

**FIRM BROCHURE**  
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**March 23, 2021**

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 [AMUS.Compliance@us.hsbc.com](mailto:AMUS.Compliance@us.hsbc.com). 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. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://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 26, 2020.

Since the last annual update of the Brochure, AMUS added additional language to market risk to address the spread of infectious illness or other public health threats. AMUS also added a new risk factor to address Environmental, Social and Governance (“ESG”) risks.

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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 USA, Inc. (“HSBC 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 Asset Management (“HSBC AM”), 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 INCLUDE:

Equity: US Equity

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

Liquidity Cash Management: US Government, US Treasury, USD and Canadian 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 have signed an investment advisory agreement with another HSBC Group Company. Conversely, AMUS can delegate investment management responsibilities, through sub-advisory agreements, to affiliated companies. AMUS may also delegate investment management responsibilities, 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-adviser to affiliated investment advisers, which provide discretionary investment advisory services to certain of its clients as previously noted. AMUS renders continuous investment advice for the portions of the portfolios for which it is selected as sub-adviser, and has investment discretion with respect thereto, subject to review and supervision by the affiliated advisers.

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 receive fees for their services, as specified in the Funds' prospectus.

## **F. WEALTH PORTFOLIO MANAGEMENT**

AMUS oversees the asset allocation models used in the HSBC Spectrum Program ("Spectrum"), Managed Portfolio Account Program ("MPA"), and WealthTrack, each of which is described below. AMUS collaborates with various HSBC AM 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.

AMUS also 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.

## **G. WRAP FEE PROGRAM ADMINISTRATIVE SUPPORT SERVICES**

AMUS provides wealth portfolio management support services (“WPM Services”) to HSBC Securities (USA) Inc. (“HSI”) for Spectrum, MPA and WealthTrack programs. WPM Services include, but are not limited, to developing asset allocation models, model implementation, fund selection), product, marketing, sales support, finance, and operational and administrative services.

HSI acts as sponsor and provides portfolio management services for Spectrum, MPA, and WealthTrack. 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 along with a range for each asset class 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 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.

### **WealthTrack Program**

Wealth Track is a web-based asset allocation program designed to assist clients with their investment needs based on financial objectives, time horizon, and risk tolerance. Wealth Track clients receive asset allocation models and periodic rebalancing in their accounts. The Wealth Track Program is distinct as it is offered only online, available through the HSBC Securities website. The recommended target asset allocation is invested in open-end or closed-end investment company mutual funds or ETFs.

## **H. INVESTMENT RESTRICTIONS**

AMUS provides investment advisory services in accordance with the client’s investment objectives, guidelines and restrictions. Where AMUS is a sub-adviser to a mandate, or an affiliate is a sub-adviser 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 (“AMGB”), an affiliate of AMUS, may from time to time invest capital in order for HSBC AM 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, 2020 AMUS’s regulatory assets under management were **\$130,388,914,787.24** representing client assets managed on a discretionary and non-discretionary basis.

# **Item 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 and other pooled investment vehicles that AMUS sub-advises, the mutual fund's adviser (not AMUS) typically provides administrative, marketing and shareholder services, including any necessary disclosures to shareholders.

### AMUS as Investment Adviser

For domestic segregated or institutional accounts, AMUS receives the full investment management-related advisor fee. Where AMUS uses a sub-adviser for these accounts it will share with the sub-adviser 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 and execution of an 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](http://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. Equity Funds***

- HSBC Opportunity Fund
- HSBC Opportunity Fund I Shares

### ***2. Liquidity Funds***

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

### **Wealth Portfolio Management**

AMUS provides WPM Services, to HSI in respect of the Spectrum, MPA and WealthTrack Programs.

AMUS receives fees for WPM Services provided in respect of Spectrum, MPA and WealthTrack. 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 Fund. AMUS receives investment advisory fees which includes compensation for manager selection services provided to this fund.

## **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, administration fees, 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.

### Other Services Performed by the Adviser:

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, MPA and WealthTrack, AMUS provides its WPM 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 Spectrum, MPA and WealthTrack 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, insurance companies, 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.

Furthermore, as early signatories to the Principles for Responsible Investment, HSBC AM has committed to integrating environmental, social and governance (ESG) considerations into its investment process to the extent consistent with applicable client investment objectives and guidelines. AMUS conducts both thorough financial analysis and a comprehensive assessment of ESG risks and opportunities, using its own research, as well as that of its global affiliates.

AMUS believes that ESG risks and opportunities can affect the performance of investment portfolios across companies, sectors, regions and asset classes through time. Therefore, AMUS's analysts and portfolio managers identify and manage ESG risks and opportunities and consider ESG issues within their research and investment processes where appropriate and consistent with client objectives and investment guidelines. AMUS along with its global affiliates conduct this analysis using data from third-parties and through proprietary, forward-looking ESG analysis and engagement activities, to help identify potential favorable and/or high-risk names when evaluating issuers. HSBC AM has developed a proprietary approach to produce issuer ratings and rankings using third-party data and its own research for ESG assessments and ESG portfolio evaluations. HSBC AM produces Executive Summaries for numerous issuers within the investable universe defined for each investment portfolio. These summaries cover: the issuer's overall ESG rating and rank (in percentile) within its industry sector; the issuer's absolute risk level based on compliance with the UN Global Compact; and commentaries on the issuer's management of relevant ESG issues.

Finally, active risk management is fully integrated into our investment process. AMUS manages risks applying rigorous procedures and sophisticated tools with appropriate due diligence. Our primary objective is to ensure the level of risk in our clients' portfolios fits their expectations and that both internal controls and client specific restrictions are adhered to.

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 regional portfolio 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 regional portfolio 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 overall 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**

### ***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.

## **Wrap Fee & Administrative Services**

### ***1. Spectrum, MPA & WealthTrack***

AMUS provides the subject matter expertise and resources to support the Spectrum, MPA and WealthTrack programs (“Programs”). HSI is the sponsor of Programs. AMUS oversees the asset allocation models used in Programs. AMUS collaborates with other offices/ 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 also assists in fund selection by finding new ideas for research and referring them to HSI for further action.

As discussed above, AMUS also provides sales and other administrative services in support of the MPA, Spectrum and WealthTrack 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.

- *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:* Exposure to the commodities markets, including investments in companies in commodity-related industries, may subject an investor to greater volatility than investments in traditional securities. The value of commodity-related investments may be affected by changes in overall market movements, commodity index.
- *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. 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. Adverse changes in exchange rates may erode or reverse any gains produced by foreign-currency denominated investments and may widen any losses. Currency exchange rates can be volatile and can be affected by, among other factors, the actions or inactions by U.S. or foreign governments, central banks or supranational entities, the imposition of currency controls, speculation, or general economic or political developments in the U.S. or a foreign country. An investor 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. 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. In addition, low trading volumes and volatile prices in less developed markets may make trades more difficult to complete and settle, and governments or trade groups may compel local agents to hold securities with designated foreign banks, agents and depositories that may be subject to little or no regulatory oversight or independent evaluation. Local agents are held only to the standards of care of their local markets.
- *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. Furthermore, the value of a debt instrument may decline if the market believes that the issuer or guarantor is unable or unwilling to make such payments on time. Changes in economic conditions could cause issuers or guarantors of these instruments to be unable or unwilling to meet their financial obligations. This risk is greater for lower-quality bonds than for bonds that are investment grade.
- **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.
- **High Yield Securities (“Junk Bond”) Risk**: High yield securities (sometimes called “junk bonds”) are typically rated below investment grade by one or more of the rating agencies or, if not rated, are determined to be of equivalent quality. High yield securities are considered speculative investments that 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 or the expectation of adverse market, economic or political conditions. High yield securities, which are typically issued by smaller, less credit worthy companies or by highly indebted companies, pay investors a premium (i.e., a higher interest rate or yield) because of the increased risk of loss.
- **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 will fall. The risk associated with rising interest rate increases are heightened given recent increases in short-term interest rates and the possibility of further rate increases with unpredictable effects on the markets and a portfolio’s investments.
- **Inventory Risk**: The market-making capacity in 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.
- **Depository Receipts Risk:** Investments in depository receipts, such as ADRs and GDRs, involve many of the same risks of investing directly in foreign securities, including, for example, risks related to adverse political and economic developments unique to a country or region, currency fluctuations or controls and the possibility of expropriation, nationalization or confiscatory taxation. Depository receipts also involve risks not experienced when investing directly in the equity securities of an issuer. ADRs may be less liquid than the underlying shares in their primary foreign trading market. Investment restrictions in certain countries also may adversely affect the value of ADRs because such restrictions may limit the ability to convert foreign equity securities into ADRs and vice versa. Such restrictions may cause the equity securities of the foreign company to trade at a discount or premium to the market price of the related ADR.
- **Derivatives Risk:** The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives. These risks are heightened when a portfolio uses derivatives to enhance return or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held by a portfolio. The success of a derivatives strategies will also be affected by the ability of the Adviser to assess and predict the impact of market or economic developments on the underlying asset, index or rate and the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. Derivatives involve the risk of mispricing or improper valuation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, index or rate. Certain derivative positions may be difficult to close out when the Adviser may believe it would be appropriate to do so. Also, suitable derivative transactions may not be available in all circumstances and there can be no assurance that a portfolio will engage in these transactions to reduce exposure to other risks when that would be beneficial.
- **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."

- *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.
  - *Issuer Risk:* The value of a security may fluctuate for a variety of reasons that relate to the issuer, including, but not limited to, earnings prospects and overall financial position, management performance and reduced demand for the issuer's products and services.
  - *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.
- *ESG Risk:* The incorporation of AMUS's ESG criteria into its investment process may cause a client portfolio to forgo investment opportunities available to portfolios that do not use these criteria, or to increase or decrease its exposure to certain sectors or types of issuers, which could cause a portfolio to perform differently compared to portfolios that do not consider ESG criteria in the investment process. In evaluating an issuer or guarantor, AMUS is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could adversely affect the analysis of ESG criteria relevant to a particular issuer or guarantor. Moreover, AMUS's evaluation of ESG criteria may vary

from that of other portfolios or their investment advisers because there are no generally accepted standards for ESG disclosure or evaluation.

Investing on the basis of ESG criteria is qualitative and subjective by nature and there can be no assurances that the process utilized by any third-party data providers or any judgment exercised by AMUS will reflect the beliefs or values of any particular investor. Moreover, AMUS's assessment of an issuer or guarantor may change over time, which could cause a portfolio to hold securities that no longer meet AMUS's minimum ESG criteria. Constraints imposed by regulations applicable to certain portfolios (such as regulated funds) or other considerations relating to credit quality, liquidity or yield, may limit AMUS's ability to implement investment recommendations arising from the implementation of its ESG criteria.

- *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.
- *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.
- *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* Certain transactions may give rise to a form of leverage. Such transactions may include derivatives. The use of reverse repurchase agreements and when-issued, delayed delivery or forward commitment transactions may also create leverage. The use of leverage may cause a portfolio to liquidate portfolio positions when it may not be advantageous to do so. Leveraging, including borrowing, may cause a Fund to be more volatile than if a Fund had not been leveraged. This is because leverage tends to increase a Fund's exposure to market risk, interest rate risk or other risks by, in effect, increasing assets available for investment.
- *Liquidity Risk* A portfolio may not be able to sell some or all of its investments at desired prices or without significant dilution to remaining investors' interests, or may be unable to sell investments at all, due to a lack of demand in the market for, or a reduction in the number or capacity of market

participants making a market in, such investments. Additionally, a portfolio may, at times, hold illiquid investments, by virtue of the absence of a readily available market for certain of its investments, because of legal or contractual restrictions on sales, or because of extended local market closures due to holidays or otherwise. 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.

- *Loan-Related Investments Risk:* In addition to risks generally associated with debt investments, loan-related investments, such as loan participations and assignments, are subject to other risks. Although a loan obligation may be fully collateralized at the time of acquisition, the collateral may decline in value, be or become illiquid or less liquid, or lose all or substantially all of its value subsequent to investment. Many loan investments are subject to legal or contractual restrictions on resale and may be or become illiquid or less liquid and difficult to value. There is less readily available, reliable information about most loan investments than is the case for many other types of securities, and the Adviser and/or Sub-adviser relies primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. The ability of the Funds to realize full value in the event of the need to sell a loan investment may be impaired by the lack of an active trading market for certain loans or adverse market conditions limiting liquidity. The market for loan obligations may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Because transactions in many loans are subject to extended trade settlement periods, a Fund may not receive the proceeds from the sale of a loan for a period after the sale. As a result, sale proceeds related to the sale of loans may not be available to make additional investments or to meet a Fund's redemption obligations for a period after the sale of the loans, which may cause a Fund to sell other investments or engage in borrowing transactions to raise cash to meet its obligations. A Fund may also hold a larger position in cash and cash items to limit the impact of extended trade settlement periods, which may adversely impact the Fund's performance. In addition, substantial increases in interest rates may cause an increase in loan obligation defaults.

With respect to loan participations, a Fund may not always have direct recourse against a borrower if the borrower fails to pay scheduled principal and/or interest; may be subject to greater delays, expenses and risks than if the Fund had purchased a direct obligation of the borrower; and may be regarded as the creditor of the agent lender (rather than the borrower), subjecting the Fund to the creditworthiness of that lender as well and the ability of the lender to enforce appropriate credit remedies against the borrower. Investors in loans, such as a Fund, may not be entitled to rely on the anti-fraud protections of the federal securities laws, although they may be entitled to contractual remedies. However, a Fund's risk with respect to an investment is increased to the extent that the agreement does not provide for such remedies or contain other protective covenants.

Senior loans hold the most senior position in the capital structure of a business entity, and are typically secured with specific collateral and have a claim on the assets and/or stock of the borrower that is senior to that held by subordinated debt holders and stockholders of the borrower. Nevertheless, senior loans are usually rated below investment grade. Because second lien loans are subordinated or unsecured and thus lower in priority of payment to senior loans, they are subject to the additional risk

that the cash flow of the borrower and property securing the loan or debt, if any, may be insufficient to meet scheduled payments after giving effect to the senior secured obligations of the borrower. This risk is generally higher for subordinated unsecured loans or debt, which are not backed by a security interest in any specific collateral. Second lien loans generally have greater price volatility than senior loans and may be less liquid.

- *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, regulatory or market conditions. Issuer, political, economic, regulatory, social or market developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. In the short term, a portfolio's investments can fluctuate dramatically in response to these developments. Different parts of the market and different types of securities can react differently to these developments. Moreover, the conditions in one country or geographic region could adversely affect a portfolio's investments in a different country or geographic region due to increasingly interconnected global economies and financial markets. Even when markets perform well, there is no assurance that the investments held will increase in value along with the broader market. In addition, market risk includes the risk that geopolitical events will disrupt the economy on a regional, national or global level. For instance, terrorism, regional conflicts, market manipulation, government defaults, government shutdowns, and natural/environmental disasters, the spread of infectious illness or other public health threats can all negatively impact the securities markets, which could cause a portfolio to lose value. For example, the recent outbreak of an infectious respiratory illness caused by a novel strain of coronavirus (known as COVID-19) has caused volatility, severe market dislocations and liquidity constraints in markets around the world. The transmission of COVID-19 and efforts to contain its spread have resulted in severe macroeconomic disruptions, exchange closures, travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, quarantines, event and service cancellations or interruptions, disruptions to business operations (including staff furloughs and reductions) and supply chains, and a reduction in consumer and business spending, as well as general concern and uncertainty that has negatively affected the economy. Such events, or other disruptions caused by social, political, or economic conditions or other events, could adversely impact issuers, markets and economies over the short- and long-term, including in ways that cannot be foreseen. Any market disruptions could also prevent a portfolio from executing advantageous investment decisions in a timely manner. Portfolios that have focused their investments in a region enduring geopolitical or other types of market disruption will face higher risks.
- *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.

- *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.
- *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.

- *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.
- *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 relative size of the governmental entity's debt or its failure to implement economic reforms required by the International Monetary Fund, or other multilateral agencies. There is no generally established legal process for collecting sovereign debts that a government does not pay nor are there bankruptcy proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.
- *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.
- *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, which are 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 portfolio's value to decrease. Swap agreements also may be considered to be illiquid. Certain standardized swaps are subject to mandatory central clearing. Central clearing is expected to reduce counterparty credit risk and increase liquidity, but central clearing does not make swap transactions risk free.
- *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.

### 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. 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 propriety 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<sup>1</sup>, 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.

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<sup>1</sup> Related Person is any advisory affiliate and any person that is under common control with HSBC Global Asset Management (USA) Inc.

HSI offers to its clients shares in investment companies and other pooled investment vehicles to which AMUS serves as investment adviser.

AMUS is a wholly owned direct subsidiary of HSBC USA, a FHC under the BHCA. 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. It also provides investment advisory services to other pooled investment vehicles sponsored by other HSBC Group 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' personal trading activities are subject to minimum holding period requirements. Employees of AMUS must obtain written approval prior to engaging in certain security transactions, including those in private placements. In addition, certain employees of AMUS 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 trades in a security or similar instrument for their personal account seven calendar days before and after AMUS has executed an order in that security on behalf of an advisory client or fund. 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 emerging market, or other potentially 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"<sup>2</sup>, 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.

### **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**

AMUS maintains governance around the approvals of 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 maybe 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), relevant AMUS function performs checks to confirm compliance with sanctions and other regulatory requirements.

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<sup>2</sup> Best price is defined as the highest price in a sale and the lowest price in a purchase.

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 announced changes to a counterparty's OTC credit quality. Agency credit ratings, and default risk assessment framework is leveraged to evaluate the counterparty credit risk ratings, which are reviewed periodically. All approvals and changes to the Counterparty Approval List and applicable Counterparty Limits are noted at the AMUS Risk Management Meeting. Approvals for repurchase agreement trading and direct trading of time deposits, commercial paper, certificate of deposits are derived from the AMUS investment team list of approved Liquidity issuers.

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.

#### **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. 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**

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.

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.

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, a percentage of gross sales or a combination of the three, or may be calculated on another appropriate basis. These payments are in addition to commissions and 12b-1 fees, servicing fees and sales charges borne by shareholders. The making of the above 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.

## **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](mailto: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.