

**Form ADV Part 2A**

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This brochure provides information about the qualifications and business practices of HSBC Global Asset Management (France). If you have any questions about the contents of this brochure, please contact us at +331 41 02 51 79. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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## **ADVISORY BUSINESS [Item 4]**

### **Principal Owners**

HSBC Global Asset Management (France) is around 93% directly owned by HSBC FRANCE, and indirectly owned 100% by HSBC Holdings plc (HSBC Group). HSBC Holdings Plc. is a publicly owned corporation based in London, UK, and trades on various stock exchanges around the world. HSBC Global Asset Management (France) is incorporated in France and was created in 1998.

On 30<sup>th</sup> of June 2011, HSBC Global Asset Management (France) merged with Sinopia Asset Management and succeeded to its advisory business.

### **Types of Advisory Services**

HSBC Global Asset Management (France) provides investment advisory services which include fixed income, inflation, and currency based strategies. Clients may sign investment advisory agreements directly with HSBC Global Asset Management (France). HSBC Global Asset Management (France) may also provide investment advisory services through sub-advisory agreements with various affiliated companies.

Internationally, HSBC Global Asset Management (France) may manage accounts pursuant to sub-advisory agreements with affiliated entities whereby the affiliated entity manages funds in the geographic regions or area of specialty closest to the market within an investment mandate. In these relationships HSBC Global Asset Management (France) provides investment advisory services to clients who sign an Investment Advisory Agreement directly with HSBC Global Asset Management (France), or may act as sub-adviser for clients who sign Investment Advisory Agreements with other affiliated companies.

HSBC Global Asset Management (France) can delegate investment management responsibilities, through sub-advisory agreements, to other affiliated companies and vice versa. The client service relationship is generally maintained in the country where the client is located. HSBC Global Asset Management (France) offers two strategies to US clients: multi fixed-income strategies and global inflation-linked bonds strategies. In these instances, HSBC Global Asset Management (France)'s affiliate HSBC Global Asset Management (USA) Inc. generally maintains the client relationship and handles administrative matters.

### **Investment Restrictions**

HSBC Global Asset Management (France) provides investment advisory services in accordance with the investment objectives, guidelines and restrictions agreed upon in advance with the client. Where HSBC Global Asset Management (France) is a sub-advisor to a mandate or an affiliate is a sub-advisor to a HSBC Global Asset Management

(France) mandate, the responsibility of the investment manager is generally limited to the portion of the assets of the account under its management through the sub-advised agreement. Investment objectives and guidelines may be amended as agreed by the client and HSBC Global Asset Management (France) from time to time.

### **Wrap Fee Programs**

HSBC Global Asset Management (France) do not participate in any Wrap Fee Programs.

### **Assets Under Management**

As of 31<sup>st</sup> December 2012, the total assets under management for HSBC Global Asset Management (France), including US based and non-US based clients, were \$78.427 billion. Assets under management of US based clients (within products solely offered to U.S. based clients) were \$183 800 048.

## **FEES AND COMPENSATION [Item 5]**

### **Fee Schedules**

Fees are generally charged and collected in accordance with the investment advisory agreement with the client. The current standard annual fees for HSBC Global Asset Management (France)' products offered to US clients do not include administrative or custody fees. They are as follows:

#### Global inflation-linked bond (tiered fee scale)

First \$100 million: 0.20%

100 – \$500 million: 0.15%

Above: 0.10%

Separate Account minimum is \$100 million, negotiable on a case-by-case basis.

Up to \$350,000 minimum fee to cover the whole set up

#### Multi fixed income strategy (tiered fee scale)

First \$200 million: 0.50%

Above: 0.40%

Performance fee: 20% annual performance fee (net of the base fee) above a customized benchmark + 200 bps with a high-water mark.

Minimum account size: \$50 mm, negotiable on a case-by-case basis.

Up to \$350,000 minimum fee to cover the whole set up

#### Liquidity funds strategy (not offered to U.S. based clients):

From 0.20% to 0.40% depending on the shareclass

HSBC Global Asset Management (France)'s fees will be agreed upon in advance with the client and will vary depending upon the nature of the work performed. Fees are generally based on a percentage of assets or a fixed fee.

Fee schedules and terms are negotiable except in certain circumstances.

### **Deduction of Fees**

Generally, unless otherwise specified by the client, fees are charged monthly, quarterly or annually in arrears. Fees are calculated based on the account's average market value for the period. Average market value for the period is the average of the market values, or as of the first day of the period and the last day of each month within the period, as stated on the client's custodian statement. Fees for the initial billing, at the inception of the account, are prorated accordingly. If, during a period, the client makes a contribution to or withdrawal from the portfolio, fees will be pro-rated accordingly. The value of securities in the client account is equal to the market value of the securities or in the absence of a market value, the fair market value as determined in good faith by the custodian.

In the event the client terminates an account, any fees owed to HSBC Global Asset Management (France) will be pro-rated accordingly. Any fees that may have been prepaid previously by the client shall be refunded on a pro-rata basis based upon the number of calendar days remaining after the termination date in the period as to which fees may have been prepaid. The client or HSBC Global Asset Management (France) generally may terminate an investment advisory agreement at such time as mutually agreed upon in writing by HSBC Global Asset Management (France) and the client.

### **Other Fees and Expenses**

Clients will pay brokerage and custody fees, see "Brokerage Practices."

Clients may elect to have their idle cash balances swept into money market funds including funds that are managed by HSBC Global Asset Management (France) or an affiliated company. In the cases where a money market fund is managed by HSBC Global Asset Management (France), HSBC Global Asset Management (France) may receive a management fee for its advisory services.

As with all mutual funds, clients, through their investment in the money market fund are charged their pro-rata share of the fund's fees and expenses.

In addition, HSBC Global Asset Management (France), in its capacity as investment adviser, may invest client assets in mutual funds other than money market funds, advised by an affiliated company. Clients are given an appropriate fee adjustment for any holdings in the affiliated mutual funds that are not money market investments. The client is responsible for all other expenses and fees associated with an investment in the funds.

These fees and expenses may include but are not limited to, advisory and custodial fees, and any sales load incurred with the purchase or sale of the funds. Expenses and fees vary

with each fund. The client should read the fund's prospectus for a complete description of the fund's fee structure.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT [Item 6]**

HSBC Global Asset Management (France) charges performance fees based on a share of capital gains or capital appreciation of the assets in one Multi Fixed Income Strategy as disclosed above.

HSBC Global Asset Management (France) manages only one account using the Multi Fixed Income Strategy, and consequently there are no potential conflicts of interest between an account that is charged a performance-based fee and an account that is charged another type of fee.

## **TYPES OF CLIENTS [Item 7]**

HSBC Global Asset Management (France) provides investment advice to banks and thrift institutions, investment companies, pension and profit sharing plan, corporations, business entities and others not mentioned here. Client relationships vary in scope and length of service.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS [Item 8]**

### **General Description**

HSBC Global Asset Management (France)'s approach to portfolio management is rigorous and consistent and integrates risk management principles at each stage of the process. The investment philosophy and process rest on three pillars: valuation methods, optimization and disciplined portfolio implementation. As a result, portfolios are explicitly built taking into account the trade-off between expected return and risk levels.

Prior to the actual portfolio implementation, portfolios are designed taking into account risk estimates. HSBC Global Asset Management (France)'s in-house optimizer is based on a forward-looking approach to risk. The rationale underlying our approach is that one should use risk forecasts rather than past volatility and correlation to build portfolios. HSBC Global Asset Management (France) has designed a risk model aimed at eliminating as much as possible the unstable sources of correlation from its forecast. Our optimization process puts more emphasis on the stability of the risk forecasts rather than on an uncertain accuracy. Our optimization tools use constant risk aversion parameters rather than constant limits of tracking error. The rationale behind this definition is that the magnitudes of the investment opportunities fluctuate over time, and therefore, the risk should be taken according to these opportunities. The output of this model is an optimal

allocation that is transmitted to the Fund managers prior to the Tactical Asset Allocation Committee.

Risk Management is a key component of HSBC Global Asset Management (France)'s investment philosophy and process. On an ongoing basis, HSBC Global Asset Management (France)'s investment process incorporates the systematic monitoring of portfolio exposures, absolute or relative risk levels, as well as a strict control of operational risk. In practice, all teams contribute to risk assessment: from asset allocation analysis and decision (Research and Asset Management) to implementation (Asset management and Trading) and controls (Asset Management, Middle Office, and Investment Risk).

The Middle Office is specifically in charge of post market monitoring of all transactions implemented.

The dedicated Investment Risk Team is responsible for monitoring investment risk independently from the portfolio managers. The team reports to the Head of Investment Risk, directly to the Chief Risk Officer and functionally to the HSBC Global Asset Management Global Chief Risk Officer, all senior executives with no direct nor indirect reporting links to the Chief Investment Officer. Under the governance of HSBC Global Asset Management (France)'s Risk Committee, the Investment Risk team defines risk policies and controls, selects appropriate risk measures (e.g., modified duration, tracking-error, Value-at-Risk, stress testing), implements market risk controls and analysis of the risk over all client accounts, and, when appropriate, conducts stress scenarios. They communicate the result of their control assessment and the potential risk that the portfolio managers could face to Senior Management.

In order to ensure that internal guidelines and risk policies are well implemented, the Investment Risk team collaborates on a daily basis with the investment teams. They are in constant contact with portfolio managers and traders in order to assist in managing the risk in their portfolios, keeping a clear view on the market configuration and potential risks that could arise.

HSBC Global Asset Management (France) offers U.S. clients two strategies:

**Global inflation-linked bond** strategy seeks to outperform the Barclays World Government Inflation-Linked Bond index through active allocation among the global developed inflation-linked bond markets. The portfolios invest only in sovereign inflation-linked bonds issued by the Euro zone, Australia, Canada, Sweden, UK, US, and Japan and are hedged against currency risk. The Global Inflation-Linked Bond portfolios offer a daily liquidity.

**Multi fixed income strategy** is an absolute return strategy that aims to outperform a Customized Benchmark constituted as follows:

- 50% JPM Global Gov't bond index (JPM GBI Global) split into 25% 10yr+ index (currency hedged to USD) and 25% 7-10yr index (currency hedged to USD). The resulting index targets approximately 10 years of nominal interest rate duration.
- 50% Barclays inflation-indexed bond index split into 25% US 10yr+ index, 25% Euro Gov't 10yr+ index (currency hedged to USD). The resulting index targets approximately 15 years of real interest rate duration.

The strategy invests in fixed income assets. The portfolios pursue a strategy that exploits the potential of uncorrelated sources of performance. The strategy combines different strategies across three asset classes: Nominal government bonds, Inflation-linked bonds, Currency.

The Multi fixed-income strategy delivers daily liquidity.

**HSBC Global Asset Management (France) does not offer or solicit U.S. Based clients for the strategy described here below as it relates to an Irish based Investment Company which is not offered to the U.S.. However some U.S. persons invested in those funds, this is the reason why the strategy is here below disclosed into this Form ADV Part 2A:**

**Liquidity funds strategy** provides investors with security of capital and daily liquidity together with an investment return which is comparable to normal Euro or Sterling denominated money market interest rates.

To achieve its objective, each of the two HSBC Liquidity Funds (HSBC Sterling Liquidity Fund and HSBC Euro Liquidity Fund) intends to invest in a diversified portfolio of money market instruments meeting the following criteria:

- **Maturity:** Both HSBC Liquidity Funds will invest in fixed rate instruments which have a maximum maturity of one year. Both HSBC Liquidity Fund may also invest in floating rate notes and/or variable rate notes which have a maximum maturity of 397 days. The weighted average portfolio maturity of both HSBC Liquidity Funds will not exceed 60 days. The weighted average portfolio life of both HSBC Liquidity Funds will not exceed 120 days. For the purposes of calculating the weighted average portfolio maturity, floating rate notes will be deemed to mature on the next coupon fixing date.
- **Credit Quality:** Both HSBC Liquidity Funds propose to invest in short-term transferable securities which at the time of purchase have a credit rating of at least A-1/P-1 (or its equivalent) from a recognised credit rating agency such as Standard & Poor's or Moody's.
- **Currency:**
- The HSBC Sterling Liquidity Fund may invest only in securities denominated in Sterling or that are fully hedged back into Sterling.
- The HSBC Euro Liquidity Fund may invest only in securities denominated in Euros or that are fully hedged back into Euros.
- **Permitted Investments:** Both HSBC Liquidity Funds may invest in certificates of deposit (CDs), commercial paper, medium term notes (MTNs), variable rate notes (VRNs), floating rate notes (FRNs), bankers acceptances, government bonds, treasury bills, Eurobonds, asset backed securities and corporate bonds which the



Investment Manager considers to be of appropriate credit quality and which are consistent with the investment objective of both of the HSBC Liquidity Fund. The Investments will be listed or traded on a Recognised Market. Both HSBC Liquidity Funds may also invest in financial derivative instruments for the purposes of efficient portfolio management, further details of which are set out in the section entitled “Portfolio Management Techniques”.

**The strategies contained in this Brochure does not include all strategies of funds, which are not offered on the U.S. territory, and into which U.S. persons potentially invested.**

## **Material Risks for Significant Investment Strategies [Item 8.B.]**

### **General investment risks :**

The information included in this brochure does not include every potential risk associated with each investment strategy.

Investing in securities involves risk that clients should be prepared to bear. Set out below are material risks for HSBC Global Asset Management (France)’s fixed income strategies and how HSBC Global Asset Management (France) seeks to mitigate those risks.

### **Performance Risk**

Definition: the risk that the portfolio doesn’t reach its performance and/or risk target.

HSBC Global Asset Management (France)’s investment risk program is designed to manage this risk. It involves both ex-post and ex-ante risk monitoring. Alert levels on ex-post risk indicators (e.g. volatility, tracking-error) identify if performance risk require specific action to be taken. Prior to this, alerts and limits on *ex-ante* risk indicators observe *a posteriori* this kind of risk.

### **Market Risk**

Definition: risk brought about by changes in market prices (interest rates, stocks, foreign exchange rate, inflation, volatility, correlations, etc.)

The main risk faced by HSBC Global Asset Management (France)’s investment strategies is market risk. We seek to mitigate this risk using the following techniques:

- Portfolios are explicitly built taking into account the trade-off between expected returns and risk levels
- In-house optimization tools based on a forward-looking approach to risk
- Consistent allocation decisions through the investment strategies and time
- Portfolio exposures are controlled on a daily basis
- Portfolio investment risks are frequently monitored and controlled

### **Credit Risk**

Definition: the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises when a borrower is expecting to use future cash flows to pay a current debt. Investors are compensated for assuming credit risk by way of interest payments from the borrower or issuer of a debt obligation.

For HSBC Global Asset Management (France)'s strategies, credit risk is limited as corporate long bond picking and is not a source of alpha generation. This is also the case for monetary part of the absolute return portfolios (e.g. Multi Fixed-Income Strategy). Cash is invested on commercial paper (< 3 months), mostly (>50%) on governmental investments and the rest in the most secured highly rated corporate papers (e.g. A1/P1).

### **Model Risk**

Definition: the risk of financial loss linked to the use of an inappropriate or incorrect model for the valuation (mark-to-model) or the calculation of risk indicators.

In addition to standard checking put in place for avoiding valuation risk, HSBC Global Asset Management (France) has put in place specific actions to constantly manage the risk linked to the models driving its investment decisions :

- Investment research team frequently updates model results
- HSBC Global Asset Management (France)'s investment process allows for a “Judgmental Overlay” in which fund managers can propose to modify model recommendations:
  - o active positions derived from risk-adjusted expected returns may be altered
  - o model proposed allocation can only be reduced or neutralized, never reversed
- Performance attribution monitors the results of investment decisions and evaluates risk-adjusted returns

## **Liquidity Risk**

Definition:

- Asset liquidity risk : to be unable to sell an asset at its price.
- Funding liquidity risk : risk that a portfolio fail to pay (redemptions, margin calls, etc.)

HSBC Global Asset Management (France)'s strategies look for generating alpha through tactical asset allocation on the most liquid markets and not through investing in more illiquid markets or "niches".

HSBC Global Asset Management (France)'s strategies systematically implement Efficient Portfolio Management (EPM), favoring liquid derivatives (primarily futures) that reduce trading costs

HSBC Global Asset Management (France)'s strategies are designed to deliver daily NAV.

The Investment Risk team is regularly checking independently from fund managers funding liquidity risk.

## **Counterparty Risk**

Definition: the risk of loss in a fund brought about by a default of the company with which the fund is contractually involved (through IRS for example).

OTC instruments are marked to market under established Collateral Swap Agreements.

HSBC Global Asset Management (France)'s Risk Committee sets the counterparty policy, reports and approves all counterparties in accordance with the Markets in Financial Instruments Directive ("MIFID") requirements.

## **Details on market risk for Multi fixed income strategy**

Because this strategy could lead to arbitrage between assets for different asset classes. As a result, HSBC Global Asset Management (France)'s Investment Risk team calculates daily VaR (Value at Risk) accordingly to the following calculation standards:

- unilateral confidence interval of 99;
- holding period equivalent to 1 day;
- effective observation period of more than 250 days;
- daily data up-date; and
- monthly backtesting.
- Internal Model approach

Ex-ante VaR is used to check the global risk of the sub-funds based on a short term risk model designed and estimated internally.

The purpose of the following is to sum up the main information concerning the methodology, results and use of this risk model.

- *Methodology*

The ex-ante portfolio risk measures are calculated using a parametrical method that is based on current exposures to risk factors and estimated covariance matrix.

- *Exposures to risk factors*

Each asset of the portfolio is valued through the central valuation tool RiskWatch. It computes exposures to interest rates, inflation, credit, and foreign exchange rates.

The next step is the mapping of individual assets on the risk factors. It allows to pass from weights on assets to exposures to risk factors:

Each interest rate asset is mapped on a two-factors (shift and twist) yield curve model by country.

- *Ex-Ante Covariance Matrix*

The risk measure is designed to give to the Investment Risk team of HSBC Global Asset Management (France) the ability to alert in case of excessive short term risk into the sub-funds. Consequently, as opposed to the risk model used for pre-allocation process, which aims to anticipate at best the risk of the markets at the horizon of the positions, the model used for controlling risk tries to give the best instantaneous picture of risk. That's the reason why daily data are used to estimate the covariance matrix of the risk factors (D+1 for Asia-Pacific prices). This also answers to the objective of computing a VaR with a 1-day horizon to match with the liquidity of the strategy.

*Portfolio risk measures*

Ex-ante volatility is calculated on a daily basis using the exposure to risk factors and the covariance matrix. It allows to monitor the active risk compared to targets and limits.

Ex-ante Value-at-Risk 99% 1-day gives on a daily basis an estimate of the loss the strategy could face given current positions and market risks.

*Adequacy of the methodology to the strategies*

This model represents more precisely the reality of market risks. Above all, the use of statistical inference (maximum likelihood function) ensures that this approach portrays more efficiently the complexity of market risks' reality.

The risk model covers all the current market risk factors faced by the Multi Fixed-Income Strategy. Note that no specific (idiosyncratic) risk is taken into account as the strategy doesn't include bond picking.

#### *Backtest program*

On a monthly basis, the model is backtested so that the VaR 99% 1-day calculated numbers are compared to the next day's return of the portfolio to deduce the number of exceptions that allows to validate the model.

#### **Details on market risk for Global inflation-linked bond**

This strategy allows for arbitrage between international inflation yield curves and is monitored daily by the Investment Risk team. This monitoring is the same than the Multi Fixed-Income Strategy, entailing a daily update of assets and risk factors exposures and of the results of an internal short-term risk model.

The only difference is the existence of a reference for this strategy. As a consequence, the performance, the exposure and the global risk of the strategy is monitored relatively to this benchmark and not in absolute terms. Then the Relative VaR 99% 1-day number is monitored as the global risk measure.

#### **Details on market risk for Liquidity Funds**

Liquidity funds are intended to provide clients with an alternative to bank deposits or direct investments into money market instruments. The key objectives are security of principal, access to liquidity and then yield.

Risk management controls are conducted on a daily basis in order to verify that all liquidity funds managed by HSBC Global Asset Management (France) adhere to recommended investment parameters described by HSBC Liquidity Fund Internal Investment Guidelines (LIIGS).

To achieve this purpose controls related to the adherence of the liquidity funds to credit, duration (e.g WAM and WAL indicators) and diversification guidelines are more particularly daily monitored.

#### **Material Risks for Significant Types of Securities**

HSBC Global Asset Management (France) do not recommend primarily a particular type of security.

#### **DISCIPLINARY INFORMATION [Item 9]**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of or the integrity of HSBC Global Asset Management (France) or its management persons.

HSBC Global Asset Management (France) has not been subject to any public sanctions or enforcement actions for which the regulators have estimated necessary to disclose the details to the public.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS [Item 10]**

### **Other Material Relationships**

HSBC Global Asset Management (France) acts as investment sub-adviser to affiliated investment advisers, which provide discretionary investment advisory services to certain of its clients as previously noted. HSBC Global Asset Management (France) 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. HSBC Global Asset Management (France)'s 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, HSBC Global Asset Management (France) 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**

HSBC Global Asset Management (France) does not recommend or select, for the strategies it proposes to US clients, other investment advisors from whom compensation is received directly or indirectly.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING [Item 11]**

### **Code of Ethics (Item 11 A)**

HSBC Global Asset Management (France) has adopted:

- A Code of Ethics and an Addendum, which is a supplement to the Code of Ethics applicable to HSBC Global Asset Management (France)'s employees who manage funds registered under the United States Investment Company Act of 1940 (the "Access Persons").
- Staff Dealing Policies and Procedures.

The Code of Ethics and its Addendum incorporate, among other items, the rules and restrictions in relation to employee personal securities transactions. The addendum specifically addresses the rules and restrictions applicable to access persons.

In accordance with the Code of Ethics, Highly Sensitive Staff are required to obtain appropriate pre-clearance for personal securities transactions in

- Financial instruments,
- Accounts in which the employee has any direct or indirect beneficial interest (with the exception of money market funds and open-ended investment companies, excluding any open-ended investment company other than money market funds, advised by HSBC Global Asset Management (France))

In addition, HSBC Global Asset Management (France) requires that access persons submit initial and annual holding reports, as well as quarterly transaction reports, attesting to their compliance with all aspects of the company's Code of Ethics.

Employees are subject to a minimum 30-day holding period of their personal security holdings. However, waivers may be granted by the Local Compliance Officer. A copy of the HSBC Global Asset Management (France) Code of Ethics and Addendum can be furnished upon request.

## **Participation or Interest in Client Transactions (Item 11B)**

### **Management of potential and actual conflicts of interest**

In accordance with the HSBC Group Standards Manual and applicable regulations issued by AMF (French Financial Monetary Authority - Autorité des Marchés Financiers), the French securities regulator, HSBC Global Asset Management (France) has established procedures and policies that are designed to identify the circumstances which may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients, or to the Group's reputation.

Internal procedures and in particular the Conflicts of Interest Policy have been established specifying procedures to be followed and measures to be adopted in order to manage conflicts effectively. HSBC Global Asset Management (France) maintains a register of identified and potential circumstances that give rise to a conflict of interest. In addition, a Conflicts of Interest Committee has been established. The Committee may meet when potential or actual conflicts are identified and at a minimum on an annual basis to review such conflicts.

In the circumstances where the procedures and controls implemented by HSBC Global Asset Management (France) may not be sufficient to ensure that a potential conflict of interest does not damage a client's interests, the company may consider it appropriate to disclose the potential conflict to the client and obtain the client's formal consent to proceed.

Furthermore, HSBC Global Asset Management (France) may decline to act in any circumstance where there is residual risk of damage to the interests of any client.

As for the example provided above, please find below two processes in place to manage such a conflicts of interest:

- A control is performed by the internal Risk Management department on account invested in securities.
- A specific validation and monitoring process has been implemented in relation to external mandates/directorships.

### **Participation or Interest in Personal Trading –Client Recommendations (Item 11 C)**

#### **Policy regarding personal account trading**

The policy implemented to address the conflicts that arise in connection with personal trading is outlined in the Code of Ethics. According to the Code of Ethics of HSBC Global Asset Management (France), the employees are not permitted to effect personal transactions based on inside information about an issuer or an issuer's plans or operations on their own account or on behalf of anyone that they have family ties or close ties with or where they have a significant interest in the result of the transaction.

In the context of their personal transactions, employees must refrain from:

- performing transactions that might lead to conflicts of interest with customers or the company;
- initiating transactions that might lead to financial commitments that could not be covered by existing funds or that would exceed their financial resources;
- initiating transactions that might affect their reputation or the HSBC group's reputation or interests;
- performing transactions that they are not permitted to perform on their own account or on behalf of anyone that they have family ties or close ties with or where they have a significant interest in the result of the transaction, or arranging for such parties to perform such transactions;
- performing a transaction with a customer acting as the counterparty.

Furthermore, Access Persons may not acquire securities in an initial public offering, excluding shares of open-end investment companies, unless pre-approved by a Compliance Officer. Written approval must be documented prior to the purchase of any securities in an initial public offering by any Access Person.

Access Persons may not purchase or sell private placement securities (i.e., securities that are not publicly traded) unless they provide full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of such person's activities on behalf of any advisory client) and the transaction is pre-approved by Compliance. Written approval must be documented prior to the purchase or sale of any private placement by any Access Person.



Certain employees have a specific ethical status in respect of personal transactions because of their duties within the company. Employees in regular or permanent contact with issuers or issuers' operations and/or that have access to confidential information about customers or transactions concluded with or on behalf of customers or that are involved in activities liable to generate conflicts of interest are considered as:

- (1) Sensitive staff (if they are in contact with an issuer),
- (2) Highly sensitive staff (if they have access to confidential information about customers or transactions concluded with or on behalf of customers or where they are involved in activities liable to generate conflicts of interest).

Sensitive staff are disqualified from performing personal transactions in the financial instruments issued by such issuers on their own account or on behalf of anyone that they have family or close ties with. This disqualification also applies to the direct line managers of such employees. Waiver applications may be made to the Local Compliance Officer in exceptional situations.

Highly sensitive staff must obtain authorisation from the Local Compliance Officer before dealing on a market and therefore transmitting an order for a financial instrument on their own account or on behalf of anyone that they have family ties or close ties with or where they have a significant interest in the result of the transaction. Once the employee has executed the personal account transaction, the Local Compliance Officer must be informed immediately.

Transactions performed by employees are supervised and monitored by the Local Compliance Officer.

### **Participation or Interest in Personal Trading – Client Trading [Item 11.D.]**

HSBC Global Asset Management (France) does not engage in proprietary trading, and consequently there are no potential conflicts of interest between orders placed on behalf of clients and orders placed on behalf of proprietary accounts. For proprietary trading by staff, see Item 11.C.

HSBC Global Asset Management (France) may perform purchase and sale between portfolios on the condition that it complies with various obligations, such as those imposed by the French Financial Monetary Authority “the AMF” and guidance issued by the French Asset Management Association (‘AFG’), or the rules established at HSBC Group level.

Only purchase / sale transactions between portfolios managed within the same asset management company are authorized.

Regularization transactions between a portfolio managed by an asset management company and the error account of the latter within the framework of managing incidents linked to errors in the assignment of transactions are authorized.

Any purchase/sale transaction must be subject to a prior validation by the Chief Investment Officer, Risk Management and the Compliance team. After approval by the CIO and verification by Risk Management regarding the consistency of the price with the market and based on information related to the contributors' price, issued by the trading team, Compliance team will ensure that the transaction is compliant before validating the purchase/sale transaction between portfolios.

Purchase/sale orders must be handled systematically by a broker.

Purchase/sale transactions must comply with the prospectus or the investment management agreement and be conducted in the interests of the shareholders.

Any transaction which is not in compliance with these principles is prohibited.

Similarly, the arbitrage of positions among managed portfolios, conducted solely to ensure the liquidity of one or the other is also prohibited.

## **BROKERAGE PRACTICES [Item 12]**

### **Broker-Dealer Selection (Item 12 A)**

HSBC Global Asset Management (France) will take all reasonable steps to provide the best possible result ("best execution") when transmitting orders for execution to intermediaries for and on behalf of, as well as in the best interest, of its clients or UCITS.

HSBC Global Asset Management (France) has an internal procedure for selecting such intermediaries covering all financial instruments.

HSBC Global Asset Management (France) takes all reasonable steps to achieve the best possible result with such intermediaries when they execute orders.

This best execution and selection policy covers all types of clients: Eligible counterparties, Professional clients, Non-professional clients.

HSBC Global Asset Management (France) has drawn up a best execution policy taking the following criteria in particular into consideration:

The characteristics of the execution venues where orders may be executed:

- Regulated markets
- Multilateral trading systems
- Systematic internalisers
- Market makers
- Liquidity providers

Entities that perform similar tasks in a country that is not party to the Agreement on the European Economic Area.

The following execution factors (not in any order of priority):

- Price at which the order could be executed
- Cost paid once the order has been executed
- Order execution and settlement speed
- Likelihood of order execution and settlement
- Market liquidity and the order's impact on a volatile market

- Order size
- Order type

All other considerations relating to the order's execution.

The UCITS-specific investment policies, objectives and risks, as indicated in the prospectuses and client mandates.

Lastly, the following types of financial instruments:

- Equities, trackers and related securities
- Fixed-income products
- Listed derivatives
- OTC financial derivatives
- Foreign exchange transactions
- Money-market products.

For each category of instruments, HSBC Global Asset Management (France) has in place a number of internal policies and processes to select the intermediaries and counterparties to which orders are transmitted for execution.

HSBC Global Asset Management (France) keeps a list of authorised intermediaries and counterparties for each type of financial instrument. This dedicated list is used for all clients/UCITS. However, in exceptional cases, a more restrictive sub-list may apply for a particular mandate in order to meet that client's specific requirements.

The authorised intermediaries have order execution mechanisms designed to enable HSBC Global Asset Management (France) to fulfil its obligations to ensure the best possible result.

In this context, HSBC Global Asset Management (France) not only oversees the execution policy applied by its intermediaries, but also ensures that the entities selected have sufficient access to the various execution venues (regulated markets, multilateral trading systems, multilateral trading platforms, etc.). HSBC Global Asset Management (France) has expressly authorised its intermediaries and counterparties to use these various execution venues.

When HSBC Global Asset Management (France) transmits orders on behalf of a non-professional client to intermediaries for execution, the most important of all the criteria set out above is the total cost (price of the financial instrument and order execution cost relating to this instrument).

Whenever a client provides specific instructions (primarily transmitted by an institutional client under an individual management mandate and relating in particular to the organisation or choice of an intermediary, or to certain parts or aspects of the order) to HSBC Global Asset Management (France), the latter will transmit its client's order in accordance with those instructions, but will not be able to guarantee the application of its best execution policy (price of the financial instrument and order execution cost relating to this instrument). In such cases, the order's execution will therefore be considered to be compliant with its best selection obligations for the part or aspect of the order covered by the specific instructions.

HSBC Global Asset Management (France) regularly monitors the effectiveness of its best execution and selection policy (through "Brokers" committee meetings and reports) and,

more specifically, the execution quality of the intermediaries selected under this policy in order to identify and carry out any necessary corrective measures.

HSBC Global Asset Management (France) performs a review prior to the approval of each counterparty, in addition to a half-yearly review of the effectiveness of its process for selecting and rating its intermediaries with a view to identifying and, if necessary, addressing any shortcomings.

Before an intermediary is added to the list of counterparties, HSBC Global Asset Management (France) assesses the intermediary in question with emphasis on the following elements:

- Spreads and fee rates
- Market access
- Reputation and financial stability
- Supervisory authority penalties
- Other

For the half-yearly review, HSBC Global Asset Management (France) assesses the intermediary in question with emphasis on the following elements:

- Execution speed
- Past order execution history
- Settlement capacity
- Execution quality of service
- Other

Transaction records are archived for at least five years or longer, depending on the local regulations concerned.

### **Research and Other Soft Dollar Benefits (Item 12 A.1)**

In accordance with French regulation, HSBC Global Asset Management (France) cannot participate in or apply any soft dollar arrangements.

Nonetheless, HSBC Global Asset Management (France) does enter into Commission Sharing Agreements (CSAs) with a number of counterparties on behalf of certain funds (excluding amongst the funds domiciled in the United States), in accordance with the guidance and regulation issued respectively by the French Asset Management Association ('AFG') and French Financial Monetary Authority ('AMF').

As per the Provisions in the Code of Ethics for Collective Investment Schemes and Individual Investment Management Mandates issued by the AFG, fund managers "*may use investment decision and execution support services provided by intermediaries [...] provided that such services concern financial analysis only and are intended to help the manager make and execute its investment decisions.*

*The use of such services must never lead the manager to deviate from its obligation to act in the investors' best interest, particularly with regard to the selection of intermediaries and the best execution obligation. Such services exclude goods and services corresponding to resources that managers are required to have under the terms of the regulations in force".*

HSBC Global Asset Management (France) may obtain through CSAs-research and advisory services with financial analysis, economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services.

### **Brokerage for Client Referrals (Item 12 A.2)**

Not applicable to HSBC Global Asset Management (France)

### **Directed Brokerage (Item 12.A.3)**

When the orders are executed, HSBC Global Asset Management (France) takes all reasonable steps to obtain the best possible type of execution for its clients in terms of price, cost, speed, likelihood of performance and settlement, size, nature of the order, or any other considerations concerning execution of the order. Nevertheless, whenever the clients have given specific instructions to use a specific broker, HSBC Global Asset Management (France) carries out the order on that basis. HSBC Global Asset Management (France) will under such circumstances not be able to guarantee the application of its selection policy.

In terms of brokerage allocation, procedures have been adopted in order to reasonably ensure that transactions in the same security are fair and equitable to all client types with no group being favoured or disfavoured over any other group.

### **Aggregation of Trades (Item 12.B)**

HSBC Global Asset Management (France) may follow the practice of grouping orders of various clients for execution in order to get the benefit of lower commission rates. Even though the orders are aggregated they are pre-allocated to each concerned account before their aggregation. In certain cases, where the aggregate order may be executed in a series of transactions at various prices, each participating client's proportionate share of such order will reflect the average price paid or received with respect to the total order.

When HSBC Global Asset Management (France) or its related persons determine that it would be appropriate for one or more of its clients to participate in an investment opportunity, HSBC Global Asset Management (France) seeks to execute orders for all of the participating clients on an equitable basis.

Similarly, if an order on behalf of more than one client cannot be fully executed under prevailing market conditions, HSBC Global Asset Management (France) generally will allocate the securities traded among the different clients pro rata based on each such Fund's capital available for investment or, if for any reason this would not result in a position size that is economically reasonable, by any other basis which it considers equitable. In these circumstances, each client would pay, in connection with the acquisition of securities by more than one client, the average price per unit acquired,

which may be higher or lower than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone.

Instances also may arise where HSBC Global Asset Management (France) determines an investment opportunity to be suitable for more than one client, but the market is too illiquid to enable each client to participate to the extent advisable. In the above situations, or in other situations in which conflicts arise, HSBC Global Asset Management (France) will endeavor to allocate investment opportunities fairly.

## **REVIEW OF ACCOUNTS [Item 13]**

### **Factors Triggering a Review**

HSBC Global Asset Management (France) performs a continuous and on-going monitoring of its clients's investment portfolios to ensure that each security or asset allocation is suitable based on the information provided by the clients.

All the investment portfolios are reviewed regularly by the Investment Managers and the Investment Risk, Risk. Both the Auditors and the committee of Business Risk and Control Management ("BRCM") team also performs random checks about the portfolios and focuses on certain types of securities depending on the assignments given to the team. The BRCM team, in charge of performing internal audits and monitoring operational risk, reports to the Chief Operating Officer and has direct access to the Chief Executive Officer. The Investment Manager or his designee is responsible for approval of the valuation of the portfolios managed.

An independent Investment Risk team collaborates with investment teams daily to make sure that internal guidelines, risk policies investment policies and guidelines are well implemented. In this way, the Investment Risk team informs the investment managers daily of any breaches that may have occurred on their funds. The Risk Officer also inquires what remedial action the Investment manager intends taking. Main breaches are escalated to Senior Executives.

More frequent reviews will be triggered by material changes in variables including but not limited to client's individual circumstances, product underperformance, style change, and market conditions. At least annually, HSBC Global Asset Management (France) may request in writing that clients update with any changes to their financial status, investment objectives, risk tolerance or other important information.

Other conditions that may trigger a review are changes in the securities laws, new investment information, and changes in clients own situation.

### **Client Reports**

Clients will receive periodic reports on a regular basis according to the requirements decided with the clients or at least as required by the law and regulation. These written reports include details of trades, portfolio performance, contributions and withdrawals, and fees and charges. These reports will differ in presentation and type of information presented, but should be consistent in regards to assets, contributions and withdrawals.

## **CLIENT REFERRALS AND OTHER COMPENSATION [Item 14]**

### **Other Compensation**

HSBC Global Asset Management (France) may be selected by consultants to participate in requests for proposals, which in the event of selection may bring compensation to be paid by HSBC Global Asset Management (France) to the consultants.

In order to address potential conflicts of interests, a process is in place to ensure that the consultants do not receive gifts or other inducements from HSBC Global Asset Management (France).

The Local Compliance Officers are required to provide prior authorization for gifts received as well as provided.

Before entering into a relationship with a consultant, a bribery risk assessment and due diligence have to be performed. Following the completion of satisfactory due diligence, contract negotiations can proceed. The contract must be in writing and include anti-bribery representations and warranties and where appropriate, termination provisions.

Ongoing monitoring and review of the relationship is required.

The fees payable have to reflect the services rendered and/or to be in line with market rates.

## **CUSTODY [Item 15]**

All clients assets are held by independent qualified custodians. HSBC Global Asset Management (France) does not have custody of U.S. clients' funds or securities nor custody of non-U.S. clients funds or securities in its books.

## **INVESTMENT DISCRETION [Item 16]**

Discretionary authority to manage securities account on behalf of clients are assumed through the clear mandate of an executed investment advisory agreement where the legal framework, the conditions, the responsibilities, the limitations, investment policy guidelines, advisory fees and reporting requirements are written. Prior investigation is made to ensure the investment management process complies with the local regulation ruling the account.

## **VOTING CLIENT SECURITIES [Item 17]**

HSBC Global Asset Management (France) has set up a Corporate Governance Committee responsible for determining and monitoring the voting policy at General Meetings. Managers and analysts make voting decisions based on the principles defined by this Committee. The Middle Office department is responsible for implementation and for the operational process of exercising voting rights at General Meetings. Together with HSBC Global Asset Management (UK) Ltd, HSBC Global Asset Management (France) uses the services of ISS, a world leader in supplying corporate governance services, particularly when it comes to managing voting rights. HSBC Global Asset Management (France) has defined guidelines or voting criteria which include the recommendations of the AFG, the OECD, AFEP/MEDEF and the UK Corporate Governance Code.

## **FINANCIAL INFORMATION [Item 18]**

HSBC Global Asset Management (France) does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. HSBC Global Asset Management (France) is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has it been the subject of a bankruptcy petition at any time during the past ten years.

## **OTHER INFORMATION**

### **BUSINESS CONTINUITY PLAN**

#### **General**

HSBC Global Asset Management (France) maintains electronic and hardcopy information assets which are essential to performing services for its clients.

#### **Disasters**

The Business Continuity Plan covers natural disasters and man-made disasters such as communications line outage, Internet outage, electronic files are backed up daily and archived offsite. The plan is tested every year.

#### **Alternate Offices**

We maintain alternate offices to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients promptly if a disaster forces us to move operations to an alternate location. We also maintain a separate IT backup site in case the main IT operation centers becomes unavailable.

#### **Loss of Key Personnel**



In the event of a loss of key personnel, we will contact all affected clients and will determine promptly who the appropriate replacement person - internal or external - should be. For that purpose, we are maintaining a confidential succession plan for key positions.

## **INFORMATION SECURITY PROGRAMM**

### **Information Security**

HSBC Global Asset Management (France) maintains a strict information security program to reduce the risk that your personal and confidential information may be breached, in accordance with HSBC group policies. It employs the use of firewalls, virus scanners and other methods of securitization to ensure that your information is protected.

### **Privacy Notice**

HSBC Global Asset Management (France) is committed to protecting the confidentiality and security of the information collected. HSBC Global Asset Management (France) does not share personal information with any unaffiliated third parties, except with client's consent. However, client related information may be shared with other HSBC group entities, both in the European Union or outside the European Union, to the extent it is necessary for Anti-Money Laundering and financial crime prevention purposes

### **Collection and Gathering of Information:**

HSBC Global Asset Management (France) limits the use of the information gathered from clients to the minimum requirements set forth by regulatory obligations, and what is required to service client's account with the highest standards. Those information might be subject to an automated treatment whose systems might be located abroad, after a declaration has been made to the competent French authority ("CNIL").

### **Protection of Your Information:**

HSBC Global Asset Management (France) employees are committed and required to protect the confidentiality of client information. They may access your information only when necessary to perform their job functions. HSBC Global Asset Management (France) also maintains physical, electronic and procedural safeguards to help protect your information.

### **Disclosure of Information:**

HSBC Global Asset Management (France) may disclose any information in the normal and necessary course of business, or when required by law. Clients information may be disclosed in such circumstances as regulatory audits, attorneys

or judges as part of a litigation, or law enforcement or other government agencies to help prevent, among other things, fraud bribery, and money laundering.