager is established within MPA through consultation by the Financial Adviser with the client. The transition process from one manager to another may result in transactions that will generate realized gains and losses, and in turn, the client’s taxable capital gains or losses for the year. To the extent the new manager accepts responsibility for the management of specific security positions from the manager being replaced, the positions accepted by the new manager may be transferred “in kind” from the terminated manager and received by the new manager without the need of purchase and sale transactions.

In the case of UMA account holders, the Overlay Manager will be notified of the manager change and will be responsible for making the applicable investment decisions to transition the account taking into consideration the specifics of the client account, including restrictions, and if tax optimization services have been elected by the client, the tax considerations noted herein in respect of the tax optimization services. The Financial Advisers will be notified of the changes and

given an opportunity to consult with their clients regarding the changes in their MPA UMA portfolios. The client may select, at this time, an alternative manager, mutual fund or ETF to the investment selection specifically recommended to replace the manager, mutual fund or ETF removed from the MPA recommended list of investment selections.

To the extent that the IC considers any investment products outside of those that have been selected by Multimanager, including mutual funds advised by AMUS, the IC will perform a level of due diligence that it considers appropriate. Due diligence may include a presentation from the portfolio manager or product specialist or similar subject matter expert that will describe factors that the IC may consider, such as the investment methodology employed, the experience of the team and performance history of the product or of similarly managed products.

Any product selected by the IC outside of those that have been selected by Multimanager will be reviewed periodically. The review may include relative performance and operational history. While the IC may consider absolute and relative performance, such measures will not be the sole determining factors in selecting or maintaining an investment product. Other factors, including conviction in the manager, level of disclosure and degree of engagement with the investment management team, may also be considered at the IC's discretion.

From time to time AMUS may also recommend changes to the asset allocation model associated with a given risk profile. When such recommendations are made all SMA and UMA clients who fit the impacted risk profile will receive a notice of the change.

The Overlay Manager for UMA accounts will make the determination whether and when an account should be rebalanced based on market movements resulting in drift from the clients' selected asset allocations. Rebalancing is done at the individual account level. Clients who elect automated rebalancing will not be notified prior to the rebalancing. MPA clients may elect not to have their account automatically rebalanced. The Overlay Manager is also responsible for managing cash for UMA accounts. In managing cash the Overlay Manager may consider security-specific and systematic cash flows, asset allocation model or other relevant factors. The amount and frequency of client cash withdrawals may be limited and should be discussed in advance with your Financial Adviser.

- d. **Discretionary Authority** – Pursuant to the SMA client agreement, HSBC's discretionary authority is limited to evaluating and monitoring the portfolio managers responsible for managing the assets in a client account, including the addition, removal or replacement of such portfolio managers, as well as evaluating and monitoring the pooled investment vehicles (i.e., funds) made available to client. The client will designate third party portfolio managers who will have investment discretion over that portion of a client's account so designated by the client. The portfolio manager will determine the securities to be



purchased, held or sold for an account and the weightings thereof, subject to any reasonable investment restrictions or limitations imposed by client, properly communicated in writing to HSBC, and accepted by the portfolio manager.

Pursuant to the UMA client agreement, the Overlay Manager will have full discretionary authority, to be exercised in the Overlay Manager's exclusive judgment and consistent with the goals and objectives of client to (A) determine the allocation of assets among investment styles and funds, (B) select, add, remove and/or replace model managers, and (C) purchase and sell individual securities and shares of funds for an account, in each case, based upon Overlay Manager's evaluation of such model manager's or fund's performance and market conditions and changes in the value of the account. Overlay Manager will review a Client's asset allocation periodically (but at least quarterly). Apart from its Overlay Management responsibilities, HSBC has discretionary authority to establish and rebalance the asset allocation for a client's accounts, evaluate, select and monitor the model managers and funds, and purchase and sell individual securities and fund shares for a client account.

In the case of SMA clients, a copy of each selected investment manager's Part 2A of Form ADV or a Brochure meeting the requirements of Rule 204-3 under the Investment Advisers Act of 1940 will be provided to the client prior to inception of the account. UMA clients will be provided the Overlay Manager's Part 2A of Form ADV. This is in addition to having been provided with AMUS's Appendix 1 – MPA Brochure.

- e. **Custody** – HSI or another financial intermediary will serve as custodian for the accounts (the “Custodian”). Currently, HSI delegates its custodial responsibilities to Pershing LLC.
- f. **Brokerage Services** - Securities execution and related brokerage services will generally be provided by HSI (a broker-dealer affiliated with AMUS) using the clearing and execution facilities of its third party clearing broker, Pershing LLC. The third-party investment managers may from time to time execute securities trades through broker-dealers not affiliated with AMUS. Such trades may incur additional charges not included in the MPA account fee.
- g. **Fees and Other Charges** - The applicable MPA Investment Advisory fee is based on the following fee schedule and will be determined based on the investment model selected and the portfolio components (i.e., types of securities). The following is the fee schedule for eight pre-set investment models. Clients, in consultation with their Financial Advisor, choose their asset allocation selections and the appropriate fee schedule among the eight available choices. The percentage of the model in funds or ETFs may vary depending on investment amount.

The SMA and UMA program fees are as follows:



|   | Model:   | All Fixed<br>Income * | Conservative | Income &<br>Growth | Balanced | Balanced<br>with<br>Growth | Growth<br>&<br>Income | Growth | All-<br>Equity |
|---|--|-----------------------|--------------|--------------------|----------|----------------------------|-----------------------|--------|----------------|
| Total Fixed<br>Income &<br>money market<br>(plus / minus<br>5%) |  | 100%                  | 65%          | 55%                | 50%      | 40%                        | 35%                   | 20%    | 1%             |
| <u>Total Portfolio<br/>Assets Under<br/>Management:</u>         | Fee rate<br>(per<br>annum) on<br>assets <sup>1</sup> : |                       |              |                    |          |                            |                       |        |                |
| First \$500,000   |  | 1.50%                 | 1.70%        | 1.85%              | 2.00%    | 2.15%                      | 2.25%                 | 2.40%  | 2.50%          |
| Next \$500,000  |  | 1.20%                 | 1.35%        | 1.50%              | 1.60%    | 1.70%                      | 1.80%                 | 1.90%  | 2.00%          |
| Over \$1,000,000  |  | 0.95%                 | 1.00%        | 1.15%              | 1.20%    | 1.30%                      | 1.35%                 | 1.50%  | 1.50%          |

\* For SMA accounts only.

<sup>1</sup> Fiduciaries of ERISA and Tax Qualified Plans should refer to Section 4(f) of the Agreement for a discussion of certain credits applicable in the event investments are made in Affiliated Mutual Funds.

Although fees listed above are standard fees, they may in some circumstances be negotiable according to a variety of factors, such as size and type of account, complexity, etc. Fees will be paid quarterly in advance. Fees will be a percentage of all assets in the account based on assets under management at the beginning of the quarter. A portion of the fees (on an annual rate ranging from 0.25% to 0.75%) will be paid quarterly in advance to the selected investment managers within the investment portfolio held by the client.

Portfolios invested in mutual funds, ETFs or other investment companies will be included in calculating the value of the account to determine the amount of AMUS's MPA Investment Advisory fee. Assets invested in mutual funds, ETFs or other investment companies also may be subject to additional investment management fees, 12b-1 fees, shareholder servicing fees, and other expenses, some or all of which may be paid to AMUS or an affiliate of AMUS, as set forth in the prospectus for each of those funds or ETFs. These additional fees and expenses are paid by the funds or ETF but ultimately are borne by the client. In addition, MPA program trades may incur other fees and charges not included in the MPA Investment Advisory fee, including markups, markdowns, ticket charges, market charges and SEC charges.

Upon account termination, the client fee will be prorated for the appropriate number of days in the billing period. New client accounts will be charged a fee in advance based on the inception value of the account through the end of the first quarter under management. Terminated accounts will receive a rebate of fees charged in advance and not earned based on the prorated fee that was charged for the balance of the quarter. In addition, contributions in excess of \$25,000 cash or equivalent value of "in kind" securities would be charged an additional fee at the

time the contribution is made to the portfolio pro-rated through the end of the quarter. Withdrawals of cash or equivalent market value of “in kind” securities in excess of \$25,000 would generate a fee refund pro-rated to the end of the quarter.

The client agreement may be terminated at any time upon written notice by either party and termination will become effective upon the receipt of the notice. Account termination will not affect (i) the validity of any action taken previously by AMUS under the client agreement; (ii) liabilities or obligations of the parties from transactions initiated before termination; or (iii) the client’s obligation to pay advisory fees pro rated through the date of termination.

Under the client agreement, the client authorizes the Custodian to deduct fees from the Account. Fees will be calculated by a third party designated by AMUS. The client’s fee charged to the account will be reported to the client on the monthly statement sent to the client by the custodian (or a designee).

### **Comparison Cost of Service**

The MPA program may cost clients more or less than purchasing such services separately depending on the frequency of trading in the client's accounts, commissions charged at other broker-dealers or investment firms for similar products, fees charged for like services by other broker-dealers or investment firms, and other factors.

### **Nature of Fees**

Under the MPA program, the client will pay a “wrap” Investment Advisory fee, based on the amount of assets under management, for investment advisory, custody, securities execution, discretionary investment management and related brokerage services. Clients will not be separately charged for the investment advisory services provided by AMUS, for the custody services provided by the Custodian or for brokerage commissions charged by broker-dealers affiliated with AMUS.

AMUS reserves the right, without notice, to pass on to the client transaction charges or commissions resulting from trades effected through or with broker-dealers other than those affiliated with AMUS or mark-ups or mark-downs by such other broker-dealers. Incidental costs such as wire fees or bank charges would be an additional charge. The fee also does not cover certain fees and expenses associated with investments in mutual funds, ETFs or other investment companies, as discussed above in Item 4, and the client expressly agrees that AMUS or its affiliates may retain, without offset against the fee payable by the client, any such fees and expenses received for services provided to such mutual funds, ETFs or investment companies unless such offset is required by applicable law.

## Review of Accounts

The Custodian (or a designee) may provide each client with monthly, but in any event no less frequently than quarterly, account statements detailing the activity within the client's account. The statements will be based both on activity provided by the Custodian and may include internally generated reports provided by Multimanager or external third party service providers.

The asset allocation models and third party investment managers will be reviewed by AMUS on a periodic basis. The review will focus on several factors, including the following:

- i. that the models are being managed in accordance with their investment objectives and mandates;
- ii. that the performance information of the investment managers has been deemed accurate by AMUS; and
- iii. that activity reports received from the Custodian are consistent with that reported by the underlying selected managers.

Annual account reviews may be conducted (in person, if possible) by a client's financial advisor in order to determine if the client's profile remains current and accurate and that the performance of the account is consistent with the recommended asset allocation model. Any one or more of the following events may also trigger an account review:

- i. change in client's investment profile; or
- ii. significant change in the securities market or other economic conditions.

Monthly statements provided by the Custodian (or a designee) detailing current holdings and account activity are in addition to the quarterly performance reports provided by AMUS for the investment portfolio of the client's account.

## Conflicts of Interest

AMUS is an entity within the HSBC Global Asset Management Businesses which is made up of a group of companies in many countries and territories throughout the world that engage in investment advisory and fund management activities and which are ultimately owned by HSBC Holdings plc. AMUS provides advisory services to clients in several major markets and is a multi-product provider of investment and fund management services. For institutions, AMUS provides active and tailored portfolio management on a global, regional, asset-class and country specific basis. AMUS also serves as investment adviser to U.S. registered investment companies.

Domestically, AMUS provides investment advisory services which include U.S. fixed income, and emerging markets fixed income strategies. Under these circumstances, clients sign investment advisory agreements directly with AMUS.

Internationally, AMUS may manage accounts pursuant to sub-advisory agreements with affiliated entities or other third parties. In these relationships AMUS provides investment advisory services to clients who sign an investment advisory agreement directly with AMUS, or acts as sub-adviser for clients who sign investment advisory agreements with other affiliated companies or other third parties.

In addition, AMUS provides investment advisory services involving investment manager and fund selection services on a discretionary or non-discretionary basis (“Multimanager Services”). Multimanager Services generally include identifying third party investment managers and mutual funds that are believed to be preferred investment manager/funds within their asset class in terms of such factors as performance, reputation, organization, management and other factors using a qualitative and quantitative search process (“Selected Investment Managers/Funds”). Multimanager Services also generally include, ongoing monitoring of Selected Investment Managers/Funds, periodic reporting, maintenance of reserve lists of investment managers and funds and assistance with operational arrangements and terms for engagement of the investment managers. Selected Investment Managers/Funds may also include funds or services offered by AMUS and its affiliates. Additionally, Multimanager Services are provided to AMUS’ affiliates.

Selected Investment Managers/Funds recommended to clients other than MPA clients may not always be identical to those available through the MPA program. As such, Multimanager Services provided by AMUS to clients other than through the MPA program may experience investment returns that are materially different from the returns realized by clients investing in the MPA program. AMUS may provide its Multimanager Services to its affiliates including, HSBC Bank USA N.A., the HSBC Funds, and HSI.

HSI, a registered broker-dealer and a registered investment adviser is an affiliate of AMUS and may execute trades for clients in the Managed Portfolio Account Program. HSI may recommend to its clients, shares in investment companies to which AMUS serves as investment adviser. HSI may also sell the HSBC World Selection Spectrum Account, the HSBC Offshore World Selection Spectrum Account, both mutual fund asset allocation services, or MPA, all of which are sponsored by AMUS.

HSBC Holdings plc. is AMUS’ ultimate parent and is the ultimate owner of various investment advisers around the world. AMUS may have sub-advisory agreements with these affiliated investment advisers which may or may not be registered in the United States with the Securities and Exchange Commission.

AMUS is a wholly owned direct subsidiary of HSBC Bank USA N.A. (“HSBC Bank USA”), a national bank organized and existing under the laws of the United States and member of the Federal Reserve. HSBC Bank USA, with which AMUS has entered into investment advisory agreements and sub advisory agreements, provides certain office space and certain administrative services such as payroll and benefits processing to AMUS. Certain employees and officers of AMUS are officers of HSBC Bank USA and

report into the bank's Fiduciary Committee. The Fiduciary Committee has the authority to review the performance and operations of AMUS as they affect investment performance of assets held in a fiduciary capacity by the bank.

AMUS may from time to time recommend to its clients securities or other investment products in which AMUS, its affiliates or other related persons have a financial interest as the investment manager, general partner or co-investor. Any manager in the MPA program is restricted from the purchase of securities issued directly by HSBC.

AMUS has adopted a Code of Ethics and Staff Dealing Policies and Procedures governing employee personal securities transactions ("Code of Ethics") which includes information on insider trading to substantially comply with all relevant securities laws. Employees are required by AMUS' Code of Ethics to obtain pre-clearance of their personal securities transactions for accounts in which the employee has any direct or indirect beneficial interest, except any such account over which the individual has no investment influence or control. In addition, AMUS requires that each employee and/or access persons submit quarterly and annual reports attesting to their compliance with the reporting requirements as well as their compliance with all other aspects of the requirements of AMUS' Code of Ethics. In order to avoid conflicts of interest with client security transactions employees are subject to a blackout policy on personal securities transactions for securities that are also traded for AMUS' clients. Employees are also subject to a minimum holding period of their personal security holdings. A copy of AMUS' Code of Ethics can be furnished upon request.

AMUS may pay its affiliates a cash fee for client referrals in accordance with Rule 206(4)-3.

AMUS or its affiliates do not normally act as dealer in connection with the Managed Portfolio Account Program; any principal sale to a Managed Portfolio Account client will only be effected with the client's prior consent and in accordance with all applicable regulations, including mark-up limitations with respect to "riskless principal" transactions. HSI or its affiliates may effect transactions as broker or agent for Managed Portfolio Account clients. AMUS' affiliates may (if permitted by applicable law), on occasion, act as broker for a Managed Portfolio Account client on one side and a client for whom AMUS does not act as investment adviser on the other side of a securities transaction. Such agency cross transactions are permitted when the account has granted its prior permission in conformity with Rule 206(3)-2 of the Investment Advisers Act of 1940, as amended, or when permission to effect the individual transaction has been granted prior to completion of the transactions.

An affiliate of AMUS and the affiliate's representatives who recommend the Managed Portfolio Account program to the client receives compensation as a result of the client's participation in the program and the amount of this compensation may be more than what the affiliate would receive if the client participated in other programs sponsored by AMUS or paid separately for investment advice, brokerage, and other services; therefore, the affiliate may have a financial incentive to recommend the Managed Portfolio Account

program over other services.

AMUS is affiliated with HSI, who may act as the custodian directly for MPA, HSBC World Selection Spectrum, and the HSBC Offshore World Selection Spectrum client accounts, or delegate through the appointment of a third party clearing agent or custodian the performance of all or part of its custodial duties herein. Currently, HSI delegates its custodial responsibilities to Pershing LLC. Registered representatives of HSI may be located in branches of HSBC Bank USA, and customers of HSBC Bank USA, may be clients of AMUS and/or HSI or HSBC Bank USA. Investments made through AMUS, including MPA are not obligations of AMUS and are not federally insured by SIPC, the FDIC, the Federal Reserve Board or any other government agency.

AMUS or its affiliates may purchase or sell the same security for a number of clients at the same time. Because of market fluctuations, the prices obtained on such transactions within a single day may vary substantially. In such a case, to more fairly allocate those market fluctuations among clients, transactions in the same security for a number of customers may be "batched". In these circumstances, the confirmations and statements for each client's transaction may show that the transaction was effected at a price equal to the average execution price for all transactions in that security on that day. In addition, AMUS or its affiliates may buy or sell securities for its own account, including securities that it recommends to clients and may profit from such transactions.

In all of these cases, AMUS or its affiliates may receive compensation or other benefits in addition to the Managed Portfolio Account program fee it receives from clients and, therefore, may have an incentive to engage in such transactions. Further, AMUS (or its designee) will maintain records of all securities purchased and sold within the Managed Portfolio Account program, which will be available for client inspection upon reasonable request.

Because the Managed Portfolio Account program may cost clients more or less than purchasing the included services separately, AMUS or its affiliates may have an incentive to recommend participation in the Managed Portfolio Account program.

Please consult the advisory agreement, accompanying schedule of fees, AMUS' Form ADV and fund prospectuses for other terms, conditions, representations and disclosures relating to the Managed Portfolio Account service.

We encourage clients to review each recommended manager's SEC Form ADV Part 2 for conflicts of interest, privacy policies, codes of ethics, etc. related to each manager's business.

### **Account Requirements and Types of Clients (Item 5)**

AMUS has established a minimum account size of \$250,000 for MPA accounts. MPA is designed to assist clients, including individuals, pension plans, profit sharing plans, and



institutions, with the communication of their investment preferences. It will also facilitate the acquisition of professional asset management and other services provided by AMUS, third party portfolio managers, mutual funds, and/or exchange-traded funds (ETFs) for a convenient single "wrap" fee. UMA may provide, at the client's election, tax optimization services, at no additional cost, to U.S. persons, for U.S. taxes only.

### **Portfolio Manager Selection and Evaluation (Item 6)**

AMUS, through its Multimanager division (referred to herein as "Multimanager"), conducts due diligence based upon both quantitative (e.g., investment performance returns, rankings, tracking error etc.) and qualitative (e.g., firm, people, investment strategy and process, idea generation, portfolio construction etc.) factors to recommend the asset managers, and mutual funds available through MPA. As part of the qualitative review, multimanager will send firm and strategy questionnaires, analyze portfolio holdings, review performance attribution and conduct manager meetings.

Multimanager seeks to identify managers that they believe will deliver consistent risk-adjusted returns going forward over a market cycle. Multimanager also conducts ongoing evaluation of the MPA managers through evaluation of key factors including personnel, organizational changes and investment performance. Style analytics, attribution and periodic performance comparisons against representative benchmarks and peers are used as part of the monitoring process.

Based upon its findings Multimanager may place an MPA manager on probation ("Suspend"). If the factors that led to the probation remain unresolved, Multimanager may recommend the removal of the manager from the MPA program and may recommend a new or pre-existing alternative manager to replace the manager removed. In the event of an MPA manager change, impacted SMA investors will be notified by their respective Financial Adviser and provided with information on the alternative manager recommendations available by AMUS. The portion of the client's portfolio invested with the manager to be removed may be frozen until the replacement manager is established within MPA through consultation by the Financial Adviser with the client. The transition process from one manager to another may result in transactions that will generate realized gains and losses, and in turn, the client's taxable capital gains or losses for the year. To the extent the new manager accepts responsibility for the management of specific security positions from the manager being replaced, the positions accepted by the new manager may be transferred from the terminated manager and received by the new manager without incurring a transaction cost.

In the case of UMA account holders, the Overlay Manager will be notified of the manager change and will be responsible for making the applicable investment decisions to transition the account taking into consideration the specifics of the client account, including restrictions, and if tax optimization services have been elected by the client, the tax considerations noted herein in respect of the tax optimization services. The Financial Advisers will be notified of the changes and given an opportunity to consult with their



clients regarding the changes in their MPA UMA portfolios. The client may select, at this time, an alternative manager, mutual fund or ETF to the investment selection specifically recommended to replace the manager, mutual fund or ETF removed from the MPA recommended list of investment selections.

From time to time AMUS may also recommend changes to the asset allocation model associated with a given risk profile. When such recommendations are made all SMA and UMA clients who fit the impacted risk profile will receive a notice of the change.

The Overlay Manager for UMA accounts will make the determination whether and when an account should be rebalanced based on market movements resulting in drift from the clients' selected asset allocations. Rebalancing is done at the individual account level. Clients who elect automated rebalancing will not be notified prior to the rebalancing. MPA clients may elect not to have their account automatically rebalanced.

The Overlay Manager is also responsible for managing cash for UMA accounts. In managing cash the Overlay Manager may consider security-specific and systematic cash flows, asset allocation model or other relevant factors. The amount and frequency of client cash withdrawals may be limited and should be discussed in advance with your Financial Adviser.

### **Client Information Provided to Portfolio Managers (Item 7)**

Normally, a financial adviser ("Representative") affiliated with HSI will assist a client in completing an Investment Strategy Questionnaire and the Representative will serve as the client's primary liaison with AMUS. The Representative will assist a client to determine a suitable investment strategy that is then set forth in an Investment Policy Statement that the client approves. Once the client has approved an Investment Policy Statement, the Representative will assist the client with the selection from a schedule of portfolio managers to manage the client's account, taking into account any reasonable investment restrictions the client has placed upon the account. The Representative may also assist the client in selecting one or more mutual funds for investment through the account. Each portfolio manager selected by the client shall have full discretionary authority to invest the portion of the assets in the client's account that are allocated to the portfolio manager by the client. AMUS or the Representative is available to the client on an ongoing basis to receive deposit and withdrawal instructions and to communicate to portfolio managers any changes in the client's financial situation or objectives. AMUS or the Representative will meet with the client at least annually to discuss the account and any changes to the client's investment objectives or reasonable investment restrictions. AMUS will monitor and regularly evaluate the performance of the portfolio managers selected by the client to determine if they are following their investment philosophy and that there have been no material changes in the business and operations of the portfolio managers.

### **Client Contact with Portfolio Managers (Item 8)**

Personnel of the Portfolio Manager will be reasonably available to the client on an ongoing basis for consultation concerning the management of those assets in the account for which the portfolio manager provides advisory services.

### **Additional Information (Item 9)**

#### **Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of or the integrity of AMUS or its management persons.

#### **Material Relationships or Arrangements with Industry Participants**

HSBC Holdings plc. is AMUS' ultimate parent and is the ultimate owner of various investment advisers around the world. AMUS may have sub-advisory agreements with these affiliated investment advisers which may or may not be registered in the United States with the Securities and Exchange Commission. The investment advisers include, among others: HSBC Global Asset Management (Taiwan) Ltd., HSBC Global Asset Management (Hong Kong) Ltd., and HSBC Global Asset Management (Singapore) Ltd.

HSI, a registered broker-dealer is an affiliate of AMUS. HSI may offer to its clients, shares in investment companies to which AMUS serves as Investment Adviser. HSI may also sell the HSBC Spectrum Account and Offshore Spectrum Account, a mutual fund asset allocation service sponsored by AMUS. HSI may also sell the HSBC Managed Portfolio Account, a separately managed account and asset allocation service of AMUS.

AMUS is a wholly owned direct subsidiary of HSBC Bank USA National Association ("HSBC Bank USA"), a national bank organized and existing under the laws of the United States and member of the Federal Reserve. HSBC Bank USA, with which AMUS has entered into agreements, provides certain office space and certain administrative services such as payroll and benefits processing to AMUS. Certain employees and officers of AMUS are officers of HSBC Bank USA and report into the bank's Fiduciary Committee. The Fiduciary Committee has the authority to review the performance and operations of AMUS as they affect investment performance of assets held in a fiduciary capacity by the bank.

AMUS may provide its Multimanager Services to its affiliates including, HSBC Bank USA, HSBC Funds, and HSI.

AMUS serves as the investment adviser to the HSBC Funds, a series of open-end registered investment companies.

#### **Material Conflicts of Interest Relating to Other Investment Advisers**

AMUS acts as investment sub-adviser to affiliated investment advisers, which provide discretionary investment advisory services to certain of its clients as previously noted. AMUS renders continuous investment advice for the portions of the portfolios for which it is selected as sub-adviser, and has investment discretion with respect thereto, subject to review and supervision by the affiliated advisers. AMUS' compensation from the affiliated advisers for these services is generally 50% of the fees collected by the affiliated adviser for which it acts as sub-adviser, paid in arrears.

As a member of the HSBC Group, AMUS has implemented procedures and arrangements which recognize and manage actual or potential conflicts of interest. The organizational and administrative arrangements which have been put in place to safeguard the interests of clients are documented in the Conflicts of Interest Policy and procedure as stated in Item 11.

Each member of the HSBC Group maintains a conflict of interest policy and register in relation to their particular business. In the event of a conflict of interest between members of the Group, this will be escalated for information and resolution up the relevant compliance reporting line.

Furthermore, physical and electronic information barriers have been implemented to restrict the flow of confidential information.

### **Receipt of Compensation from Investment Advisers**

AMUS does not recommend or select other investment advisors from who compensation is received directly or indirectly. AMUS may from time to time, recommend to its clients, securities or other investment products in which AMUS, its affiliates or other related persons have a financial interest as the investment manager, general partner or co-investor.

### **Securities That You or a Related Person Has a Material Financial Interest**

AMUS serves as an investment adviser to the MPA and Spectrum wrap fee programs and includes affiliated mutual funds as investment options within the programs.

AMUS anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which AMUS has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which AMUS, its affiliates and/or clients, directly or indirectly, have a position of interest. AMUS' employees and persons associated with AMUS are required to follow AMUS' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of AMUS and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for AMUS' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of AMUS will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such

decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of AMUS' clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between AMUS and its clients.

### **Investing in Securities That You or a Related Person Recommends to Clients**

In the ordinary course of business, and subject to compliance with applicable regulations, AMUS or related persons may provide the initial funding necessary to establish new funds for the purpose of developing new investment strategies and products. These "seeded" funds may be in the form of registered investment companies, private funds such as partnerships, limited liability companies or separate accounts and may invest in the same securities as other client accounts. AMUS expects that such investments will be redeemed from time to time as permitted by the governing documentation of such funds and applicable regulations. As a result of the infusion of seed capital from AMUS or a related person, the manager may be precluded from buying or selling certain securities, including, but not limited to, IPOs. These funds and accounts may, and frequently do, invest in the same securities as client accounts. AMUS' policy is to treat such accounts in the same manner as client accounts for purposes of trading allocation.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with AMUS' obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. AMUS will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

### **Conflicts of Interest Created by Contemporaneous Trading**

AMUS' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Chief Compliance Officer.

It is AMUS' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. AMUS will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client

account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

### **Code of Ethics**

AMUS has adopted a Code of Ethics and Staff Dealing Policies and Procedures ("Code of Ethics"). The Code of Ethics incorporates, among other items, personal securities transactions of its employees and access persons and insider trading, to substantially comply with all relevant securities laws and the Investment Company Institute recommendations on personal investing (August, 1994). Employees are required by AMUS' Code of Ethics to obtain appropriate pre-clearance of their personal securities transactions for accounts in which the employee has any direct or indirect beneficial interest, except any such account over which the individual has no investment influence or control. In addition, AMUS requires that each employee and/or access persons submit initial, quarterly and annual reports attesting to their compliance with all aspects of the Firm's Code of Ethics. In order to avoid conflicts of interest with client security transactions employees are subject to a blackout policy on non-exempt personal securities transactions for securities that are also traded for AMUS clients. Employees are also subject to a minimum 30 day holding period of their personal security holdings; however, waivers may be granted by the Chief Compliance Officer. AMUS will furnish a copy of its Code of Ethics to clients or potential clients upon request.

AMUS has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at HSBC must acknowledge the terms of the Code of Ethics annually, or as amended.

### **Client Referrals and Other Compensation**

AMUS may pay its affiliates and non-affiliates a cash fee for client referrals in accordance with Rule 206(4)-3.

### **Financial Information**

AMUS has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.