

HSBC Global Asset Management (USA) Inc.

Form ADV Part 2A

FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of HSBC Global Asset Management (USA) Inc. If you have any questions about the contents of this brochure, please contact us at (212) 525-2990. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

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



Item 2: Material Changes

There were material changes made to the HSBC Global Asset Management (USA) Inc. (“AMUS”) Form ADV Part 2A (commonly referred to as the “Brochure”) since the last annual update of the Brochure dated March 29, 2018. Please find below a summary of such material changes for 2019.

Since the last annual update of the Brochure, AMUS updated the language relating to investment strategies and modified the risk language, eliminated references to discontinued products and strategies.

Additionally, AMUS has made various other changes to the Brochure to clarify and enhance disclosures, discussions and other information.

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Item 4: Advisory Business

A. GENERAL DESCRIPTION OF ADVISORY FIRM

HSBC Global Asset Management (USA) Inc. (“AMUS”) is wholly owned by HSBC Bank USA, N.A. (“HSBC Bank USA”), and is indirectly owned by HSBC Holdings plc (“HSBC Group”). HSBC Group is a publicly owned corporation based in London, England and trades on various stock exchanges around the world. AMUS is registered with the SEC as an investment adviser pursuant to the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

AMUS is an entity within HSBC Global Asset Management (“AMG”), which is made up of a group of companies in countries and territories throughout the world that are engaged in investment advisory and portfolio management activities. AMUS has been in business since January 29, 1986.

B. TYPES OF ADVISORY SERVICES

AMUS provides discretionary and non-discretionary 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.

C. INVESTMENT STRATEGIES

Equity: strategies include US Equity, Frontier Markets Equity, and Asia Equity.

Fixed Income: strategies include U.S. Fixed Income-Investment Grade and High Yield, Global Credit-Investment Grade and High Yield and Emerging Markets Fixed Income.

Liquidity Cash Management: strategies include US Government, US Treasury, and Canadian and US Dollar Prime.

D. AFFILIATE AND SUB-ADVISORY RELATIONSHIPS

AMUS manages international and domestic accounts pursuant to sub-advisory agreements with affiliated entities. In these relationships, AMUS provides investment advisory services to clients who sign an investment advisory agreement directly with AMUS, or AMUS provides investment advisory services as sub-adviser for clients who sign investment advisory agreements with other affiliated companies. AMUS can delegate investment management responsibilities, through sub-advisory agreements, to other affiliated companies and vice versa. AMUS may also delegate,

through sub-advisory agreements, to third-party asset managers. The primary client service relationship is generally maintained in the country where the client is located.

AMUS serves as an investment adviser or sub-adviser for several offshore funds. These offshore funds are not registered in the U.S. and are generally not offered for sale or sold in the U.S., except in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended.

AMUS acts as investment sub-advisor 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.

Pursuant to a service level agreement with HSBC Alternative Investments Limited, AMUS conducts due diligence processes on single manager hedge funds, as well as on funds of hedge funds.

E. FUNDS

AMUS also serves as investment adviser to a family of SEC registered investment companies (i.e. Mutual Funds): the HSBC Funds. Certain of these registered investment companies use a master-feeder structure. In addition, AMUS provides advisory services to a series of funds within the HSBC Funds for which AMUS receives a fee, and all sub-advisers (including some which are affiliated with AMUS) receive fees for their services, as specified in the Funds' prospectus.

F. WEALTH PORTFOLIO MANAGEMENT

AMUS conducts research and due diligence on unaffiliated managers based upon both quantitative and qualitative factors and approves selected managers. As part of the qualitative review, AMUS may utilize firm and strategy questionnaires or strategy pitch books, and conduct portfolio manager and research analyst interviews to assess the firm, investment staff, investment strategy and process, and portfolio construction. Style analytics, attribution analysis, risk and performance comparisons against representative benchmarks and peers may be used as part of the quantitative process. Recommended strategies are reviewed on a periodic basis with similar criteria used in the initial selection process.

AMUS also oversees the asset allocation models used in the HSBC Spectrum program ("Spectrum") and Managed Portfolio Account Program ("MPA"), each of which is described below. AMUS collaborates with various AMG teams to develop Strategic Asset Allocations ("SAA") subject to local constraints (e.g., asset classes and risk tolerance bands). AMUS may also implement Tactical Asset Allocation ("TAA") views based on both global and local inputs.

G. WRAP FEE PROGRAM ADMINISTRATIVE SUPPORT SERVICES

AMUS provides support services to HSBC Securities (USA) Inc. (“HSI”) for Spectrum and MPA programs. AMUS support services include, but are not limited, to developing asset allocation models, fund selection (in the case of MPA only), product, marketing, and sales support, finance, and operational and administrative services.

HSI acts as sponsor and provides portfolio management services for Spectrum and MPA. HSI is a member of NYSE/FINRA/SIPC, a registered Futures Commission Merchant (“FCM”), a wholly-owned subsidiary of HSBC Markets (USA) Inc., and an indirect wholly-owned subsidiary of HSBC Group.

Managed Portfolio Account

MPA is an asset allocation program designed to assist clients with their investment needs based on financial objectives, time horizon, and risk tolerance. Based on the client’s investment profile, selected strategy and allocation, clients may choose either a single separately managed account strategy or a unified managed account, which is a multi-sleeve account. MPA investors receive asset allocation models and periodic rebalancing in their accounts. Clients select from an approved list of mutual funds, ETFs and separately managed accounts with respect to the assets invested in their MPA accounts.

HSBC Spectrum Program

Spectrum is an asset allocation program managed by HSI, designed to assist clients with their investment needs based on financial objectives, time horizon, and risk tolerance. Spectrum clients receive asset allocation models and periodic rebalancing in their accounts. Clients select from an approved list of mutual funds and ETFs with respect to the assets invested in their Spectrum accounts.

H. INVESTMENT RESTRICTIONS

AMUS provides investment advisory services in accordance with the client’s investment objectives, guidelines and restrictions. Where AMUS is a sub-advisor to a mandate, or an affiliate is a sub-advisor to an AMUS 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. From time to time, investment objectives and guidelines will be amended as agreed by the client and AMUS.

I. SEED CAPITAL

HSBC Global Asset Management Limited (“AMG B”), an affiliate of AMUS, may from time to time invest capital in order for AMG affiliates to launch new funds, thereby reducing the initial costs borne by investors when the funds are small as well as reducing the impact of transaction and other trading costs, while still providing access to the intended asset class with full diversification.

J. REGULATORY ASSETS UNDER MANAGEMENT

For the period ending December 31, 2018, AMUS's regulatory assets under management were \$ **75,217,141,839** representing client assets managed on a discretionary and non-discretionary basis.

Items 5: Fees and Compensation

A. ADVISORY FEES AND COMPENSATION

Advisory fees may be charged in arrears or in advance dependent on the client agreement. Typically these will be assessed on a quarterly basis, although this may not be the case in respect of funds and other accounts. For most accounts, fees are calculated based on the account's average market value for the quarter. Generally, the quarterly average market value for the period is based on the three month-end asset values as stated on the client's custodian statements. Fees for the initial billing, at the inception of the account, are pro-rated accordingly. If, during the period, the client makes a contribution to the portfolio, fees will be pro-rated accordingly.

In the event the client terminates an account or withdraws any funds from the portfolio, any fees owed to AMUS will be pro-rated accordingly. The client or AMUS generally may terminate an investment advisory agreement at such time as mutually agreed upon in writing by AMUS and the client.

No AMUS employee receives a commission (a set percentage of revenue received by AMUS from the execution of a transaction). Certain AMUS employees, however, are eligible to receive discretionary bonuses. The determination of certain employees' discretionary bonuses includes, among other factors, consideration of the employee's contribution to increases in assets under management, including increases resulting from sales efforts.

Sub-Adviser Mandates

For sub-advisory accounts AMUS receives a portion of the investment management related fee. For mutual funds that AMUS sub-advises, the respective mutual fund's adviser (not AMUS) typically provides administrative, marketing and shareholder services, including any necessary disclosures to shareholders.

AMUS as Investment Advisor

For domestic segregated or institutional accounts, AMUS receives the full investment management-related advisor fee. Where AMUS uses a sub-advisor for these accounts it will share with the sub-advisor a portion of its investment management fee.

For offshore segregated or institutional accounts where AMUS contracts directly with the client or mutual fund Management Company, AMUS receives a portion of the investment management related fee.

Offshore Products

AMUS serves as an investment adviser or sub-adviser for several offshore fund products. These offshore funds are not registered in the U.S. and are generally not offered for sale or sold in the U.S., except in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended. Fees and expenses vary with each fund.

Institutional Client Accounts

The fee structures for AMUS's institutional client account portfolios will vary according to investment strategy and negotiations with the client at the time of contract. These investment strategies can have minimum investment limits and minimum annual fees.

General management fee structures for each investment strategy are available upon request and are subject to negotiation for an executed advisory agreement. In addition to management fees, some strategies also have performance-based fees associated with them. See "Item 6: Performance-Based Fees and Side-By-Side Management" for a further discussion of this type of fee arrangement.

HSBC Funds

AMUS serves as investment adviser to a family of registered investment companies, referred to as the HSBC Funds. AMUS provides advisory services to the following series of funds within the HSBC Funds for which AMUS receives a fee based on average daily net assets, as specified in the funds' prospectuses which are publicly available on HSBC's website or on the EDGAR Database on the SEC's website (www.sec.gov). Please refer to the fund prospectus for a detailed description of each fund's shareholder fee structure and fund operating expenses.

1. Fixed Income Funds

- HSBC Emerging Markets Debt Fund
- HSBC Global High Income Bond Fund
- HSBC Global High Yield Bond Fund

2. Equity Funds

- HSBC Asia ex-Japan Smaller Companies Equity Fund
- HSBC Frontier Markets Fund
- HSBC Opportunity Fund
- HSBC Opportunity Fund I Shares

3. Liquidity Funds

- HSBC US Government Money Market Fund
- HSBC US Treasury Money Market Fund

Wealth Portfolio Management

AMUS provides wealth portfolio management support services (“WPM Services”), sales and administrative support services to HSI in respect of the Spectrum and MPA Programs.

AMUS receives fees for (i) fund selection and asset allocation services provided in respect of MPA, (ii) asset allocation services in respect of Spectrum. These fees are paid by HSI to AMUS and are part of the overall program fee received by HSI in connection with its management of the programs. AMUS also provides WPM services in respect of the Opportunity Funds. AMUS receives investment advisory fees which includes compensation for manager selection services provided to these funds.

B. OTHER FEES AND EXPENSES

Clients will pay brokerage and custody fees. See “Item 12: Brokerage Practices”.

As with all mutual funds, including money market funds, clients, through their fund investments are charged their *pro-rata* share of the fund’s fees and expenses.

Clients may elect to have their idle cash balances swept into money market funds, including funds that are managed by AMUS or an affiliated company.

In instances where a segregated mandate is invested in a pooled fund managed by AMUS, the management fee corresponding to that fund is waived. In addition, AMUS, in its capacity as investment adviser, may invest client assets in affiliated mutual funds (including money market funds), advised by AMUS or an affiliated company. If the client’s account is subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) the client receives a credit in the amount of investment management fee paid by such fund to AMUS in respect of the client’s holdings in such fund. 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, shareholder servicing fees, 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.

Distribution and Shareholder Servicing Arrangements – Revenue Sharing

AMUS, as investment adviser and/or its affiliates may, out of their own resources, assist in the marketing of the shares of HSBC Funds. Without limiting the foregoing, AMUS may, out of its own resources, and without cost to any HSBC Funds, make payments to selected financial intermediaries for shareholder, recordkeeping, processing, accounting and/or other administrative services in connection with the sale or servicing of shares and shareholders of HSBC Funds. Historically, these payments have generally been structured as a percentage of net assets

attributable to the financial intermediary, but may also be structured as a percentage of gross sales, a fixed dollar amount, or a combination of the three. These payments are in addition to 12b-1 fees, servicing fees and sales charges borne by shareholders as well as any payments made by the distributor. The making of these payments creates a conflict of interest for a financial intermediary receiving such payments.

Fee-sharing Arrangements with Affiliates

AMUS as Fund Sponsor and Administrator also provides Administration and Operational Support Services to HSBC Funds, for which AMUS receives fees. Please refer to the fund prospectus for a description of these services.

For Spectrum and MPA, AMUS provides its services to HSI pursuant to an intra-company performance level agreement under which it is compensated. Fees paid by HSI to AMUS for services rendered are based on assets invested in the MPA and Spectrum programs.

Item 6: Performance-Based Fees and Side-by-Side Management

A. PERFORMANCE-BASED FEES

In some cases, AMUS has entered into performance fee arrangements with qualified clients and such fees are subject to individualized negotiation with each such client in the applicable investment advisory agreement. AMUS will structure any performance or incentive fee arrangement subject to Section 205(a) (1) of the Investment Advisers Act of 1940 (“Investment Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based fee arrangements create an incentive for AMUS to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also may create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. AMUS has procedures designed and implemented to ensure that all clients are treated fairly and equally.

B. SIDE-BY-SIDE MANAGEMENT

AMUS provides investment management services, through both direct investment management relationships and sub-advisory relationships, to a variety of different clients including, but not limited to, U.S. and non U.S. domiciled mutual funds, institutional accounts, and other pooled vehicles such as privately offered funds. Some of these accounts present a conflict of interest to AMUS as AMUS’s employees or affiliates have an interest in such accounts. Certain AMUS investment professionals manage both accounts with and without such conflicts of interest and manage both accounts that pay a performance fee, as discussed above, and accounts that do not pay a performance fee. This arrangement presents conflicts of interest as there may be an incentive

for AMUS investment professionals to favor one account over another account. AMUS recognizes these conflicts of interest and other potential conflicts of interest and has designed order allocation procedures to ensure that all accounts and clients are treated fairly.

General Trading Policies and Procedures

Compliance or other designated control groups generally review, on a routine basis, transactions in securities. Compliance analysis may include the use of automated monitoring systems (including front-end and back-end systems) to assist in the identification of questionable trades and trading patterns, or may compare trades on a manual basis. This review is done in an effort to assess whether trades, including trade allocations, cross trades or other transactions were undertaken in a fair and equitable manner consistent with AMUS's fiduciary obligations. Written explanations or written prior approvals of certain trades and allocations are required by certain transactions including cross trades. Cross trades are defined as orders to execute a buy and sell in the same security outside of the exchange between two different clients.

Item 7: Types of Clients

AMUS provides investment advisory/sub-advisory services to various clients that may include, but are not limited to, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, corporations, municipalities, registered mutual funds, private investment funds, trust programs, sovereign wealth funds, European funds regulated under the Undertakings for Collective Investment in Transferable Securities Directive ("UCITS Directive") or the Alternative Investment Fund Managers Directive ("AIFMD") and each applicable jurisdiction's local implementing regulations, other foreign regulated collective investment vehicles, mutual funds, trusts, and separate accounts and other U.S. and international institutions, including financial institutions.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

AMUS actively manages portfolios within client investment guidelines using discretion to meet client objectives. AMUS's investment teams are supported by global portfolio management and research platforms which are affiliates located outside of the U.S. and which provide in-depth analysis and shared communication. AMUS utilizes qualitative and quantitative research and inputs in our investment strategies. Active risk management is integral to all of AMUS's investment processes. In general, AMUS's method of qualitative analysis is fundamentally research oriented, drawing on the following resources: (i) the experience of AMUS's portfolio managers; (ii) AMUS's credit research analysts; (iii) AMUS's access to its affiliated investment professionals (macro-economists, credit analysts, quantitative research and portfolio management teams) located in key locations around the world; and (iv) third party research. Set forth below are the primary methods of analysis that AMUS uses for its significant investment strategies.

Fixed Income

AMUS executes three core strategies for our clients that have interest in the fixed income market. These strategies, as further described below, are intended to provide clients with consistent returns with disciplined risk management and high quality credit analysis and research.

AMUS's fixed income process combines a top-down economic view with bottom-up research driven credit selection. The fixed income strategy aims to maximize income while attempting to minimize the risk of capital depreciation. The investment team seeks to achieve this objective by building a well-diversified portfolio focused on high-quality fixed-income instruments in the context of the agreed risk profile of each portfolio. Primary alpha sources include security and sector selection, duration positioning and yield curve positioning.

1. US Fixed Income

AMUS's US Fixed Income strategies seek attractive risk-adjusted returns. The first step of the investment process is risk budgeting which involves determining the target alpha that AMUS believes can be generated over various market cycles, and the risk characteristics of the portfolio.

The next step is the process of opportunity assessment, to identify opportunities in both credits and rates. Our portfolio construction process is a combination of top-down and bottom-up decisions at a portfolio level set by the portfolio manager within the parameters of the client investment guidelines outlined in the applicable investment management agreement. Absolute and relative value investment recommendations of the credit analysts and investment committees are factored into the portfolio construction process. Investment guidelines are also agreed with the Risk team, independent from portfolio management and are coded into front office systems for pre- and post-trade checks.

2. Global Credit

AMUS's Global Credit strategies seek attractive risk-adjusted returns. The first step of the investment process is risk budgeting which involves determining the target alpha that AMUS believes can be generated over various market cycles, and the risk characteristics of the portfolio. The portfolio's risk budget will reflect our desire to take a large number of small risks with low correlations; hence, our focus on security selection.

Our portfolio construction process is a combination of top-down decisions at a portfolio level and bottom-up decisions taken in the sleeves by the local specialist credit managers. The lead manager is responsible for the top-down regional allocations, overall duration and the overall portfolio beta. The local specialist credit portfolio managers are responsible for sleeve construction in terms of issuer selection, sector, beta and duration. This local positioning is consistent with other local credit portfolios and the views of the local credit committee. The portfolio has an agreed risk budget reflecting the return and risk expectations of the portfolio and the desired investment risks. Investment guidelines are also agreed with the Risk team, independent from portfolio management and are coded into front office systems for pre- and post-trade checks. The investment

opportunities are determined at a local and portfolio level and implemented in line with the risk budget and guidelines.

3. Emerging Markets Fixed Income

AMUS's approach to managing emerging markets debt assets is based on the belief that fixed income markets are inefficient and that such inefficiencies result from misunderstanding and mispricing of risk, often driven by information asymmetries. The first step of the investment process is risk budgeting which involves determining the target alpha that AMUS believes can be generated over various market cycles and the risk characteristics of the portfolio.

AMUS's Global Emerging Markets Debt investment strategies are based on the conviction that active management based on a combination of top-down and bottom-up fundamental perspectives, supported by a broad-based, rigorous research approach, can provide the best opportunity to exploit these inefficiencies. Flexibility to select from the widest universe of opportunities, across the full range of local and hard currency instruments, provides investors with the best opportunity to potentially add value in portfolios.

The investment team diligently conducts top-down and bottom-up fundamental analysis across the emerging markets debt universe to develop an evaluation framework which provides the context for portfolio construction. They evaluate assets including Sovereigns, Corporates and Currencies to identify attractive risk-adjusted investment ideas. Absolute and relative value investment recommendations of the credit analysts and investment committees are factored into the portfolio construction process. Investment guidelines are also agreed with the Risk team, independent from portfolio management and are coded into front office systems for pre- and post-trade checks.

Liquidity

Liquidity is managed by AMUS under the HSBC philosophy that liquidity management should focus on risk management. AMUS's responsibility to investors is to preserve capital provide liquidity and generate yield. There is little differentiation of risk, and hence pricing, across top tier issuers in the money markets. Through professional management the different types of risk can be understood and differentiation be achieved.

AMUS's investment process seeks to manage credit, liquidity, and interest rate risks. The Liquidity investment process is designed to manage the primary risks associated with liquidity products – credit and liquidity factoring in the regulatory and investment guidelines associated with managing liquidity assets.

The portfolio construction process is a combination of top-down and bottom-up decisions at a portfolio level set by the portfolio manager within the parameters of the client investment guidelines outlined in the applicable investment management agreement. Absolute credit recommendations of the credit analysts are factored into the portfolio construction process. Investment guidelines are also agreed to, from within the Risk team, independent from portfolio management and are coded into front office systems for pre- and post-trade checks.

Equity

AMUS is the lead investment adviser to a number of equity mutual funds but does not manage these funds directly nor provide any portfolio management services with respect to equities. AMUS delegates to a sub-advisor (which is an SEC registered investment adviser) with proven expertise in the given asset class.

1. US Equity

For the HSBC Opportunity Funds, AMUS delegates portfolio management to a third party investment manager. AMUS employs a process involving quantitative and qualitative factors to determine how well the underlying fund manager represents its asset class. In addition, a due diligence process is utilized to determine the choice of a sub-adviser and AMUS exercises ongoing oversight of these contracted parties.

2. Frontier Markets Equity

The HSBC Frontier Markets investment strategy is managed by an AMUS affiliate, HSBC Global Asset Management UK (AMEU), a SEC registered investment adviser. AMUS, as the lead investment adviser, delegates investment management of accounts using this investment strategy to AMEU. When managing accounts utilizing this investment strategy, AMEU follows a disciplined and fundamental investment approach in determining which companies' stocks are potential investment opportunities. AMEU uses various methods for determining whether a stock is a potential investment opportunity including, but not limited to, analyzing whether the stock has an appropriate combination of profitability and valuation as well as analyzing the sustainability of the underlying company's value.

3. Asia Equity

The Asia-ex Japan Smaller Companies investment strategy is managed by an AMUS affiliate, HSBC Global Asset Management (Hong Kong) Limited ("AMHK"), a SEC registered investment adviser. AMUS, as lead investment adviser, delegates investment management of accounts using this investment strategy to AMHK. When managing accounts utilizing this investment strategy, AMHK primarily uses a "bottom-up" stock analysis approach for determining investments and purchase or sale of companies' stock. AMHK assembles an investable universe of companies that meet this investment strategy's size and liquidity requirements. AMHK will subsequently analyze the investable universe to determine in which companies AMHK will invest. AMHK will primarily invest in companies that are appropriately valued for a given level of profitability with the potential for capital appreciation over a medium-to-long term time horizon. AMHK's analysis of an individual company includes, but is not limited to, an assessment of a company's business model and strategy, shareholder structure, balance sheet, drivers of profitability, competitive positioning, earnings outlook and corporate governance.

Wrap Fee & Administrative Services

1. Spectrum & MPA

AMUS provides the subject matter expertise and resources to support the MPA and Spectrum programs. HSI is the sponsor of MPA and Spectrum. AMUS oversees the asset allocation models used in MPA and Spectrum. AMUS collaborates with various HSBC Global Asset Management teams to develop Strategic Asset Allocations (“SAA”) subject to local constraints (e.g., asset classes and risk tolerance bands) and Tactical Asset Allocation (“TAA”) views based on both global and local inputs. AMUS considers a number of factors when determining whether to change a target asset allocation, including macroeconomic analyses, market trends, valuation of asset classes and outlook for asset classes. This means that HSI, based upon AMUS’s review, will change the target asset allocation periodically.

AMUS chooses underlying vehicles (mutual funds, separate accounts, and ETFs) for inclusion within the MPA program, using a process involving quantitative and qualitative factors to determine how well the underlying vehicle represents its asset class. AMUS may collaborate with other HSBC group entities to research the underlying vehicles used in the MPA program. The underlying vehicles may include U.S. and foreign equity securities (including emerging markets securities), investment grade, lower quality corporate and governmental fixed income securities. The underlying vehicles also may invest in financial instruments such as swaps and other derivatives to gain exposure to a particular group of securities, an index or an asset class (such as commodities), or to hedge a position.

AMUS also provides other sales and administrative services in support of the MPA and Spectrum programs.

B. MATERIAL, SIGNIFICANT OR UNUSUAL RISKS RELATING TO INVESTMENT STRATEGIES

AMUS uses a variety of investment strategies depending on the requirements of the client and the investment guidelines associated with the client’s account. All strategies are subject to risk, and an account or fund may not achieve its objective if AMUS’s expectations regarding particular securities or markets are not met. AMUS discloses risk factors for a particular strategy to the client, and in the case of pooled investment funds, discloses risk factors associated with the fund’s investment strategy in the prospectus, offering memorandum or other materials of the fund.

Set forth below are certain material risk factors that are often associated with the investment strategies and types of investments relevant to most of AMUS’s clients. The information included in this brochure does not include every potential risk associated with each investment strategy or applicable to a particular client account. Not all risks are applicable to all products. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product, read all product-specific risk disclosures and determine whether a particular investment

strategy or type of security is suitable for their account in light of their circumstances, investment objectives and financial situation.

- *Allocation Risk*: The risk that the Adviser's may favor one or more types of assets, sectors, geographic regions that underperform other similar investments, assets, sectors, geographic regions or the securities market as a whole. As a result the portfolio may not achieve its target asset and sector allocations, causing loss of investments.
- *Asia Risk*: The investment performance is expected to be closely tied to the social, political, economic and regulatory developments within Asia and to be more volatile than the performance of a more geographically diversified portfolio. Moreover, the economies of countries in Asia, including China, differ from the U.S. economy in several ways, including the rate of composition of industries or reliance on a small number of industries or natural resources, rates of inflation, capital reinvestment and balance of payments position. As export-driven economies, the economies of these countries are affected by developments in the economies and trade policies of their principal trading partners, including the U.S. Furthermore, flooding, monsoons and other natural disasters also can significantly affect the value of investments.
- *Capitalization Risk*: Stocks of large capitalization companies may be volatile in the event of earnings disappointments or other financial developments. Medium and smaller capitalization companies may involve greater risks due to limited product lines, market and financial or managerial resources, as well as have more volatile stock prices and the potential for greater declines in stock prices in response to selling pressure. Small capitalization companies generally have more risk than medium capitalization companies. If the trigger level is breached, the issuers' decision to write down, write off or convert a Contingent convertible bonds ("CoCo bonds") bond may be outside the portfolios control. Any such action could have an adverse effect on the returns, and the portfolio may suffer a complete loss on an investment in CoCo bonds with no chance of recovery even if the issuer remains in existence.
- *Central Clearing Risk*: Some derivative instruments are centrally cleared at clearing houses or Central Clearing Parties (CCPs). Centrally cleared instruments may be subject to additional risks such as CCP default and non-performance and CCP default or non-performance may be caused by events outside the CCPs reasonable control such as the failure, default, or bankruptcy of other clearing members. Additionally, unlike over-the-counter derivatives, recourse for centrally cleared instruments may only be to the CCP and not the counterparty.
- *Closure Risk*: As a result of combined U.S. and non-U.S. holiday schedule, investors periodically may not be able to purchase or redeem investments for consecutive weekdays, even though a portfolio may change significantly in value. This may prevent an investor from fully benefiting from the gains and may also prevent an investor from avoiding losses.
- *Commodity Related Investments Risk*: The risks of investing in commodities, including investments in companies in commodity-related industries may subject a portfolio to greater

volatility than investments in traditional securities. The potential for losses may result from changes in overall market movements, commodity index volatility, supply or demand for the commodity, domestic and foreign political and economic events, adverse weather, discoveries of additional reserves of the commodity, embargoes, tariffs, and changes in interest rates or expectations regarding changes in interest rates.

- *Convertible Bond Risk:* Convertible bonds are subject to the risks of equity securities when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the conversion feature) and debt instruments when the underlying stock price is low relative to the conversion price (because the conversion feature is less valuable). A convertible bond is not as sensitive to interest rate changes as a similar non-convertible debt instrument, and generally has less potential for gain or loss than the underlying equity security. CoCo bonds are hybrid bonds typically issued by banks. When the issuer's capital ratio falls below a specified trigger level, or in a regulator's discretion depending on the regulator's judgment about the issuer's solvency prospects, a CoCo bond may be written down, written off or converted into an equity security. Due to the contingent write-down, write-off and conversion feature, CoCo bonds may have substantially greater risk than other securities in times of financial stress.
- *Counterparty Risk:* The risk that the other party to an investment contract, such as a derivative (e.g., ISDA Master Agreement) or a repurchase or reverse repurchase agreement, will not fulfill its contractual obligations or will not be capable of fulfilling its contractual obligations due to circumstances such as bankruptcy or an event of default, where the investor may sustain loss.
- *Currency Risk:* Fluctuations in exchange rates between the U.S. dollar and foreign currencies, or between various foreign currencies, may negatively affect a portfolio's investment performance. The fund may seek to reduce currency risk by hedging part or all of the exposure to various foreign currencies; however, even if such hedging techniques are employed, there is no assurance that they will be successful.
- *Custody Risk:* The adviser invests in securities markets that are less developed than those in the U.S., which may expose a portfolio to risks in the process of clearing and settling trades and the holding of securities by foreign banks, agents and depositories. Investment in emerging markets may be subject to greater custody and settlement risks than investments in more developed securities. The laws of certain countries or not having any regulatory oversight may place limitations on the ability to recover assets if a foreign bank, agent or depository enters bankruptcy.
- *Cyber Security Risk:* With the increased use of technology such as the Internet to conduct business, AMUS is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or

malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber security failures or breaches by an adviser, sub-adviser(s) and other service providers (including, but not limited to, accountants, custodians, transfer agents and administrators), and the issuers of securities in which AMUS invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with an adviser's ability to calculate its net asset value, impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While HSBC has established business continuity plans in the event of, and risk management systems to prevent, such cyber-attacks, there are inherent limitations in such plans and systems. HSBC and their investors could be negatively impacted as a result.

- *Debt Instruments Risk*: The risks of investing in debt instruments include:

- **Credit Risk**: A portfolio could lose money if an issuer or guarantor of a debt instrument fails to make timely payments of interest or principal or enters bankruptcy. The issuer or grantor could also suffer a rapid decrease in credit quality rating, which would adversely affect the volatility of the value and liquidity of the instrument. This risk is greater for lower-quality bonds than for bonds that are investment grade.
- **High-Yield Securities Risk**: Investments in high-yield securities (commonly referred to as “junk bonds”) are often considered speculative investments and have significantly higher credit risk than investment-grade securities and tend to be less marketable (i.e., less liquid) than higher rated securities. The prices of high-yield securities, which may be more volatile and less liquid than higher rated securities of similar maturity, may be more vulnerable to adverse market, economic or political conditions.
- **Interest Rate Risk**: Fluctuations in interest rates may affect the yield and value of investments in income producing or debt instruments. Generally, if interest rates rise, the value of such investments may fall. The risk associated with rising interest rate increases with unpredictable effects on the markets and the portfolios investments.
- **Inventory Risk**: The market-making capacity in some debt markets has declined as a result of reduced broker-dealer inventories relative to portfolio assets, reduced broker-dealer proprietary trading activity and increased regulatory capital requirements for financial institutions such as banks. Because market makers provide stability to a market through

their intermediary services, a significant reduction in dealer market-making capacity has the potential to decrease liquidity and increase volatility in the debt markets. A decrease in liquidity may negatively affect the ability to pay redemption proceedings within the allowable time.

- **Prepayment Risk:** During periods of falling interest rates, borrowers may pay off their debt sooner than expected, forcing an underlying portfolio to reinvest the principal proceeds at lower interest rates, resulting in less income.
- **Extension Risk:** The risk that during periods of rising interest rates, borrowers pay off their debt later than expected, preventing a portfolio from reinvesting principal proceeds at higher interest rates, increasing the sensitivity to changes in interest rates and resulting in less income than potentially available.
- **Depository Receipts Risk:** Investments in depository receipts, such as ADRs and GDRs, may entail the special risks of international investing, including currency exchange fluctuations, government regulations, and the potential for political and economic instability. Depository receipts may also incur liquidity risk when not investing directly in the equity securities of an issuer.
- **Derivatives Risk:** The use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments and could increase the volatility of a portfolio's asset value and cause losses. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The risks associated with derivatives include the risk that the derivative is not well correlated with the security, index or currency to which it relates; the risk that a counterparty is unwilling or unable to meet its obligation; the risk that the investment will be required to pay additional margin or set aside additional collateral to maintain open derivatives positions; and the risk that the derivative transaction could expose the portfolio to the effects of leverage, which could increase the portfolio's exposure to the market and magnify potential losses, particularly when derivatives are used to enhance return rather than offset risk. There is no guarantee that derivatives, to the extent employed, will have the intended effect and their use could cause lower returns or even losses to the portfolios. The use of derivatives to hedge risk may reduce the opportunity for gain by offsetting the positive effective favorable price movements.
- **Emerging Markets Risk:** Investments in emerging market countries are subject to all of the risks of foreign investing generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets. Investments in emerging markets are subject to a greater risk of loss than investments in a developed market. This is due to, among other things, greater market volatility and illiquidity, lower trading volume, delays in trading or settling portfolio securities transactions; currency and capital controls or other government restrictions or intervention, such as the imposition of economic sanctions, repatriation restrictions, tariffs and/or trade embargoes, or the expropriation and the nationalization of private assets,

companies or industries; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and higher levels of inflation, deflation or currency devaluation. In addition, the financial stability of issuers (including governments) in emerging market countries may be more precarious than in other countries, and rising interest rates, combined with widening credit spreads, could negatively impact the value of emerging market debt and increase the funding costs of such issuers. As a result, there will tend to be an increased risk of price volatility in a Fund's investments in instruments with exposures to emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar. Settlement practices for transactions in foreign markets may differ from those in U.S. markets. Such differences include settlement delays beyond periods customary in the United States and practices that could result in losses, such as delivery of securities prior to receipt of payment, which increase the likelihood of a "failed settlement."

• *Emerging Market and Frontier Market Countries Tax Risk:* Changes in the political climate in emerging market and frontier market countries may result in significant shifts in taxation of foreign investors such as a Fund. These changes may result in changes to legislation, the interpretation of legislation, or the granting of the benefit of tax exemptions or international tax treaties to foreign investors. The effect of such changes can be retroactive and may (if they occur) negatively affect a Fund's performance. Proceeds from the sale of securities in some markets, or the receipt of any dividends or other income, may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market. This may include taxes levied by withholding at source and/or specific taxes or charges on a Fund's investments. Tax law and practice in certain markets in which a Fund currently invests or may invest in is not clearly established. It is possible that the current interpretation of tax law or understanding of practice might change, or that tax law might be changed with retroactive effect. It is possible that a Fund could become subject to additional taxation that is not anticipated either at the date of this prospectus or when investments are made, valued or disposed of. In the event that new investments into a Fund may result in tax levies that significantly disadvantage the Fund's existing shareholders, the Adviser and the Fund will consider what, if any, actions should be taken, including possibly closing the Fund to new investors. Under Hong Kong tax law, funds resident outside of Hong Kong that are managed by an entity licensed by or registered with the Hong Kong Securities and Futures Commission for Type 9 regulated activity (asset management) are exempted from Hong Kong profits tax provided certain conditions are met. It is intended that the affairs of the Funds will be conducted in accordance with the conditions for exemption from profits tax, however, the Funds can offer no guarantee that such exemption will be obtained in every instance.

- *Euro-Related Risk:* Investing primarily in Euro-denominated securities creates a significant exposure to the Euro and events affecting the Euro. The Economic and Monetary Union ("EMU") of the European Union ("EU") is comprised of EU members that have adopted the Euro. Recent Market events affecting several of the EMU member countries have adversely affected the sovereign debt issued by those countries, and ultimately may lead to a decline in the value of the Euro.
- *European Market Risk:* Investment performance will be affected by political, social and economic conditions in Europe. In the aftermath of the 2008-2009 financial crisis, the European financial markets recently experienced increased volatility due to concerns about high government debt levels

of several European countries. Ongoing concerns over the rising debt levels and slowing of economic growth among European countries, combined with uncertainties in European financial markets, including feared or actual failures in the banking system and the possible break-up of the European Monetary Union and Euro currency, may adversely affect interest rates and the prices of securities across Europe and potentially other markets as well. These events may increase volatility, liquidity and currency risks associated with investments in Europe. In addition, responses to the financial problems by European governments, central banks and others, including austerity measures and reforms, may not be successful and could lead to social unrest, limited future growth and economic recovery or have other unintended consequences.

In a June 2016 referendum, citizens of the United Kingdom voted to leave the EU (“Brexit”). On March 29, 2017, the United Kingdom formally triggered the process of leaving the EU by invoking Article 50 of the Treaty on European Union. The United Kingdom has provided the EU with notice of its intention to withdraw in March 2019, and the negotiation of a withdrawal agreement between the United Kingdom and the EU is ongoing. During this period and beyond, the impact on the United Kingdom and European economies and the broader global economy could be significant and could, among other outcomes, result in increased volatility and illiquidity, potentially lower economic growth and decreased asset valuations. Brexit may have a significant negative impact on the economy and currency of the United Kingdom as a result of anticipated or actual changes to the United Kingdom’s economic and political relations with the EU. Brexit may also have a destabilizing impact on the EU and the Euro to the extent other member states similarly seek to withdraw from the union. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties. Any or all of these challenges may affect the value of a Fund’s investments that are economically tied to the United Kingdom or the EU.

- *Equity Securities Risk:* The prices of equity securities fluctuate from time to time based on changes in a company’s financial condition or overall market and economic conditions. As a result, the value of equity securities may fluctuate drastically from day to day, as the market price of such securities increases or decreases. Equity securities that are traded in the over-the-counter markets (rather than a security exchange) are generally less liquid and generally subject to less onerous corporate disclosure and governance standards. The risks of investing in equity securities also include:
 - *Capitalization Risk:* Investments in medium or smaller capitalization companies may be volatile in the event of earnings disappointments or other financial developments, and more difficult to value accurately due to limited product lines and market and financial or managerial resources. Stocks of these companies may also be more volatile, less liquid and subject to the potential for greater declines in stock prices in response to selling pressure. Stocks of smaller capitalization companies generally have more risk than medium capitalization companies.
 - *Style Risk:* The risk that use of a growth or value investing style may fall out of favor in the marketplace for various periods of time. Growth stock prices reflect projections of future

earnings or revenues and decline dramatically if the company fails to meet those projections. A value stock may not increase in price as anticipated if other investors fail to recognize the company's value.

- *Exchange Traded Fund Risk:* The risks of owning shares in an ETF, including the risks of the underlying investments held by the ETF, is designed to track, although lack of liquidity in an ETF could result in it being more volatile than the underlying portfolio of securities. Disruptions in the markets for the securities underlying ETFs purchased or sold by a Fund could result in losses on the Fund's investments. ETFs also have their own management fees and other fees and expenses.
- *Financial Services Risk:* The adviser's investments in the financial services group of industries may be particularly affected by economic cycles, interest rate changes, and business developments and regulatory changes applicable to the financial services group of industries. For example, declining economic and business conditions can disproportionately impact companies in the financial services group of industries due to increased defaults on payments by borrowers. Interest rate increases can also adversely affect financial services companies by increasing their cost of capital. In addition, financial services companies are heavily regulated and, as a result, political and regulatory changes can affect the operations and financial results of such companies, potentially imposing additional costs and possibly restricting the businesses in which such companies may engage.
- *Foreign Securities Risk:* Investments in foreign securities are generally considered riskier than investments in U.S. securities, and are subject to additional risks, including international trade, political, economic and regulatory risks; fluctuating currency exchange rates; less liquid, developed or efficient trading markets; the imposition of exchange controls, confiscations and other government restrictions (e.g. sanctions or tariffs) by the United States or other countries; expropriation or confiscatory taxation; imposition of withholding or other taxes on dividends or interest payments (or, in some cases, capital gains); and different corporate disclosure and governance standards.
- *Frontier Market Countries Risk:* Frontier market countries generally have smaller economies and even less developed capital markets or legal, regulatory and political systems than traditional emerging markets. As a result, the risks of investing in emerging market countries are magnified in frontier market countries. The magnification of risks are the result of: the potential for extreme price volatility and illiquidity in frontier markets; government ownership or control of parts of the private sector and of certain companies; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which frontier market countries trade; and the relatively new and unsettled securities laws in many frontier market countries.
- *Government Securities Risk:* There are different types of U.S. government securities with different levels of credit risk. U.S. government securities issued or guaranteed by the U.S. Treasury and/or supported by the full faith and credit of the United States have the lowest credit risk. A U.S. government sponsored entity, although chartered or sponsored by an Act of Congress, may issue securities that are neither insured nor guaranteed by the U.S.

Treasury and are riskier than those that are.

- *Initial Public Offering Risk:* Investments in securities purchased at an initial public offering ("IPO") or secondary public offering are often subject to a broader set of market impacts such as investor perception and market opinions of companies that were previously privately-held. As such, prices of securities purchased at an IPO or secondary public offering may be more volatile or fluctuate more rapidly than other types of securities. Additionally, to the extent an account is smaller in size, investments in securities purchased at an IPO or secondary public offering may have a more significant impact on the account's performance or value than the securities would on an account larger in size as those securities may represent a larger proportion of the overall securities held by a smaller account.
- *Index- Fund Risk:* The risk that the underlying portfolios' performance will not correspond to its benchmark index for any period of time and may underperform the overall stock market.
- *Industry Concentration Risk:* Some portfolios may invest more than 25% of their total assets in securities of one or more issuers conducting their principal business activities in the same industry, where an industry represents 20% or more of the portfolios benchmark index at the time of investment, some portfolios may invest up to 35% of their assets in that industry. Concentrating portfolio investments in a limited number of issuers conducting business in the same industry will subject the portfolio to a greater risk of loss as a result of adverse economic, business, political, environmental, regulatory or other developments affecting that industry than if its investments were diversified across different industries.
- *Issuer Risk:* The risk that the issuer's earnings prospects and overall financial position will deteriorate, causing a decline in the value of the portfolio.
- *Large Shareholder Transactions:* A portfolio may be adversely impacted when certain large shareholders, including institutional investors, purchase or redeem large amounts of shares. As a result, the portfolio may experience redemptions resulting in large outflows of cash from time to time. This could have adverse effects on the performance if the portfolio were required to sell securities at times when it otherwise would not do so. This activity could also accelerate the realization of capital gains or losses and increase the transaction costs or decrease the liquidity of a portfolio. Similarly, large purchases in a portfolio may adversely affect the performance to the extent that investing new cash is delayed and is required to maintain a larger cash position than it ordinarily would. Large redemptions could also result in a Fund's current expenses being allocated over a smaller asset base, leading to an increased expense ratio. Although large investor transactions may be more frequent under certain circumstances, a portfolio is generally subject to the risk that a large shareholder can purchase or redeem a significant percentage of investment at any time. Moreover, a portfolio is subject to the risk that other shareholders may make investment decisions based on the choices of a large shareholder, which could exacerbate any potential negative effects experienced by a portfolio.

- *Leverage Risk*: Leverage created by borrowing or investments, such as derivatives, can diminish the portfolio's performance and increase the volatility of the portfolio's asset value. The use of leverage may cause a portfolio's positions to increase when it may not be advantageous to do so. This is because leverage tends to exaggerate the effect of any increase or decrease in the value of the portfolio.
- *Liquidity Risk/Illiquid Securities Risk*: The risk that the portfolio could hold illiquid securities by virtue of the absence of a readily available market for, or a reduction in the number or capacity of market participants making a market in, certain of its investments, or because of legal or contractual restrictions on sales. A security may become illiquid after purchase. The portfolio could lose money if it is unable to dispose of an investment at a time that is most beneficial to the Fund. Investments that are illiquid or that trade in lower volumes may be more difficult to value.
- *Market Access Timing Risk*: Due to the time zone differences in global markets, a portfolio may be subject to market access timing risk in relation to shareholder purchases and redemptions. For example, a portfolio may be delayed in investing cash proceeds from shareholder purchases, which could require maintaining larger cash position than it ordinarily would and adversely affect the portfolio performance. Similarly, there may be delays in disposing of securities to meet shareholder redemptions.
- *Market Risk*: The value of the investments may decline due to changing economic, political, social, and regulatory or market conditions. Market risk may affect a single issuer, industry or section of the economy or it may affect the economy as a whole. Moreover, the conditions in one country or geographic region could adversely affect the portfolio investments in a different country or geographic region.
- *Model Risk*: At AMUS, a model is defined as a quantitative method, system, or approach that applies statistical, economic, financial or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. Quantitative methodologies or systems whose inputs are (partially or wholly) qualitative or based on expert judgment may be classified as a model providing that the outputs produced by the model are quantitative in nature. AMUS may utilize models to assist in the investment decision making process, to analyze the investment risks borne by a fund or client account, to measure the liquidity in a fund or client account, to conduct stress tests and for other reasons. Model risk is defined as the risk of AMG funds or AMG experiencing an actual or potential financial loss, or the breach of a regulation or client restriction, owing to the misspecification or misapplication of a model in relation to its intended use, or the improper implementation or incorrect execution of a model.
- *Mortgage- and Asset-Backed Securities Risk*: These securities are debt instruments that are secured by interests in pools of financial assets, such as mortgages, credit card or automobile receivables. The value of these securities will be influenced by the factors affecting the assets underlying such

securities, changes in interest rates, changes in default rates of borrowers and private insurers or deteriorating economic conditions. During periods of declining asset values, mortgage and asset-backed securities may be difficult to value or become more volatile and/or illiquid. Mortgage- and asset-backed securities are subject to prepayment, extension, market, and credit risks (market and credit risk are described elsewhere in this section). Prepayment risk reflects the risk that borrowers may prepay their mortgages faster than expected, thereby affecting the investment's average life and perhaps its yield. Asset-backed securities may not have the benefit of a security interest in collateral comparable to that of mortgage assets, resulting in additional credit risk.

- *Non-Diversification Risk*: Focusing investments in a small number of issuers, industries, foreign currencies or particular countries or regions increases risk. Portfolios that invest in a relatively small number of issuers are more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Participatory Note Risk*: Even though a participatory note is intended to reflect the performance of the underlying securities on a one-to-one basis so that investors will not normally gain or lose more in absolute terms than they would have made or lost had they invested in the underlying securities directly, the performance results of participatory notes will not replicate exactly the performance of the issuers or markets that the notes seek to replicate due to transaction costs and other expenses. Investments in participatory notes involve risks normally associated with a direct investment in the underlying securities. In addition, participatory notes are subject to counterparty risk. Participatory notes constitute general unsecured, unsubordinated contractual obligations of the banks or broker-dealers that issue them, and an investment in these instruments is relying on the creditworthiness of such banks or broker-dealers and has no rights under the participatory notes against the issuers of the securities underlying such participatory notes. There can be no assurance that the trading price or value of participatory notes will equal the value of the underlying value of the securities they seek to replicate.
- *Political Risk*: The risk that an investment's return could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers, or military control. Political risk is also known as "geopolitical risk", and becomes more of a factor as the time horizon of an investment gets longer.
- *Portfolio Turnover*: High portfolio turnover (over 100%) increases brokerage and other expenses, which must be borne by the portfolio, or the fund and its shareholders, and also may result in the realization of substantial net short-term capital gains, taxable to shareholders.
- *Quantitative Inputs Risk*: The Adviser uses various quantitative inputs to select investments for the Funds, which can expose a Fund to specific risks of loss. Quantitative inputs rely on market data, expectations and formulas which can be wrong, outdated, misinterpreted or simply perform differently from the Adviser's expectations. Accordingly, investment decisions that take these inputs into

consideration can also be wrong and lead to investment losses. Because of the complexity of quantitative-focused investment inputs, there is a risk that an input is based on an undetected error. Also, it is not possible or practicable for the Adviser to factor all relevant and available elements into investment decisions. The Adviser will use its discretion to determine what inputs to gather with respect to trading decisions. The Adviser will also decide what weight to place on each one. There can be no assurance that these methodologies, which may change from time to time in the discretion of the Adviser, will enable a Fund to achieve its objective.

- *Real Estate Investment Trust (“REIT”) Risk:* The portfolio may invest in REITS. The securities of REITS may involve greater risks than those associated with larger, more established companies and may be subject to more abrupt or erratic price movements because of interest rate changes, economic conditions, and other factors. The value of interests in a REIT may be affected by, among other factors, changes in the value of the underlying properties owned by the REIT, changes in the prospect of earnings and / or cash flow growth of the REIT itself, defaults by borrowers or tenants, market saturation, decreases in market rates for rents, and other economic, political, or regulatory matters affecting the real estate industry. Securities of such issuers may lack sufficient market liquidity to enable the portfolio to effect sales at an advantageous time or without a substantial drop in price.
- *Redemption Risk:* A fund or client portfolio may experience a redemption(s) resulting in large outflows of cash from time to time. This activity could have adverse effects on performance if the advisor were required to sell securities at times when it otherwise would not do so. This activity could also accelerate the realization of capital gains/losses and increase transaction costs.
- *Regulatory Risk:* Entities that are part of banking organizations, such as the Adviser and its affiliates, are subject to extensive government regulation. Government regulation may change frequently and may have significant effects, including limiting the ability of the Adviser and its affiliates from engaging in certain trading activities, which may adversely impact the Funds and their performance and increase the Funds’ fees and expenses. For example, the so-called “Volcker Rule” prohibits the Adviser and its affiliates from engaging in certain trading activities. A Fund may be adversely impacted by this rule if the Adviser or its affiliates own 25% or more of the Fund’s shares outside of any seeding period permitted by the rule. These restrictions may prevent a Fund from maintaining sufficient seed capital and may cause the Fund to liquidate at the end of the period if the Fund is not able to achieve sufficient scale. Funds that are not managed by entities that are part of banking organizations are not subject to these limitations.

In addition, Funds in which the Adviser and its affiliates hold substantial amounts of seed capital, at or above 50% of each Fund’s shares, are subject to margin rules adopted by the U.S. Commodity Futures Trading Commission and other prudential regulators. These rules require each Fund to post and collect initial margin when trading certain uncleared or over-the-counter derivatives, including, but not limited to, non-deliverable foreign exchange forwards, credit default index swaps, and zero coupon swaps, which may effectively preclude a Fund from trading these derivatives. The inability to trade certain uncleared derivatives may result in more benchmark orientated exposures for a Fund, may negatively impact the Fund’s performance or the Adviser’s ability to implement the Fund’s investment strategies, and may increase the fees and expenses borne by the Fund.

- *Regulatory Risk in Other Countries:* Disclosure and regulatory standards in emerging market countries are in many respects less stringent than U.S. standards. Therefore, disclosure of certain material information may not be made, and less information may be available. Additionally, regulators in many countries continue to review the regulation of such portfolios. Any further changes by a regulatory authority or additional legislative developments may affect a portfolio's operations, investment strategies, performance and yield.
- *Repurchase Agreement Risk:* The use of repurchase agreements, which are agreements where a party buys a security from another party ("seller") and the seller agrees to repurchase the security at an agreed-upon date and price (which reflects a market rate of interest), involves certain risks. For example, if the seller of the agreements defaults on its obligation to repurchase the underlying securities at a time when the value of these securities has declined, a portfolio may incur a loss upon disposition of the securities. There is also the risk that the seller of the agreement may become insolvent and subject to liquidation.
- *Short Sale Risk:* The risk of entering into short sales, including the potential loss of more money than the actual cost of the investment, and the risk that the third party to the short sale may fail to honor its contract terms, causing a loss to the portfolio.
- *Sovereign Debt Risk:* Sovereign debt instruments, which are instruments issued by foreign governmental entities, are subject to the risk that the governmental entity may be unable or unwilling to repay the principal or interest on its sovereign debt due to, among other reasons, cash flow problems, insufficient foreign currency reserves, political considerations, the size of the governmental entity's debt or its failure to implement economic reforms required by the International Monetary Fund, or other multilateral agencies. Generally, there is no legal or bankruptcy process for collecting sovereign debt.
- *Stable NAV Risk:* AMUS manages money market funds that maintain a stable price of \$1.00 per share. The Fund may not be able to maintain a Net Asset Value ("NAV") per share of \$1.00 (a "Stable NAV") at all times. The failure of other money market funds to maintain a Stable NAV (or the perceived threat of such a failure) could adversely affect the Fund's NAV. Shareholders of a money market fund should not rely on or expect the Adviser or an affiliate to help a fund maintain a Stable NAV.
- *Stand-by Commitment Risk:* Stand-by commitments are subject to certain risks, which include the ability of the issuer to pay when the commitment is exercised, the fact that the commitment is not marketable, and the fact that the maturity of the underlying obligation generally differs from that of the commitment.

- *Structured Note Risk:* Investments in participatory, unitary and other structured notes involve risks normally associated with a direct investment in the underlying securities. In addition, these notes are subject to counterparty risk.
- *Sukuk Risk:* Sukuk are financial certificates that are similar to bonds but are structured to comply with Shariah law and its investments principles, which, among other things, prohibit charging or paying interest. Sukuk represent undivided shares in the ownership of certificates, and such certificates are linked to a specific investment activity, such as an underlying asset or contractual payment obligations of the issuer. Because no collateral is pledged as security for Sukuk, purchasers of Sukuk are subject to the risk that an issuer may not meet its payment obligations or that an underlying asset may not perform as expected or lose value. The market for Sukuk is generally illiquid and it is difficult for a Fund to purchase or dispose of Sukuk. Accordingly, a Fund may have to hold Sukuk even if it is no longer advantageous to do so.
- *Swap Risk:* The use of swap agreements, agreements to exchange the return generated by one instrument for the return generated by another instrument (or index), and similar instruments involves risks that are different from those associated with ordinary portfolio securities transactions. Swap agreements may subject the portfolio to the risk that the counterparty to the transaction may not meet its obligations, causing the portfolios net asset value to decrease. Swaps are also particularly subject to credit, correlation, valuation, liquidity and leveraging risks. Swap agreements also may be considered to be illiquid.
- *Temporary Defensive Position Risk:* A portfolio may temporarily depart from its principal investment strategies for temporary defensive purposes in response to adverse market, economic or political conditions. This may result in a portfolio not achieving its investment objective during that period. If the market advances during periods when a portfolio is holding a large cash position, the portfolio may not participate to the extent it would have if it had been more fully invested.
- *Underlying Fund Selection Risk:* A Fund may invest in other funds that underperform other similar funds or the markets more generally, due to poor investment decisions by the investment adviser(s) for the other funds or otherwise. It is possible that one or more other funds will not meet their own investment objectives, which would affect performance. There can be no assurances that the investment objective of a Fund or any other fund in which it invests will be achieved. Underlying funds also have their own management fees and other fees and expenses, which a Fund bears in addition to its own expenses.
- *Variable Rate Securities Risk:* Variable (and floating) rate instruments have interest rates that are periodically adjusted either at set intervals or that float at a margin above a generally recognized rate. Variable (and floating) rate instruments are subject to the same risks as fixed income investments, particularly interest rate risk and credit risk. Due to a lack of secondary market activity for certain variable and floating rate instruments, these securities may be more difficult to sell if an issuer defaults on its financial obligation or when a portfolio is not entitled to exercise its demand rights.

- “When-Issued” Securities Risk: The portfolio may purchase or sell securities that it is entitled to receive on a when-issued basis. When-issued and delayed delivery securities and forward commitments involve the risk that the security bought will lose value prior to delivery. There is also the risk that the security will not be issued or that the other party to the transaction will not meet its obligations.

C. BANK REGULATORY RISK DISCLOSURE

HSBC Group, the ultimate parent company of AMUS, is regulated by the Federal Reserve in the United States as a Financial Holding Company (“FHC”) under the Bank Holding Company Act (including the rules and regulations created thereunder) (the “BHCA”). As a FHC, the activities of HSBC and its affiliates (including AMUS) are subject to certain restrictions imposed by the BHCA.

In certain circumstances (although generally not with respect to funds registered under the Investment Company Act) HSBC may be deemed to “control” (within the meaning of the BHCA) a fund for which AMUS serves as investment adviser. Investors should note that compliance with the BHCA may restrict the investments and transactions by, and the operations of, any such fund. For example, the BHCA may, among other things (i) restrict a fund’s ability to make certain investments or the size of certain investments and (ii) impose a maximum holding period on some or all of the investments of a fund.

In addition, under the BHCA (including rules and regulations promulgated thereunder), positions held by HSBC and its affiliates for client and proprietary accounts may need to be aggregated with positions held by clients of AMUS. In this case, where the BHCA imposes a cap on the amount of a position that may be held, AMUS may be required to limit and/or liquidate certain client positions. The BHCA may also limit the extent to which clients of AMUS may participate in public offerings of securities on behalf of its clients. Finally, the Volcker Rule (which was promulgated under the BHCA) limits investment by affiliates in fund for which HSBC is a “sponsor” or otherwise provides services. The Volcker Rule may also limit the ability of HSBC to provide advisory services to certain fund clients that may be subject to the Rule’s restrictions on proprietary trading and covered funds.

The inability of a client advised by AMUS to make intended securities purchases due to these restrictions may materially adversely affect such client’s investment performance by, for example, affecting AMUS’s ability to trade in certain securities if such securities are subject to the BHCA trading limitations described above or imposing additional restrictions on such client. There can be no assurance that the bank regulatory requirements applicable to HSBC and/or AMUS, will not change, or that any such change will not have a material adverse effect on the investments and/or investment performance of AMUS clients.

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.

Item 10: Other Financial Industry Activities and Affiliations

A. BROKER-DEALER REGISTRATION STATUS

AMUS is not required to register with FINRA as a broker-dealer and does not conduct broker-dealer activities. However, some of AMUS's access persons are registered with FINRA and supervised as registered representatives of HSI, a registered broker-dealer and an affiliate of AMUS.

B. MATERIAL RELATIONSHIPS OR ARRANGEMENTS WITH INDUSTRY PARTICIPANTS

AMUS is part of a large financial services firm. In connection with providing investment advisory services to its clients, from time to time AMUS uses and provides the products and services of its affiliates or other Related Persons, as the term is defined by this Form ADV.

HSBC Group is AMUS's ultimate parent and is the ultimate owner of various investment advisers around the world. AMUS has sub-advisory agreements with certain of these affiliated investment advisers which may or may not be registered in the U.S. with the SEC.

HSI offers to its clients, shares in investment companies to which AMUS serves as investment adviser.

AMUS is a wholly owned direct subsidiary of 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 provides compliance oversight functions in respect of AMUS.

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

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 are designed with the objective to safeguard the interests of clients. See "Item 11: Code of Ethics." Furthermore, physical and electronic information barriers have been implemented to restrict the flow of confidential information.

C. MATERIAL CONFLICTS OF INTEREST RELATING TO OTHER INVESTMENT ADVISERS

AMUS has arrangements with certain investment advisers who are Related Persons and under those arrangements AMUS, depending on the particular arrangement, provides investment advisory services, administrative support, sales and marketing support, operational support, client servicing, or other compliance services.

Additionally, as part of its services to HSI, AMUS recommends asset allocations that include an allocation to certain registered investment companies that are also advised by AMUS.

Further details and information relating to conflicts of interest with regard to the above arrangements and the methods by which AMUS addresses and discloses conflicts of interest are discussed in “Item 4: Advisory Business” and “Item 5: Fees and Compensation.”

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. CODE OF ETHICS AND PERSONAL TRADING

AMUS has adopted a Code of Ethics and Staff Dealing Policies and Procedures ("Code of Ethics"). The Code of Ethics is based on the principle that its officers, directors, and employees have a fiduciary duty to place the interests of clients first, and to conduct all personal securities transactions in accordance with the requirements of the Code of Ethics, in compliance with federal securities laws, and in a manner that avoids actual or potential conflicts of interest and does not otherwise take inappropriate advantage of a client relationship or abuse a position of trust and responsibility in respect of a client.

In order to avoid potential conflicts of interest, AMUS has implemented policies and procedures to monitor the personal trading activities of its employees, certain members of their immediate family, accounts in which employees have a beneficial interest and accounts which an employee exercises any investment discretion. These personal trading rules require that personal accounts of the employee and certain immediate family members be maintained with a registered broker, that they are disclosed to the Compliance Department and that all trades of non-exempt securities for such accounts are pre-cleared and monitored by compliance personnel. In addition, AMUS's policies prohibit certain types of trading activity, such as short-term and speculative trading. Employees are subject to minimum holding periods of their personal security holdings. Employees of AMUS must obtain written approval prior to engaging in certain security transactions, including those in private placements. In addition, certain employees of applicant may not be permitted to buy or sell securities issued by HSBC Group in certain periods prior to and following an announcement of quarterly earnings throughout the firm. Generally, “Access Persons,” as defined by the Advisers Act, are prohibited from executing personal trades in a

security or similar instrument seven calendar days before and after a client or fund managed by AMUS has executed in that security. Additionally, employees of AMUS, or its Related Persons, may hold the same or similar securities held in clients' portfolios, and from time to time may recommend such securities for purchase or sale in clients' portfolios in the normal course of business. Similarly, employees of AMUS and its Related Persons who maintain private equity interests may hold the same or similar interest as client portfolios and may receive a benefit for the public offering of such securities.

In addition, 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 Access Persons of AMUS must acknowledge the terms of the Code of Ethics, at least annually. A copy of AMUS's Code of Ethics is available upon request.

B. SECURITIES IN WHICH AMUS OR A RELATED PERSON HAS A MATERIAL FINANCIAL INTEREST

For client accounts, AMUS may purchase or sell securities in which it, or Related Persons, has a financial interest. AMUS's Related Persons may issue recommendations on securities held by AMUS's client portfolios that may be contrary to investment activities of AMUS or its affiliates. Additionally, employees of AMUS, or its Related Persons, may hold the same or similar securities as client portfolios, and from time to time may recommend such securities for purchase or sale in clients' portfolios in the normal course of business. Similarly, employees of AMUS and its Related Persons who maintain private equity interests may hold the same or similar interest as client portfolios. AMUS has established informational barriers and has adopted various policies and safeguards in order to address conflicts of interest that may arise from such activities.

Principal, Agency and Cross Transactions

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. It is AMUS's policy that the firm will not affect principal transactions.

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. If permitted in writing by a client, from time to time AMUS may effect client transactions on an agency basis in securities and futures and options through affiliated broker-dealers when, in AMUS's judgment, the transactions are consistent with its duty of best execution.

In addition, in some instances a security to be sold by one client account may independently be considered appropriate for purchase by another client account. In such cases and if permitted as part of the management agreements between applicable client accounts and AMUS, AMUS may cause the security to be “crossed” or transferred directly between the relevant accounts at an independently determined market price and without incurring brokerage commission. No such transactions will be effected unless AMUS determines that the transaction is in the best interest of each client account and permitted by applicable law.

Private Company Investments

The trading practices of AMUS and its Related Persons may conflict with the trading activities of AMUS’s clients and/or the clients of its advisory affiliates. For example, AMUS manages separate accounts which may hold securities of private companies, including securities received as a result of direct or indirect investments in private companies. In the course of managing these separate accounts, AMUS may be the recipient of research from AMUS’s advisory affiliates and possibly Related Persons.

Underwritings and Other Offerings

If permitted by a client’s investment guidelines, and subject to compliance with applicable law and regulation, AMUS may purchase securities for client accounts during an underwriting or other offering of such securities in which a broker-dealer affiliate of AMUS acts as a manager, co-manager, underwriter or placement agent. AMUS’s affiliate may receive a benefit in the form of management, underwriting or other fees. Affiliates of AMUS also acts in other capacities in such offerings and, under certain circumstances, the affiliates receive fees, compensation, or other benefit for such services. If the client’s account is subject to ERISA, participation in these offerings may require AMUS and/or its affiliates to comply with the conditions of one or more class or individual prohibited transaction exemptions issued by the U.S. Department of Labor. Some offerings may not be available to accounts that are subject to ERISA.

Purchases involving affiliated broker-dealers, or other affiliates of AMUS, must comply with the Investment Advisers Act, the Investment Company Act, BHCA and any other applicable laws or prohibited transaction exemptions.

In addition, subject to applicable law, AMUS may participate in structured fixed income offerings of securities in which a Related Person serves as a trustee, depositor, originator, service agent or other service provider, on behalf of issuer in which fees will be paid to such Related Person. A Related Person may act as originator of loans or receivables for the structured fixed income offerings in which AMUS invests for clients. Participations in such offerings may directly or indirectly relieve obligations of a Related Person.

C. CONFLICTS OF INTEREST CREATED BY CONTEMPORANEOUS TRADING

AMUS and its Related Persons may recommend securities to clients that AMUS and its Related Persons may also purchase or sell. In order to address potential conflicts of interest arising from such activities, including employee front-running at the expense of client accounts, AMUS restricts employees with access to non-public material information regarding such securities from executing personal trades in a security or similar instrument seven days before and after a client or fund managed by that employee transacts in that security or similar instrument.

D. OTHER CONFLICTS OF INTEREST

Allocation of Investment Opportunities

Responsibility for managing AMUS's client portfolios is organized according to investment strategies with asset classes. Generally, client portfolios with similar strategies are managed by portfolio managers in the same portfolio management group using the same objectives, approach and philosophy. Therefore, portfolio holdings, relative position sizes and industry and sector exposures tend to be similar across similar portfolios, which reduce the potential for conflicts of interest.

AMUS may receive more compensation with respect to certain similar accounts or may receive compensation based in part on the performance of some of its similar accounts. Potential conflicts of interest may arise with the allocation of securities transactions and allocation of limited investment opportunities, particularly for accounts that allow for the use of leverage. In certain instances portfolio managers may manage accounts with less restrictive investment guidelines allowing for the use of leverage. In such accounts, the portfolio manager generally will allocate securities based on the accounts' market value inclusive of the desired leverage, causing a potential conflict of interest. Allocations of aggregated trades, particularly trade orders that were only partially completed due to limited availability and allocation of investment opportunities generally, could raise a potential conflict of interest. New issue offerings, in particular, are frequently of limited availability. A potential conflict of interest also may arise if transactions in one account closely follow related transactions in a different account, such as when a purchase increases the value of securities previously purchased by another account, or when a sale in one account lowers the sale price received in a sale by a second account. If AMUS manages accounts that engage in short sales of securities of the type in which similar accounts invest, AMUS could be seen as harming the performance of one account for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall.

AMUS has established policies and procedures designed to manage the conflicts described above. AMUS has allocation and order aggregation procedures in place designed to achieve fair and equitable allocation and execution of investment opportunities among its client accounts over time and are designed to comply with the securities laws and other applicable regulations.

See “Item 12: Brokerage Practices” for a description of these practices. AMUS monitors a variety of areas, including compliance with account guidelines and reviews of any material discrepancy in the performance of similar accounts.

In rendering investment advisory services AMUS uses affiliated funds. AMUS has established policies and procedures designed to manage the conflict described above. AMUS has put into place an internal funds review process and a product governance program to periodically review the affiliated funds

Investments in Different Levels of the Capital Structure

On occasion, the situation may arise where one party, such as AMUS on behalf of an account, and another party, such as a particular client, may invest in different classes of securities of the same issuer or different tiers of the capital structure of the same issuer. As a result, either party may take logical investment actions that adversely affect the other party. AMUS is aware of these potential situations and will endeavor and continue to act in the best interest of its clients.

AMUS offers sophisticated and tailored investment advice to various clients and accounts. As such, advice may differ from client to client or account to account and investment decisions may also differ. AMUS may, on occasion, advise one client regarding different tiers of the capital structure of the same issuer or classes of securities that may happen to be subordinate or senior to securities in which a particular client already invests. As a result, HSBC Group may pursue or enforce rights or activities on behalf of accounts (including client accounts), or refrain from pursuing or enforcing rights or activities with respect to a particular issuer in which the client has invested.

As an example, AMUS (on behalf of accounts, including client accounts) may seek a liquidation of an issuer, of which it holds debt securities, whereas another particular client may prefer a reorganization of the issuer. Clients may be negatively affected by these activities and decisions, and client account transactions may be affected by prices or terms that are less favorable than they would have been without such actions. Particular clients may sustain losses during periods in which AMUS or other accounts (including client accounts) achieve profits. It should be noted that for client accounts utilizing small capitalization, emerging market, distressed, or less liquid strategies may see a more pronounced impact in connection with these transactions due to the specialized nature of those strategies.

Item 12: Brokerage Practices

A. BEST EXECUTION

As an investment adviser, AMUS has the fiduciary obligation to seek best execution for its client transactions. To achieve best execution, the client's total cost or proceeds for each transaction is executed in the most favorable manner under the circumstances taking into account internal execution policies/ arrangements. Therefore in addition to seeking "best price"¹, AMUS will consider the full range of a broker-dealer's services when seeking to execute a trade, including the value of execution capabilities, commission rates/mark-ups/mark-downs, financial conditions, administrative resources, research provided, and responsiveness. As a matter of firm policy, AMUS does not participate in soft dollars.

Other factors that may be relevant and which may be prioritized differently depending on the specific circumstances surrounding a trade (including the nature and objectives of the client):

- Confidentiality provided by broker-dealer
- Service levels provided/ ability and willingness to collaborate and resolve open issues
- Clearance and settlement capabilities
- Quality of confirmations and account statements
- Broker-dealer's financial condition
- Broker-dealer's reputation and integrity
- Difficulty of trade and security's trading characteristics
- Availability of accurate information regarding the market for the security
- Liquidity of the market for the security
- Speed of execution
- Broker-dealer's access to markets
- Broker-dealer's order routing arrangements
- Trading style and strategy
- Size of the order
- Specialized expertise
- Access to new issues of securities
- Ability and willingness to commit capital
- Cost and difficulty of achieving an execution in a particular market center

In addition, it may not always be practicable to affect over-the-counter ("OTC") and fixed income transactions directly with market makers or on an exchange and as such, may be affected on an agency basis through various broker-dealers.

¹ Best price is defined as the highest price in a sale and the lowest price in a purchase.

B. DIRECTED BROKERAGE

At this time, it is not AMUS policy to direct brokerage. There may be some instances where clients limit AMUS's discretion by requesting that AMUS execute securities transactions based on a client's approved brokers list. If a client directs AMUS to use a specific broker-dealer, it may lose any negotiated discounts on aggregate transactions, it may pay higher transaction costs or commissions, and may be unable to achieve the most favorable execution.

C. BROKER SELECTION AND APPROVAL

It is the responsibility of the AMUS Risk Management team ("AMUS Risk") to approve all OTC counterparties and Delivery versus Payment ("DVP") brokers prior to trading.

As part of the proposition, AMUS Risk approves OTC counterparties based on the evaluation of the counterparty's financial condition, ratings, the possible market risk exposure that may be incurred through dealings with the counterparty and other factors believed to be relevant by AMUS Risk. Market risk is determined based on the types of securities being traded, the settlement procedures in the relevant marketplace and the potential price volatility in that marketplace. In addition to the creditworthiness assessment (for OTC counterparties), AMUS reviews open regulatory items for materiality pertaining to approved OTC counterparty/broker and performs checks to confirm compliance with sanctions and other regulatory requirements.

A list of approved counterparties/brokers is maintained by AMUS Risk and updates are distributed via the AMUS Counterparty Approval work flow to traders, portfolio managers, operations and compliance. The AMUS Risk Management team manages the internal Counterparty Approvals and monitors the anticipated and announced changes to a counterparty's credit quality. Agency credit ratings, agency outlooks and default risk assessment framework is leveraged to evaluate the counterparty credit risk ratings, which are reviewed periodically and ratings are adjusted according to their findings. All approvals and changes to the Counterparty Approval List and applicable Counterparty Limits are noted at the AMUS Risk Management Meeting.

Periodic reviews of approved counterparties are undertaken at least annually or more frequently if AMUS Risk determines that prevailing circumstances warrant a heightened level of review. The periodic reviews consist of both credit quality (for OTC counterparties) and regulatory items.

D. SOFT DOLLARS

The direction of transactions to brokers may also be based on the quality and amount of the research and research related services that they provide to an investment adviser and indirectly to clients. As a result, the investment adviser may pay a broker-dealer a commission in excess of

that which another broker-dealer might have charged for executing the same transaction in recognition of the value of the brokerage or research and execution services provided by the broker-dealer. This practice is known as “soft dollar benefits.”

AMUS does not currently utilize soft dollar arrangements with brokers for the purpose of paying for research services provided by third parties in accordance with Section 28(e) of the Securities Exchange Act of 1934.

E. AFFILIATED BROKER-DEALERS

Although it is not the current practice to do so, and AMUS does not currently do so, AMUS may in the future use affiliated broker-dealers to effect securities transactions on behalf of clients to the extent permitted by law and regulation and as permitted by clients. Also, if appropriate, AMUS may, if disclosure is made, act as client’s investment adviser for transactions in which an affiliate of AMUS acts as broker for both the client and another party on the other side of such transaction (an “agency cross transaction”). Such consent to “agency cross” transactions may be revoked at any time by written notice to AMUS.

F. TRADE ALLOCATION AND ORDER AGGREGATION

Consistent with its duty to seek best execution for its clients, AMUS may aggregate orders unless restricted by client direction, type or other account restrictions. Other common factors to be considered when deciding upon the inclusion of a particular account in an aggregated order include investment strategy, account objectives, account restrictions, cash balances, relevant policies, order instructions (e.g., limit price or market) and order size. AMUS will choose to aggregate orders for clients when it believes that it will result in a more favorable execution for the participating accounts.

As a general principle, all accounts with a common investment strategy and policy may participate in an aggregated transaction. However, AMUS may determine to exclude an account from participation in a transaction on the basis of one or more factors including cash flow considerations, client limitations on price sensitivity, tax considerations, differing investment restrictions, differing risk profiles, legal considerations, relative need and other relevant factors. In no event shall an account be excluded from participation in a transaction unless it is for good cause, is fair and equitable, and is consistent with AMUS’s fiduciary duty to its clients.

Generally, when aggregated trades are executed, participating accounts are allocated their requested allotment on an average price basis. This basis refers to the practice of calculating the average price for each bunched order and assigning this price to each client’s allocation. To promote fair and equitable allocation over time, each account will be allocated a percentage of the transaction on a pro-rata basis to their original order. In certain circumstances, the pro-rata distribution of the order could result in a client receiving an allocation that is too small to justify

the fixed transaction costs and custody costs associated with being included in the transaction. In these circumstances, the individual amounts which would be allocated to each account may be overridden. The AMUS policy regarding securities allocations requires portfolio managers to use reasonable judgment consistent with fiduciary duties to clients in making any non-pro-rata allocations that are in the best interest of the affected clients. Situations where pro-rata allocations are not used may include but are not limited to minimum allocation size, cash flow, and alignment to targets for the strategy.

G. TRADE ERRORS

When an employee becomes aware of a trade error, the employee must immediately inform their line manager and report the incident to the AMUS Business Risk Control Management team which will determine if further actions are required.

If an incident involving a trading error is identified, it would generally be corrected in a client's account accordingly and an incident report will be completed. Every effort will be made by the responsible team to rectify the incident in a timely manner so as to minimize the risk to AMUS and its clients. All efforts to rectify incidents will be made in accordance with AMUS policies and guidelines. In addition, notification will be provided to the client if requested by their investment advisory agreement. In the case of the HSBC Funds, their Funds' Board will be notified.

Any profit resulting from a trading error resolved within a client account, remains in the client's account. If a loss is incurred in a client's account, AMUS will be responsible for making the affected client's account whole. If there is a lag (in days) between the date of the trade error and the date when AMUS reimburses the client's account, AMUS will determine if interest is owed to the affected client's account. Generally, gains from trade errors do not offset losses from trade errors, unless the underlying transactions constitute a single transaction.

If an incident is caused by an unaffiliated third party and results in a loss to a client's account, AMUS will look to such third party to take appropriate corrective action to make the affected client's account whole.

Item 13: Review of Accounts

A. FREQUENCY AND NATURE OF REVIEW OF INSTITUTIONAL CLIENT ACCOUNTS/FUNDS/INVESTMENT PROGRAMS

AMUS periodically reviews client accounts utilizing product-specific review processes and supervisory personnel. Accordingly, account review may differ across various investment teams in order to more effectively serve clients. The portfolio managers are generally responsible for the daily management and review of the institutional client accounts/funds/investment programs under their supervision. Each investment team conducts performance reviews of its portfolio managers' accounts. Such reviews may examine a number of factors, including compliance with clients' investment objectives and account guidelines, asset allocation and variance from target allocation, account performance, valuation, and AMUS's current investment processes and practices, as appropriate. These reviews are conducted on a regular basis but can also be triggered by factors that may include changes in market conditions or investment objectives or other arrangements with the client. The primary review of an account relationship is coordinated by the client management team and leverages resources and personnel across AMUS.

Account trading activity is monitored periodically by compliance personnel. Proprietary and third-party portfolio management and trading surveillance systems are used to track adherence to client investment policies and guidelines.

The information in this Brochure does not include all the specific review features associated with each investment strategy or applicable to a particular client account. Clients are urged to ask questions regarding AMUS's review process applicable to a particular strategy or investment product, read all product-specific disclosures and determine whether a particular investment strategy or type of security is suitable for their account in light of their circumstances, investment objectives and financial situation.

B. FACTORS PROMPTING REVIEW OF CLIENT ACCOUNTS OTHER THAN A PERIODIC REVIEW

In addition to periodic reviews, AMUS may perform reviews as it deems appropriate or otherwise required. Additional reviews of client accounts may be triggered by client request, compliance monitoring, industry factors, market developments, statutory and regulatory changes and any issues that may have been identified with respect to a client account.

C. CONTENT AND FREQUENCY OF ACCOUNT REPORTS TO CLIENTS

Clients receive monthly reports or other periodic reports as requested or required under the investment advisory agreement. These reports may include summaries of investment

performance, market value, asset mix, investment strategy, market outlook, portfolio holdings, transactions, portfolio characteristics and market commentary. In addition, AMUS or its representative typically meets with each client at least annually to review investment strategy, performance and administrative matters.

The custodian chosen by the client (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.

Item 14: Client Referrals and Other Compensation

Compensation to Financial Intermediaries

AMUS, as investment adviser, and/or its affiliates may assist in the marketing of HSBC Funds' shares. Without limiting the foregoing, AMUS may, out of its own resources, and without cost to any HSBC Funds, make payments to selected financial intermediaries for shareholder, recordkeeping, processing, accounting and/or other administrative services in connection with the sale or servicing of shares and shareholders of HSBC Funds. Historically, these payments have generally been structured as a percentage of net assets attributable to the financial intermediary, but may also be structured as a percentage of gross sales, a fixed dollar amount, or a combination of the three. These payments are in addition to 12b-1 fees, servicing fees and sales charges borne by shareholders as well as any payments made by the distributor. The making of these payments creates a conflict of interest for a financial intermediary receiving such payments.

These payments, which may be significant, are not paid by the HSBC Funds, and therefore, do not increase the expenses of the HSBC Funds. Generally, AMUS and/or its affiliates negotiate the amount of revenue sharing payments with each financial intermediary. AMUS may also make similar payments to its affiliates. Historically, these payments have generally been structured as a percentage of average net assets attributable to the financial intermediary, but may also be structured as a fixed dollar amount, or a combination of the two, or may be calculated on another appropriate basis. The making of these payments creates a conflict of interest for a financial intermediary receiving such payments to recommend the HSBC Funds over another investment. Shareholders should ask their financial intermediaries about how they will be compensated for investments made in the HSBC Funds. Shareholders may read more about these payments in the HSBC Funds prospectus and statement of additional information. These payments are in addition to commissions and 12b-1 fees, servicing fees and sales charges borne by shareholders.

Item 15: Custody

Under Rule 206(4)-2 (the “Custody Rule”), advisers that have custody of client securities or funds are required to adopt controls designed to protect those assets from being lost, misappropriated or subject to claims by the adviser’s creditors. An adviser has “custody of client assets if it, or a Related Person, directly or indirectly holds client funds or securities or has any authority to obtain possession of them.” AMUS does not maintain physical custody or possession of client assets or securities.

AMUS will be deemed under the Custody Rule to have custody (i) if an affiliate is the custodian for its advisory clients; (ii) if AMUS has the authority under any arrangement to withdraw funds or securities from a client’s account (e.g., debiting fees from the account); or (iii) if AMUS acts in any capacity that gives the adviser legal ownership of, or access to, client assets.

In the event an affiliate is the custodian of assets of an AMUS advisory client, AMUS will not be deemed to have custody of such assets if it is “operationally independent” of such entity. “Operationally independent” is defined as: (i) client assets in the custody of the Related Person are not subject to claims of the adviser’s creditors; (ii) advisory personnel do not have access to client assets (or the power to control the disposition of such assets to third parties for the benefit of the adviser or its Related Persons) of which the Related Person has custody; (iii) advisory personnel and personnel of the Related Person who have access to client assets are not under common supervision; and (iv) advisory personnel do not hold any positions with the Related Person or share premises with the Related Person.

AMUS is not deemed to have custody of client assets because AMUS is operationally independent of those HSBC entities that currently have custody of assets for which AMUS provides investment advisory services.

Institutional client accounts receive account statements directly from their qualified custodian as well as account statements and performance reports from AMUS. Each client should carefully review this information and compare it with information provided by AMUS when they are evaluating account performance, securities holdings, and transactions. While AMUS reconciles trading information with custodians on a regular basis, a client may experience differences in the information due to pending transactions, dividends, corporate actions, cash movements or withdrawals, or other activity.

Item 16: Investment Discretion

At this time, all client portfolios of AMUS are discretionary in nature with certain exceptions: (i) AMUS provides non-binding advice in respect of a segregated account domiciled in the United Kingdom and managed by AMEU and (ii) AMUS is the named investment advisor for certain

HSBC Funds but delegates all discretionary management to one or more affiliates and non-affiliates sub-advisers. In addition, from time to time, clients may implement guideline amendments that result in limiting or even eliminating AMUS investment discretion. Such amendments may be in place for an indefinite period of time. In connection therewith, AMUS is neither responsible for the allocation of assets nor permitted to perform discretionary management.

AMUS receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, AMUS observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, AMUS's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to AMUS in writing.

Item 17: Voting Client Securities

Policies and Procedures Relating to Voting Client Securities

Clients who do not grant proxy voting authority to AMUS will generally receive proxies or other solicitations from the client's custodian or administrator.

If AMUS has been appointed as discretionary investment manager for a client, the investment management agreement will identify if AMUS is granted the authority to vote the proxies on the securities held in the client's portfolio. AMUS has a fiduciary responsibility to act in the best interest of the client with respect to proxy voting activities. To ensure that the proxies are voted in the best interests of clients, AMUS has adopted proxy voting policies and procedures pursuant to Rule 206(4)-6 under the Advisers Act. To assist in managing the proxy voting process Institutional Shareholder Services ("ISS") has been retained to act as an independent voting agent on behalf of AMUS. ISS provides objective proxy analysis and voting recommendations, manages the operational end of the process, and votes proxies based on our guidelines. However, certain accounts may warrant specialized treatment in voting proxies. Contractual stipulations and individual client direction will dictate how voting will be done in these cases.

The proxy voting policies and procedures require that AMUS identify and address conflicts of interest between AMUS and its clients. If a material conflict of interest exists, AMUS will determine whether voting in accordance with the guidelines set forth in the proxy voting policies

and procedures is in the best interest of the client or take some other appropriate action. AMUS shall cast ballots in a manner it believes to be consistent with the interests of its client and shall not subordinate client interests to its own.

Our clients may request a copy of our proxy voting policies and information about how their proxies were voted. Please email AMUS.Compliance@us.hsbc.com or send the request via US mail addressed to: Chief Compliance Officer, HSBC Global Asset Management (USA) Inc., 452 Fifth Avenue, 7th Floor, New York, New York 10018.

Item 18: Financial Information

Registered investment advisers are required in this item to provide the client with certain financial information or disclosure about our financial condition. 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.