

MARKS & SPENCER HIGH INCOME FUND

PROSPECTUS

17 FEBRUARY 2026

This document is the Prospectus of the Marks & Spencer High Income Fund, valid as at 17 February 2026. It contains the information the Financial Conduct Authority requires us to publish about the Marks & Spencer High Income Fund.

It is intended to provide comprehensive details to help investors make a balanced and informed decision about the merits of participating in the Fund.

The Financial Conduct Authority has made detailed rules that state exactly what we can, and cannot, include in this document. This means it contains a lot of technical information, much of which needs to be written in legal terms.

This document is important and you should read all the information contained in it carefully. You should note that there are risks associated with investments in this Fund. These are summarised in the section titled 'Risks' on page 31.

If you are in any doubt about its contents please call us on 0808 005 5555\* or contact your independent financial adviser.

\*Lines are open from 8am to 6pm Monday to Friday (closed weekends and public holidays). Opening hours may be restricted over the Christmas period. Please contact us for details. If you are calling from abroad, please call +44 1244 688632. Calls are recorded.

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## 1. DEFINITIONS

“**Accumulation Unit**” means a type of Unit where the income earned by the Fund is retained in the Fund.

“**the Act**” means the Financial Services and Markets Act 2000

“**Actively Managed**” means where the Investment Manager uses their expertise to pick investments to achieve the fund’s objectives.

“**Annual Management Charge**” means the ongoing fee paid to the Authorised Fund Manager for managing the Fund, usually charged as a percentage of the value of the Fund.

“**Approved Bank**” has the meaning set out in the FCA Rules.

“**Approved Counterparty**” means an FCA approved company whose permission includes dealing in investments as principal with respect to derivatives which are not listed on an exchange.

“**Approved Security**” means those classes of securities which are negotiable on capital markets, such as shares in companies or other securities equivalent to shares in companies, bonds or other forms of securities debt and any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange. For further details, please refer to the restrictions section on page 12.

“**Asset Allocation**” means dividing the money invested in a fund across different assets, such as different types of bonds, in different geographical areas or by industry sectors such as oil and gas or financial companies.

“**Asset Backed Securities**” means securities backed by assets which will include credit card receivables, home equity loans, student loans and auto loans as well as mortgage-backed securities which are pooled mortgages sold to investors. These types of investment sit within the fixed-income sector.

“**Associate**” means a subsidiary of the HSBC Group.

“**Auditors**” means KPMG Audit LLP.

“**Authorised Fund Manager**” means Marks and Spencer Unit Trust Management Limited.

“**Bank**” means any UK authorised bank where we have a Client Money bank account to hold uninvested cash.

“**Bond**” or “**Bonds**” means a loan, usually to a company or government that pays interest.

“**Bond Future**” means a contract stating that the holder agrees to purchase a bond or bonds at a particular price on a specified future date.

“**Business Day**” means any day other than a Saturday, a Sunday or a bank holiday in England and any other days at the Manager’s discretion.

“**Canadian Resident**” means:

1. An individual, if
  - (a) the individual’s primary principal residence is located in Canada; or
  - (b) the individual is physically located in Canada at the time of the offer, sale or other relevant activity.
2. A corporation, if
  - (a) the corporation’s head office or principal office is located in Canada; or
  - (b) securities of the corporation that entitle the holder to elect a majority of the directors are held by Canadian Resident individuals (as described above) or by legal persons resident or otherwise located in Canada; or
  - (c) the individuals that make investment decisions or provide instructions on behalf of the corporation are Canadian Resident individuals (as described above).
3. A trust, if
  - (a) the principal office of the trust (if any) is located in Canada; or
  - (b) the trustee, or in the case of multiple trustees, the majority of trustees, are Canadian Resident individuals (as described above) or are legal persons resident or otherwise located in Canada; or
  - (c) the individuals that make investment decisions or provide instructions on behalf of the trust are Canadian Resident individuals (as described above).

4. A partnership, if
- (a) the partnership's head office or principal office (if any) is located in Canada; or
  - (b) the holders of the majority of the interests of or in the partnership are held by Canadian Residents (as described above); or
  - (c) the general partner (if any) is a Canadian Resident (as described above); or
  - (d) the individuals that make investment decisions or provide instructions on behalf of the partnership are Canadian Resident individuals (as described above).

**"Client Money"** means money received and held by the Manager on behalf of Unitholders of the Fund.

**"Client Money Rules"** means the Client Asset Sourcebook (CASS) contained in the Financial Conduct Authority Rules.

**"Collective Investment Scheme"** means a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property.

**"Contingent Convertible Bonds or Securities"** means bonds that are issued by a company that may be converted to shares of a company if a pre-specified event occurs.

**"Convertible Bonds"** means bonds that are issued by a company that may be converted to shares of the company.

**"Covered Bonds"** means bonds that are issued by a bank or mortgage company that are covered by a pool of assets in case the issuer becomes insolvent.

**"Credit Rating"** means an assessment of the credit risk of a company, government or other organisation. It seeks to measure how likely it is that the issuer of a bond will be able to continue to make interest payments and repay the money loaned to it.

**"Currency Forward Contracts"** means a contract in the foreign exchange market that locks in the exchange rate for the purchase or sale of a currency on a future date.

**"Custodian"** means HSBC Bank plc.

**"Derivative"** or **"Derivatives"** means investments whose value is linked to another investment, or to the performance of a stock exchange or to some other variable factor, such as interest rates.

**"EEA"** means European Economic Area.

**"EEA UCITS"** means a collective investment scheme established in accordance with the UCITS Directive in the EEA.

**"Efficient Portfolio Management (EPM)"** means managing the Fund in a way that is designed to reduce risk or cost and/or generate income or growth.

**"Eligible Derivatives Markets"** means derivative markets which the Manager, after consultation with and notification to the Trustee, has decided are appropriate for the purpose of investment of or dealing in the scheme property in accordance with the FCA Rules.

**"Eligible Institution"** means one of certain institutions being a CRD credit institution authorised by its Home State regulator or a MiFID investment firm authorised by the FCA or an EEA MiFID investment firm authorised by its Home State Regulator.

**"Emerging Markets"** means countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body.

**"Equity"** or **"Equities"** means shares issued by a company.

**"ESG"** means environmental, social and governance factors which can be considered as non-financial performance indicators which include ethical, sustainable and corporate governance issues.

**"EU"** means European Union.

**"Exchange Traded"** means a type of investment that is traded on a stock exchange.

**"FCA"** means the Financial Conduct Authority, or its successor organisation.

**"FCA Rules"** means the rules of the FCA that apply to your Unitholding.

**“Financial Crime”** means money laundering, terrorist financing, bribery, corruption, tax evasion, fraud, evasion of economic or trade sanctions and/or any attempts to circumvent or violate any laws relating to these matters.

**“Fund”** means the Marks & Spencer High Income Fund.

**“Growth”** means the increase in the value of investments.

**“Hedging”** means using derivative type investments as a way to reduce risk.

**“High Yield Bond”** means a bond paying a higher level of interest but which has a lower credit rating than investment grade.

**“HMRC”** means HM Revenue & Customs.

**“HSBC Group”** means HSBC Holdings plc and its subsidiaries, as defined in Section 1159 of the Companies Act 2006.

**“Income”** means money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its unitholders or retained in the fund and reinvested.

**“Income Unit”** means a type of Unit where the Income earned by the Fund is paid out to you;

**“Initial Charge”** means an up-front fee paid to the Authorised Fund Manager when you buy Units.

**“Investment Adviser”** means HSBC Global Asset Management (USA) Inc.

**“Investment Grade”** means a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it.

**“Investment Manager”** means HSBC Global Asset Management (UK) Limited.

**“ISAs”** means Individual Savings Accounts.

**“Liquidity”** means the degree to which an investment can be quickly bought or sold on a market without affecting its price.

**“Long term”** means more than five years.

**“Manager”** means the Authorised Fund Manager, Marks and Spencer Unit Trust Management Limited.

**“Money Market Instruments”** means investments usually issued by banks or governments that are a loan to the issuer by the buyer, held over a short period of time. The buyer receives interest and the return of the original amount at the end of a certain period.

**“Ongoing Charges Figure (OCF)”** means a measure of what it costs to invest in a fund. It includes the fee paid to the Authorised Fund Manager and other operating costs.

**“Over-the-counter”** means a contract that is traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary.

**“Quasi Sovereign Bonds”** means bonds majority owned by the Government.

**“Register of Holders”** means the Register of Unitholders maintained by the Registrar.

**“Registrar”** means Marks and Spencer Unit Trust Management Limited.

**“Regulated Market”** means a UK recognised investment exchange or an EU regulated market as defined in the FCA Rules.

**“Regulations”** means: the Financial Services and Markets Act 2000, and in relation to ISAs:

- Income and Corporate Taxes Act 1988
- Finance Act 1992
- Taxes of Chargeable Gains Act 1992
- The Individual Savings Account Regulations 1998
- The HMRC Guidance Notes for ISA Managers.

**“Return”** means the money made or lost on an investment.

**“Rules”** means the FCA Collective Investment Schemes Sourcebook (‘COLL’).

“Share” or “Shares” means a portion in a company representing part ownership of a company.

“Sub-Investment grade” means a credit rating that indicates the issuer of a bond has a relatively higher risk of being unable to make interest payments and repay the money to it. This includes bond issuers that are unrated.

“Supplementary Instruments” means Supplementary deeds to the Trust Deed.

“TAA” means Tactical Asset Allocation.

“Trust Deed” means the Trust Deed constituting the Fund dated 6 February 1997, as amended, supplemented or restated from time to time.

“Trustee” means State Street Trustees Limited.

“UCITS” means Undertaking for Collective Investment in Transferable Securities. This will include a UCITS scheme or an EEA UCITS scheme as defined in the FCA Rules.

“UCITS Directive” means the Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

“UCITS scheme” means a UK UCITS.

“UK UCITS” means, in accordance with sections 236A and 237 of the Act, a collective investment scheme which may consist of several sub-funds, which is either an authorised unit trust scheme, an authorised contractual scheme, or an authorised open-ended investment company, and has identified itself as a UCITS in its prospectus and has been authorised accordingly by the FCA.

“UK UCITS Rules” means the Collective Investment Schemes Sourcebook (COLL) and the Collective Investment Schemes (Amendment etc) (EU Exit) Regulations 2019 No.325 as amended or replaced from time to time.

“UNGC” means the United Nations Global Compact, which is a corporate sustainability initiative to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption and take strategic actions to advance broader societal goals

“Unit” or “Units” means a Unit in the Fund. An equal portion representing part ownership of a unit trust fund (note: ‘Share’ has a similar meaning but for funds structured as corporate entities such as an open-ended investment company).

“Unitholder” means the registered holder for the time being of Units including persons jointly so registered.

“UK” means United Kingdom.

“US” means the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction.

“USD” means United States Dollar.

“US Law” means the laws of the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction. US Law shall additionally include all applicable FCA Rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission.

“US Person” means the following:

1. An individual who:
  - (a) is a US Citizen (including all persons born in the US) who has not formally renounced his/her citizenship (including a person with dual or multiple nationality or citizenship) even though he/she may reside outside of the US;
  - (b) is a resident of the US (indicia that a person may be a US resident includes a US address (including primary mailing, residential and business address);
  - (c) is a resident of, or an individual who was born in, American Samoa;
  - (d) is a US Permanent Resident (also known as a Green Card Holder) (even if not actually living in the US); or,
  - (e) is otherwise considered a resident of the US for US tax purposes (also known as a US Resident Alien).
2. An entity that is:
  - (a) a corporation, partnership or limited liability company, business, association, joint-stock company, fund or any similar form of enterprise that was created or organised under the laws of the US;

- (b) a corporation, partnership or limited liability company, business, association, joint-stock company, fund or any similar form of enterprise regardless of place of creation or organization,
    - (i) that was formed and/or owned by one or more USPs,
    - (ii) in which one or more USPs, directly or indirectly, holds 10% or greater ownership,
    - (iii) where a USP is the general partner, managing member, managing director or otherwise holds a position with authority for directing the entity's activities,
    - (iv) is engaged in a trade or business in the US for federal income tax purposes provided, however, a corporation is not engaged in trade or business in the US for federal income tax purposes if its activities are limited to investing in securities and other financial assets and it is not involved in the sale of goods or provision of services in the US, or
    - (v) is an agency or branch of a non-US entity located in the US.
  - (c) any pension plan for the employees, officers or principals of any corporation, partnership or limited liability company, business, association, joint-stock company, fund or any similar form of enterprise described in the prior two items, unless the plan is primarily for foreign employees of the entity.
  - (d) a trust created or organized under the laws of the US;
  - (e) a trust, regardless of the place of creation or organization,
    - (i) where one or more USPs has the authority to control all substantial decisions of the trust, or
    - (ii) where the administration of the trust or its formation documents are subject to the supervision of one or more US courts, or
    - (iii) where any settlor, founder, trustee, or other person responsible for decisions related to the trust is a USP, or
    - (iv) if the trust is engaged in a trade or business in the US for federal income tax purposes provided, however, a trust is not engaged in trade or business in the US for federal income tax purposes if its activities are limited to investing in securities and other financial assets and it is not involved in the sale of goods or provision of services in the US, or
    - (v) where the trust is taxable in the US on its worldwide income.
  - (f) an estate of a deceased person (regardless of where the person resided while alive) that is,
    - (i) taxable in the US on its worldwide income,
    - (ii) if the decedent was a resident of the US at the time of death, or
    - (iii) executed or administered by a USP, unless, in the case of (ii), the estate is governed by non-US law and there is another executor or administrator who is not a USP and who has sole or shared investment discretion over the assets of the estate.
  - (g) a commodity pool, pooled account, investment fund or other collective investment vehicle that is not otherwise described above and that is majority-owned by one or more USPs, unless such vehicle is publicly offered only to non-USPs and is not offered to USPs,
3. A government (including any political subdivision, agency or instrumentality thereof) of the US, a state, territory, or possession of the US, or the District of Columbia.
  4. A discretionary or non-discretionary investment account (individual or joint) or similar account (other than an estate or trust) held by a non-US dealer or other fiduciary for the benefit or account of a USP (as defined above).

The Manager may, from time to time, waive or modify the above restrictions.

**“Valuation Point”** means 8am on every Business Day.

**“Volatility”** means a measure of the size and frequency of changes in the value of an investment over a short space of time.

**“Yield”** means the income from an investment, usually stated as a percentage of the value of the investment.

Words and phrases in this document and defined in the FCA Rules (but not here) shall bear the same meaning as in the FCA Rules unless the context shall otherwise require.

## 2. DESCRIPTION OF THE FUND

The Fund is called the Marks & Spencer High Income Fund (“the Fund”).

The Fund is an authorised unit trust scheme. Unitholders are not liable for the debts of the Fund.

The Fund is a UK UCITS.

The Fund is authorised by the Financial Conduct Authority (“the FCA”). It was authorised on 13 February 1997 with Product Reference Number 182047.

The base currency of the Fund is pounds sterling.

The Trustee will wind-up the Fund under the following circumstances:

- (i) if the order declaring the Fund to be an authorised unit trust scheme is revoked, or
- (ii) if the Manager or the Trustee requests the FCA to revoke the order declaring the Fund to be an authorised unit trust scheme and the FCA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of the Fund, the FCA will accede to that request, or
- (iii) on the effective date of a duly approved scheme of arrangement which is to result in the Fund being left with no property.

If any of these events occur, the FCA Rules concerning pricing and dealing will cease to apply, the Trustee shall cease the creation and cancellation of Units and the Manager will stop buying and selling Units.

In the case of a scheme of arrangement referred to in paragraph (iii) above, the Trustee will wind-up the Fund in accordance with the scheme of arrangement. In any other case, the Trustee shall, as soon as practicable after the Fund falls to be wound-up, realise the assets of the Fund and, after paying or obtaining adequate provision for all liabilities properly payable and retaining provision for the costs of the winding-up, distribute the proceeds to the Unitholders and the Manager proportionately to the size of their Unitholdings as at the date of the relevant event leading to the winding up.

Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after twelve months from the date the proceeds became payable shall be paid by the Trustee into court, although the Trustee will have the right to retain any expenses incurred in making and relating to that payment.

The Trustee, and one or more Unitholders may agree the requirement to realise the Fund property does not apply to that part of the property proportionate to that of those Unitholders. In that case the Trustee may distribute that part in the form of property, after making adjustments or retaining provisions as appears to the Trustee, appropriate for ensuring that those Unitholders bear a proportionate share of the liability and costs.

On completion of the winding-up, the Trustee or the Manager shall request the FCA to revoke the order of authorisation.

### **3. INVESTMENT OBJECTIVE, POLICY AND STRATEGY**

There are risks associated with investments in this Fund. These are summarised in the section titled 'Risks' on page 31. The Manager uses certain terms and phrases when describing the investment objective and policy these are explained in the Definitions on pages 4 to 8.

#### **Objective:**

The Fund's objective is to provide a high level of income. We define a high level of income as equal to, or in excess of, the average yield of the funds in the Fund's Investment Association sector, the Strategic Bond sector, over a three year period.

#### **Policy:**

The Manager may invest in fixed and variable rate bonds and bonds that can be converted to shares (equities), of companies, called convertible bonds and money market funds. The Fund may invest in bonds indirectly by investing up to 20% in collective investment schemes. The Fund may invest up to 5% in contingent convertible bonds (CoCos) and an additional 5% in convertible bonds. At any time the portfolio may contain a combination of any or all of the aforementioned bonds and money market funds from anywhere in the world.

Generally, the Fund invests in transferable securities listed or traded on an eligible securities market with power to invest in recently issued transferable securities which are to be so listed or traded.

However, transferable securities that are not approved securities may be held within the Fund provided the total of such securities does not exceed 10% in value of the property of the Fund. This 10% limit is inclusive of recently issued securities.

The Fund may invest directly in derivatives for efficient portfolio management which means investment techniques that aim to reduce risks, reduce costs, or generate additional capital or income with a level of risk that is consistent with the risk profile of the Fund. The collective investment schemes that the Fund may invest in may use derivatives for wider investment purposes in addition to efficient portfolio management. The Fund will only invest in such collective investment schemes where this is consistent with the overall risk profile of the Fund.

The Manager's investment policy may mean that at times it is appropriate not to fully invest but instead to also hold cash or near cash. This will only occur when the Manager reasonably regards it as necessary to enable Units to be redeemed or for the efficient management of the Fund in accordance with its objectives or purpose that may reasonably be regarded as ancillary to the objectives of the Funds.

The Manager has determined that the Fund will not invest directly in securities issued by companies that are considered, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of controversial

weapons, including but not limited to cluster munitions and/or anti-personnel mines. Please refer to the investment restrictions section of this Prospectus on page 12.

### **Investment Strategy**

The Manager has appointed HSBC Global Asset Management (UK) Limited as investment manager (the “Investment Manager”) to provide investment management services to the Manager in respect of the Fund. The Fund is structured to deliver the investment objective through the investment process which aims to identify bonds that have an attractive value relative to the wider range of bonds available.

Investment will be made in a mix of corporate and government bonds that are issued globally, emerging markets and US high yield bonds, quasi-sovereign bonds and asset backed securities which may be both higher risk bonds rated by Standard and Poor’s below BBB- including unrated bonds (called ‘sub-investment grade’/‘high yield’) and lower risk bonds (called ‘investment grade’) of any duration. The Fund may invest directly in bonds or indirectly via collective investment schemes.

The allocations to these asset classes will vary through time and are reviewed and adjusted to meet the fund’s investment objective at least annually. Asset allocation describes the way the Investment Manager divides the Fund’s investment across the mix of different asset classes such as the different type of bonds in which the fund invests; these are outlined above. Further details in relation to the asset allocation are published in the annual and half yearly reports.

The Investment Manager has sub-delegated the management of a portion of the Fund to HSBC Global Asset Management (USA) Inc as investment adviser. The investment adviser aims to provide income by investing in emerging markets and US high yield bonds, quasi-sovereign bonds and in bonds issued by companies which have their registered office in emerging markets and the USA, primarily denominated in US Dollar.

### **Use of benchmarks**

The Fund is actively managed, and the Investment Manager uses their expertise to pick investments. The Fund is managed with reference to the Fund’s Investment Association sector, the Strategic Bond sector. The Investment Manager aims to provide a level of income as equal to, or in excess of, the average yield of funds in the Fund’s Investment Association sector, the Strategic Bond sector over a three year period.

The Investment Association Strategic Bond sector has been selected as an income target and a measure for performance of the Fund because it consists of funds similar to the Fund. Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. Further information on the Investment Association sectors can be found at [www.theia.org](http://www.theia.org).

To obtain the latest income yield of the Fund or that of the Investment Association Strategic Bond sector, please call us on 0808 005 5555.

### **Use of derivatives**

The Fund may invest directly in exchange traded and over-the-counter derivatives in accordance with the investment restrictions on page 12. In particular, bond futures may be used with the aim of managing the overall bond duration.

Currency forward contracts will be used to gain exposure to currencies or with the aim of hedging against movements in the rate of exchange between Sterling and the currency in which the bonds and other assets may be denominated.

The collective investment schemes that the Fund may invest in may use derivatives for wider investment purposes in addition to efficient portfolio management. The Fund will only invest in such collective investment schemes where this is consistent with the overall risk profile of the Fund.

### **Additional information**

Payments in respect of the Manager’s periodic charge and other permitted charges or expenses are treated as capital expenses. This may constrain capital growth.

### **Eligible securities and derivatives markets**

Eligible securities and derivatives markets are eligible for the purposes of the FCA Rules if they are a regulated market (as defined in the FCA Rules) or, are a market in the United Kingdom or an EEA State which is regulated, operates regularly, and is open to the public. The Manager could decide, following consultation with and notification to the Trustee, that a market is appropriate for investment of, or dealing in scheme property, providing it is included in a list in this Prospectus, and the Trustee has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market, and that all reasonable steps have been taken by the Manager in deciding whether that market is eligible.

The eligible securities and derivatives on which the Investment Manager and Investment Adviser may trade on behalf of the Fund must be listed on one or more eligible securities or derivatives markets (although trades for the Fund may be executed off such markets if deemed appropriate to obtain best execution).

The eligible securities and derivatives markets are:

<b>United Kingdom of Great Britain and Northern Ireland</b>	London Stock Exchange (LSE) Alternative Investment Market (AIM) ICE Futures Europe NEX Exchange Over-the-counter market (OTC)
<b>European Economic Area countries</b>	
<b>Austria</b>	Wiener Börse AG (Vienna Stock Exchange)
<b>Belgium</b>	Euronext Brussels
<b>Cyprus</b>	Cyprus Stock Exchange (CSE)
<b>Czech Republic</b>	The Prague Stock Exchange (PSE)
<b>Denmark</b>	Nasdaq Copenhagen
<b>Estonia</b>	Nasdaq Baltic
<b>Finland</b>	Nasdaq Helsinki
<b>France</b>	Euronext Paris
<b>Germany</b>	Deutsche Börse AG Group - The Frankfurt Stock Exchange and EUREX Exchange
<b>Greece</b>	Athens Exchange SA Group (ATHEX)
<b>Hungary</b>	Budapest Stock Exchange (BSE)
<b>Iceland</b>	Nasdaq Iceland
<b>Ireland</b>	Euronext Dublin
<b>Italy</b>	Borsa Italiana (Italian Stock Exchange)
<b>Latvia</b>	Nasdaq Baltic
<b>Lithuania</b>	Nasdaq Baltic
<b>Luxembourg</b>	The Luxembourg Stock Exchange (BdL)
<b>Malta</b>	Malta Stock Exchange
<b>Netherlands</b>	Euronext Amsterdam
<b>Norway</b>	Oslo Bors (OSE)
<b>Poland</b>	Warsaw Stock Exchange Group (WSE)
<b>Portugal</b>	Euronext Lisbon
<b>Romania</b>	Bucharest Stock Exchange (BSE)
<b>Slovak Republic</b>	Bratislava Stock Exchange (BSSE)
<b>Slovenia</b>	Ljubljana Stock Exchange (LjSE)
<b>Spain</b>	Bolsas y Mercados Espanoles (BME) (official secondary markets); Madrid (main), Bilbao, Barcelona and Valencia
<b>Sweden</b>	Nasdaq Stockholm
<b>Rest of the world</b>	
<b>Australia</b>	Australian Securities Exchange Limited (ASX)
<b>Brazil</b>	B3 - Brasil Bolsa Balcão S.A
<b>Canada</b>	TMX Group Inc - Toronto Stock Exchange (TSX) Montreal Exchange (ME) TSX Venture Exchange
<b>Channel Islands</b>	The International Stock Exchange (TISE)
<b>Chile</b>	Santiago Stock Exchange
<b>Egypt</b>	Egyptian Stock Exchange (EGX)
<b>Hong Kong</b>	Stock Exchange of Hong Kong (SEHK) Growth Enterprise Market (GEM) The Hong Kong Exchanges and Clearing Co Ltd (HKEx)
<b>Indonesia</b>	Indonesia Stock Exchange (IDX)
<b>Israel</b>	Tel Aviv Stock Exchange
<b>Japan</b>	Tokyo Stock Exchange (TSE) Osaka Exchange (OSE) Nagoya Stock Exchange (NSE) Fukuoka Stock Exchange (FSE) Sapporo Securities Exchange (SSE)
<b>Korea (Republic of)</b>	The Korea Exchange (KRX)
<b>Kuwait</b>	Kuwait Stock Exchange (KSE)
<b>Malaysia</b>	Bursa Malaysia Securities & Derivatives Berhad (BMSB & BMDB) The Labuan International Financial Exchange (LFX)

<b>Mexico</b>	Bolsa Mexicana de Valores (BMV)
<b>New Zealand</b>	NZX Limited (NSX)
<b>Peru</b>	Lima Stock Exchange
<b>Philippines</b>	Philippine Stock Exchange Inc (PSE)
<b>Qatar</b>	Qatar Stock Exchange (QE)
<b>Russia</b>	MICEX-RTS
<b>Singapore</b>	Singapore Exchange Ltd (SGX)
<b>South Africa</b>	The Johannesburg Securities Exchange (JSE)
<b>Switzerland</b>	SIX Swiss Exchange
<b>Thailand</b>	The Stock Exchange of Thailand (SET)
<b>Turkey</b>	Borsa Istanbul (BIST)
<b>United Arab Emirates</b>	Dubai Financial Market (DFM)
<b>United States of America</b>	New York Stock Exchange (NYSE) NASDAQ Stock Market CME Group Over-the-Counter Market (OTC)

### **Borrowing powers**

The Trustee may, on the instruction of the Manager and subject to the Rules, borrow money for the use of the Fund on the terms that the borrowing is to be repayable out of the property of the Fund from an 'eligible institution', or an approved bank (as defined in the FCA Rules).

Borrowing must be on a temporary basis, must not be persistent, and in any event the borrowing period must not exceed three months without the prior consent of the Trustee, which may be given only on such conditions that appear appropriate to the Trustee to ensure that the borrowing does not cease to be on a temporary basis. The Manager must ensure that borrowing does not, on any Business Day, exceed 10% in value of the property of the Fund. These borrowing restrictions do not apply to back to back borrowing for currency hedging purposes (ie borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

### **Restrictions**

The Fund will be invested at all times to ensure that it is a qualifying investment for ISAs.

The Manager may exercise in respect of the Fund the full authority and powers permitted by the Rules, subject to the investment objective, investment policy, and restrictions set out in this Prospectus.

The following investment limits shall apply to the Fund:

- (a) No more than 5% in value of the property of the Fund may be invested in transferable securities, or approved money market instruments, other than government and public securities, issued by any one body. As an exception to this, up to 10% in value of the property of the Fund may be invested in such securities if the value of all such holdings does not exceed 40% of the value of the property of the Fund.
- (b) No more than 20% in value of the scheme property is to consist of deposits with a single body.
- (c) No more than 5% of the value of the property of the Fund may consist of covered bonds issued by any single body, but this limit may be increased to 10% of such value, provided that the total value of all those investments exceeding the 5% limit does not exceed 40% of the value of the property of the Fund.
- (d) Up to 35% of the property of the Fund may be invested in government and public securities issued by one issuer, provided that the issuers are among the following:
  - (i) a central authority or the United Kingdom or an EEA State,
  - (ii) a local authority of the United Kingdom or an EEA State,
  - (iii) a non-EEA State, or
  - (iv) a public international body to which the United Kingdom or one or more EEA States belong. Subject to this restriction, there is no limit on the amount of the property of the Fund which may be invested in government and public securities or in any one issue.
- (e) Up to 15 % of the value of the property of Fund can consist of approved money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time. A UK UCITS scheme may invest in an approved money-market instrument if it is:
  1. (i) admitted to or dealt in on an eligible market which is a regulated market;
  - (ii) dealt in a market in the United Kingdom or a state of the EEA which is regulated and operates regularly and is open to the public; or

- (iii) admitted to or dealt in any market which the Manager after consultation and notification to the Trustee decides is appropriate; or
2. an approved money-market instrument issued or guaranteed by:
- (i) a central, regional or local authority or central bank of the United Kingdom or an EEA state, the Bank of England, the European Central Bank, the European Union or the European Investment Bank, a non-EEA state or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which the United Kingdom or one or more EEA states belong; or
  - (ii) an establishment subject to prudential supervision in accordance with criteria defined by UK or EU law or an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by UK or EU law; or
3. issued by a body, any securities of which are dealt in on an eligible market.

Up to 10% of the value of the Fund may consist of money market instruments not referred to above, providing the total value of the property of the Fund held in money market instruments does not exceed 15%.

(f) The Fund must not acquire:

- (i) transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10% of those securities issued by that body corporate, or more than 10% of the debt securities issued by any single body, or
- (ii) more than 25% of the units in a collective investment scheme, or
- (iii) more than 10% of the approved money market instruments issued by any single body.

(g) Up to 5% in value of the property of the Fund may consist of warrants, provided that warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene the Rules or the limits of the Fund.

(h) Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing or potential call for any sum unpaid could be paid by the Fund at any time when the payment is required without contravening the Rules.

(i) Up to 20% in value of the property of the Fund may be invested in units or shares of other collective investment schemes ('second scheme') including those managed or operated by the Manager or an associate of the Manager provided the second scheme is:

- (i) a UCITS scheme or a scheme which satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive (as defined in the Rules); or
- (ii) a recognised scheme that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man, provided the requirements laid down in Chapter 5 of the FCA's Collective Investment Schemes Sourcebook (COLL 5.2.13AR) are met; or
- (iii) authorised as a non-UCITS retail scheme, provided the requirements in Chapter 5 of the FCA's Collective Investment Schemes rules (COLL 5.2.13AR(1), (3) and (4)) are met; or
- (iv) authorised in an EEA member state provided the requirements in Chapter 5 of the FCA's Collective Investment Schemes rules (COLL 5.2.13AR) are met; or
- (v) authorised by the competent authority of an OECD member country (other than an EEA state) which has:-
  - (1) signed the International Organization of Securities Commissions Multilateral Memorandum of Understanding; and
  - (2) approved the Scheme's management company, rules and Trustee/custody arrangements

and provided further that no more than 20% of the value of the Fund may be invested within (ii) – (v) above and the requirements in Chapter 5 of the FCA's Collective Investment Schemes Sourcebook (COLL 5.2.13AR) are met.

Each scheme under (h), (i)- (v) above must have terms which prohibit more than 10% in value of the scheme property consisting of units in other collective investment schemes, where the second scheme is an umbrella, the provisions of the Rules apply to each sub-fund of the umbrella as if it were a separate scheme. Investment can be made in collective investment schemes managed by the Manager or an associate. In such cases the FCA Rules impose a duty on the Manager to meet any initial or redemption charges which may be payable.

No more than 20% of the scheme property of the Fund shall consist of units or shares in any one second scheme.

- (j) The Manager must not acquire, or cause to be acquired for the Fund, transferable securities issued by any single body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of the body corporate if immediately before acquisition the aggregate of any such securities held for the Fund, taken together with any such securities already held for other authorised unit trusts of which it is also the manager, gives the Manager power significantly to influence the conduct of business of that body corporate or the acquisition gives the manager that power. The Manager is taken to have such power if it can, because of the transferable securities held for all the authorised unit trusts of which it is manager, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for these purposes any temporary suspension of voting rights in respect of the transferable securities of that body corporate).
- (k) In addition to the application of the individual limited as set out in this prospectus, not more than 20% of the value of the property of the Fund is to consist of any combination of two or more of the following:
  - (i) transferable securities or approved money market instruments issued by; or
  - (ii) deposits made with; or
  - (iii) exposures from over-the-counter derivatives (“OTC”) transactions made with a single body
- (l) No more than 20% of the value of the property of the Fund is to consist of transferable securities and approved money market instruments issued by the same group.
- (m) The Fund shall not invest in securities issued by companies that are considered by the Manager, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel mines and/or depleted uranium shieldings and ammunition.

A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund if the consent of the Trustee is obtained in writing. However, in the event of a consequent breach, the Manager must then take the necessary steps to restore compliance with the investment limits.

#### **Derivatives transactions**

**The Fund may use financial derivative instruments for the purposes of efficient portfolio management (EPM) including hedging the portfolio from foreign exchange risks. Any trading in derivatives will be controlled so that it does not increase the risk profile of the Fund.**

The techniques and instruments used must relate to asset classes otherwise permitted for the Fund. Permitted transactions include derivatives transactions (involving options, futures, and contracts for differences), or forward transactions in a currency. A derivatives transaction must be in an approved derivative, or in certain circumstances an off-exchange option (involving an option or a contract for differences resembling an option), or a synthetic future. Approved derivatives are derivatives dealt in or traded on derivatives markets which are eligible. Eligible derivatives markets are those which the Manager, after consultation with and notification to the Trustee, has decided are appropriate for the purpose of investment of or dealing in the property of the Fund with regard to the relevant criteria set out in the Rules and the guidance on eligible markets issued by the FCA as amended from time to time.

The eligible derivatives markets for the Fund are listed above.

Derivatives including forward transactions which would or could lead to delivery of property to the Trustee, may be entered into only if such property can be held by the Fund, and the Manager has taken reasonable care to determine that delivery of the property pursuant to the transaction will not lead to a breach of the Rules.

There is no limit on the amount of the property of the Fund which may be used for EPM purposes, but the transaction must be economically appropriate in that it is realised in a cost effective way for the purposes of efficient portfolio management, and the exposure must be fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise.

For the purposes of financial derivative instruments, EPM refers to techniques and instruments which relate to transferable securities which fulfil the following criteria;

- (a) They are economically appropriate in that they are realised in a cost effective way;
- (b) They are entered into for one or more of the following specific aims:
  - (i) reduction of risk;
  - (ii) reduction of cost;
  - (iii) generation of additional capital or income, with a level of risk that is consistent with the risk profile of the Fund. There is an acceptably low level of risk in any case where the Manager reasonably believes that the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit.

- (c) Where the Fund takes advantage of pricing imperfections in relation to the acquisition and disposal of rights in relation to the same or equivalent property being property, which the Fund holds or may properly hold, or
- (d) Where the Fund receives a premium for the writing of a covered call option or a covered put option (even if the benefit is obtained at the expense of the change of yet greater benefit), or
- (e) Pursuant to stocklending as permitted by the Rules referred to below.

Permitted transactions for those purposes (excluding stocklending transactions) are forward currency transactions with approved counterparties and transactions in:

- (a) Approved derivatives (that is options, futures or contracts for differences which are dealt in or traded on an eligible derivatives markets);
- (b) Off-exchange derivatives (that is futures, options or contract for differences resembling options with a counterparty falling within certain specified categories and meeting certain other criteria); or
- (c) Synthetic futures (that is derivatives transactions in the nature of composite derivatives created out of two options bought and written on the same eligible derivatives market and having certain characteristics in common).

There is no limit on the amount of the scheme property of any Fund which may be used for transactions for the purposes of EPM.

The relevant purpose must relate to property of the Fund, property (whether precisely identified or not) which is to be or is proposed to be acquired for the Fund, and anticipated cash receipts of the Fund, if due to be received at some time and likely to be received within one month.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements, and the time available to liquidate the positions.

The use of these EPM instruments/techniques does not change the objective of the Fund or add substantial risk in comparison to the original risk policy of the Fund.

As mentioned above, a transaction must be economically appropriate in that it is realised in a cost effective way for the efficient portfolio management of the Fund. This means that, for transactions undertaken to reduce the risk or cost (or both), the transaction alone, or in combination will diminish a risk or cost of a kind or level which it is sensible to reduce and, for a transaction undertaken to generate additional capital or income, so-called 'enhancement strategies', the Fund is certain (or barring certain events which are not reasonably foreseeable) to derive a benefit from the transaction. EPM may not include speculative transactions.

The aims of reduction of risk or cost together or separately, allow the Manager to utilise the technique of Tactical Asset Allocation ("TAA"), TAA permits the Manager to undertake a switch in exposure by use of derivatives rather than by sale and purchase of the underlying property. TAA may only be used by the Fund on a temporary basis. If a transaction relates to the acquisition or potential acquisition of transferable securities, the Manager must intend that the Fund should invest in transferable securities within a reasonable time, and the Manager must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.

The counterparty exposure to a single counterparty resulting from OTC derivative positions shall not exceed 5% of the scheme property value; this limit is raised to 10% where the counterparty is an approved bank (as defined in the Rules).

With regard to cover, each transaction must be covered "individually" by property of the right kind (ie appropriate stock or property for exposure in terms of property; cash or "near cash" for exposure in terms of cash) and also "globally" (ie after providing cover for existing transactions there is adequate cover for another transaction within the property of the Fund so that there can be no gearing). Property and cash can be used only once for cover.

Any lending transaction which is a back to back currency borrowing does not require cover.

Derivative exposure is monitored using the commitment approach. Under the commitment approach, the net exposure of derivatives (Global Exposure) cannot exceed 100% of the Fund's net asset value. There are complex rules to translate the derivatives held by the Fund into equivalent amounts of underlying assets. Other rules relate to the process of netting offsetting exposures to determine the overall net exposure of derivatives, also referred to as Global Exposure or Leverage.

### **Stocklending**

Stocklending is permitted when it reasonably appears to the Manager to be economically appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

Such transactions must always comply with the relevant requirements of the Regulations and must also comply with the relevant requirements of the Rules. There is no limit on the value of the property of the Fund, which may be the subject of stocklending transactions. Currently the Fund does not undertake stocklending.

#### 4. BEST EXECUTION

The Manager does not directly manage the investments held in the Fund. Therefore, it does not execute, or transmit to other firms, orders to deal in financial instruments in respect of the Fund. Fund management has been delegated to the Investment Manager who has sub delegated a portion of the management of the Fund to the Investment Adviser. The Investment Manager and Investment Adviser each have in place a Best Execution Policy to ensure that they take all sufficient steps to ensure the best possible result when executing themselves, or transmitting to other firms, orders in financial instruments on behalf of the Fund. To achieve this, the Investment Manager and Investment Adviser will take into account the following factors: price, cost, speed, likelihood of execution and settlement, size, nature of the order, and any other consideration relevant to the execution of the order. The relative importance of these factors will depend on the Fund's investment objective, investment policy, risks detailed in this Prospectus, and the investment management agreements. The Investment Manager and Investment Adviser are required to monitor the effectiveness of their order execution arrangements, correct any deficiencies, and review at least annually their Best Execution Policy.

To view the Best Execution Policy – Client Disclosure Statement please go to [www.assetmanagement.hsbc.co.uk](http://www.assetmanagement.hsbc.co.uk) and choose "Individual investor" or "Financial intermediary" / "About us" / "Our Governance", or a copy can be obtained by calling us on 0808 005 5555, or by writing to the Manager at "Savings & Investments Team", M&S Bank, PO Box 329, Wymondham, NR18 8HA.

#### 5. FUND PROPERTY – EXERCISING VOTING RIGHTS

The Manager does not directly exercise voting rights in respect of Fund property. The Investment Manager's policy on exercising any voting rights on the underlying assets of the Fund is available on [www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/governance](http://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/governance), or [www.assetmanagement.hsbc.co.uk/en/intermediary/about-us/governance](http://www.assetmanagement.hsbc.co.uk/en/intermediary/about-us/governance). Alternatively a copy can be obtained by calling us on 0808 005 55 55 or by writing to the Manager at "Savings & Investments Team", M&S Bank, PO Box 329, Wymondham, NR18 8HA.

#### 6. TYPICAL INVESTOR PROFILE

The Fund is aimed at investors who are looking for their capital to generate income by participating in a diversified portfolio investing in stock markets around the world. Investors will be willing to invest for a period of at least 5 years and are aware that returns are not guaranteed.

#### 7. HISTORICAL PERFORMANCE

	31/01/20 to 31/01/21	31/01/21 to 31/01/22	31/01/22 to 31/01/23	31/01/23 to 31/01/24	31/01/24 to 31/01/25
High Income Fund	2.7%	-3.3%	-11.8%	5.0%	6.7%
Investment Association Strategic Bond Sector	4.6%	-0.6%	-7.3%	4.8%	5.7%

Past performance reflects the annual accounting period for this Fund which ends on 31 January of each year.

Figures are on a bid to bid basis with net income reinvested. The performance figures exclude an initial charge if applied by the Fund.

Source: Morningstar.

**This information relates to the past, and past performance is no guarantee of future performance.**

#### 8. FUND DOCUMENTATION

On request the key investor information document ("KIID"), the supplementary information document ("SID") and the annual and half-yearly reports, are available free of charge in English. To obtain these please contact the Manager by visiting [marksandspencer.com/investments](http://marksandspencer.com/investments), calling us on 0808 005 5555 or by writing to M&S Savings and Investments team, M&S Bank, PO Box 329, Wymondham, NR18 8HA.

The Trust Deed and supplementary instruments are also obtainable from the offices of the Manager, free of charge, to Unitholders and to prospective purchasers of Units.

## 9. DISTRIBUTIONS

The accounting reference date of the Fund (the date on which the annual accounting period ends) is 31 January in each year and the half yearly ('interim') accounting period ends on 31 July in each year.

It is intended to distribute all of the income that has accrued at the interim date, and it is not envisaged that the income distributed within the annual accounting period will be smoothed.

The income from your Units will be distributed quarterly, the annual distribution will be distributed on or before 31 March in each year and on or before the interim allocation dates as per the table below:

Distribution Period	Payment Date
1 February- 30 April	30 June
1 May – 31 July	30 September
1 August- 31 October	31 December
1 November – 31 January	31 March

The first income allocation after you purchase Units may include what is known as an income equalisation amount: this is an amount which reflects the accrued net income per Unit included in the price of Units purchased during the relevant accounting period. It is calculated by adding up the total income attributable to all Units sold in an accounting period, during which income is earned and dividing this sum by the number of Units sold in that accounting period. The reason for this procedure is to 'equalise' the position of investors who buy Units at different times in an accounting period, because part of what you are paying for when you buy a Unit is the next income payment. For taxation purposes this equalisation amount is treated as a capital repayment, not income.

When distribution is due the income generated by the investments will be transferred to the distribution account and allocated between Accumulation Units and Income Units as below:

- Accumulation Units - The income will be transferred to the capital property of the Fund.
- Income Units - The income will be sent by crossed warrant to the first named holder on the Register of Holders at the address recorded on the Register of Holders, or by electronic or other means of bank transfer to the nominated bank account of the first named Unitholder.

Any distributions remaining unclaimed after six years will be transferred to and become a part of the capital property of the Fund. Thereafter, neither the payee, the holder, or any successor in title to it will have any right except as part of the capital property.

The annual and half-yearly reports are prepared for the annual accounting period ending 31 January and half-yearly (interim) accounting period ending 31 July. Copies of the report are obtainable from the registered offices of the Manager on request. The annual report will be available within four months of the end of the annual accounting period and the interim report within two months of the end of the half-yearly (interim) accounting period.

From 2020 and on an annual basis, the Manager carries out an assessment of value for the Fund that is approved by the Board of Directors. A summary of the value assessment for the Fund is contained within the Manager's Report and Accounts which is available from [marksandspencer.com/investments](https://marksandspencer.com/investments) or by calling the Investor helpline 0808 005 5555 or +44 1244 688632 if calling from abroad. Lines are open from 8am to 6pm Monday to Friday (closed weekend and public holidays). Please be aware that opening hours may be restricted over the Christmas period, please contact us for details. Calls may be recorded.

## 10. TYPE OF UNITS

Accumulation Units and Income Units are offered.

Income Unit Unitholders receive the gross income generated from the investment. For Accumulation Units the gross income generated by the investments will accumulate in the Fund.

The nature of the right represented by a Unit is that of a beneficial interest under a trust.

Unitholders are entitled to participate in the property of the Fund and the income from that property in proportion to the number of undivided shares in the Fund represented by Units held by them. An Income Unit represents one undivided share in the property of the Fund.

Each undivided share ranks equal with the other undivided shares in the Fund.

Units held in a stocks and shares Individual Savings Account (ISA) will be registered jointly in the name of the account Manager as the first named Unitholder and account holder as the second named Unitholder.

## **11. UNITHOLDER VOTING RIGHTS**

A meeting of Unitholders duly convened and held may, by extraordinary resolution require, authorise or approve any act, matters, or document in respect of which any resolution is required or expressly contemplated by the Regulations. A meeting of Unitholders has no other powers.

Unitholders will receive notice of any meeting of Unitholders. At any meeting of Unitholders, on a show of hands every Unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, shall have a vote. On a poll, every Unitholder who is present or by proxy shall have one vote for every complete undivided share in the property of the Fund, and a further part of one vote proportionate to any fraction of such undivided share of which they are the Unitholder. A Unitholder entitled to more than one vote need not, if they vote, use all their votes or cast all the votes they use in the same way.

In the context of despatch of a notice of meeting, "Unitholders" means the persons who were entered in the Register of Holders seven days before the notice of meeting was given, but excluding the persons who are known not to be entered on the Register of Holders at the date of despatch of the notice. In the context of voting, "Unitholders" means those persons who were entered on the Register of Holders seven days before the notice of meeting was given, but excluding any persons who are known not to be entered on the Register of Holders at the date of the meeting.

The Manager is only entitled to count to the quorum and vote at a meeting in respect of Units which it holds on behalf of or jointly with a person who, if himself the sole registered Unitholder, would be entitled to vote and from whom it has received voting instructions.

Associates of the Manager are entitled to be counted in a quorum and, if they hold Units on behalf of or jointly with a person who would have been entitled to vote if he had been a registered Unitholder, and they have received voting instructions from that person, the associate of the Manager may vote in respect of such Units pursuant to such instruction.

## **12. MANAGER**

Marks and Spencer Unit Trust Management Limited ("the Manager") is the Manager of the Fund.

The Manager is a limited liability company incorporated in England and Wales on 9 May 1988.

Registered office: Kings Meadow, Chester Business Park, Chester CH99 9FB.

Head office and principal place of business: Kings Meadow, Chester Business Park, Chester CH99 9FB.

Issued share capital: 3,000,000 ordinary shares of £1 each and fully paid up.

The ultimate holding company is HSBC Holdings plc whose registered and principal office is 8 Canada Square London E14 5HQ and which is incorporated in England and Wales. The company's principal business activity is to provide a comprehensive range of domestic and international banking and financial services.

The Manager is also the manager of the following authorised unit trust schemes: The Marks and Spencer Worldwide Managed Fund, The Marks and Spencer UK Selection Portfolio and Marks & Spencer UK 100 Companies Fund.

### **Directors:**

Colin O'Flaherty, Chief Executive Officer of Marks & Spencer Financial Services plc and Chief Executive and Executive Director of Marks and Spencer Unit Trust Management Limited.

Phillip Scott, Director of Marks & Spencer Financial Services plc and Marks and Spencer Unit Trust Management Limited.

Jenny Fiona Goldie-Scot, Chairman and Independent Non-Executive Director of Marks and Spencer Unit Trust Management Limited

Simon John Calver, Chairman of Marks & Spencer Financial Services plc and Independent Non-Executive Director of Marks and Spencer Unit Trust Management Limited.

## **13. DELEGATED FUNCTIONS**

The Manager has delegated the following functions to the firms listed:

Function delegated	Name of firm(s)
Fund accounting (pricing and valuation)	HSBC Bank plc
Fund management (Investment Manager and Investment Adviser appointed with discretion to manage fund assets within the investment guidelines established by the Manager)	HSBC Global Asset Management (UK) Limited (who has sub-delegated the management of a portion of the Fund to the Investment Adviser, HSBC Global Asset Management (USA) Inc.)
Performance of some administrative processes.	HSBC Global Resourcing (UK) Limited

#### 14. TRUSTEE

State Street Trustees Limited (registered no. 2982384) is the Trustee of the Fund. It is a private company limited by shares incorporated in England and Wales on 24 October 1994. The registered office of the Trustee is 20 Churchill Place, London, E14 5HJ. The Trustee's principal business activity is acting as trustee and depository of collective investment schemes. It is authorised and regulated by the Financial Conduct Authority.

The Trustee is responsible for the safekeeping of all the scheme property of the Fund. In carrying out its duties the Trustee shall act honestly, fairly, professionally, independently and solely in the interests of the Fund and its Unitholders.

In addition to its safekeeping role, the Trustee carries out a number of additional duties and functions, including:

- ensuring that the sale, issue, repurchase, redemption and cancellation of Units are conducted in accordance with the relevant FCA Rules, applicable law, the Trust Deed and the Prospectus;
- ensuring that Units are valued in accordance with the relevant FCA Rules, applicable law, the Trust Deed and the Prospectus;
- carrying out the instructions of the Manager unless these conflict with relevant FCA Rules, applicable law, the Trust Deed or the Prospectus;
- ensuring that for transactions involving the assets of a Fund, any consideration is remitted within the usual time limits;
- ensuring that the income of a Fund is applied in accordance with the relevant FCA Rules, applicable law, the Trust Deed and the Prospectus;
- monitoring the cash and cash flows of each Fund;
- safe-keeping of financial instruments to be held in custody and ownership verification and record keeping in relation to other assets.

Subject to the FCA Rules, the Trustee may delegate (and authorise its delegates to sub-delegate) performance of some or all of its safe-keeping obligations to eligible custodians provided that:

- (i) the services are not delegated with the intention of avoiding the applicable regulatory requirements;
- (ii) there is an objective reason justifying the delegation; and
- (iii) due, skill, care and diligence is exercised in the selection and appointment of any third party to whom it delegates safe-keeping services, and it continues to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any delegate and of the arrangements of that delegate in respect of the matters delegated to it. The Trustee's responsibility for the performance of tasks delegated, and its liability for default in performance, is not affected by any delegation.

The Trustee has delegated safekeeping functions to HSBC Bank plc as global custodian. HSBC Bank plc has further delegated safe-keeping tasks to its sub-custodians. Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix 1 to the Prospectus.

The Trustee provides its services under an agreement dated 14 April 2016 between the Trustee and the Manager ("the Depository Agreement").

The Trustee is entitled to receive remuneration out of the property of the Funds for its services as set out under Remuneration of the Trustee on page 23 of this Prospectus. The Trustee is under no obligation to account to the Manager, the Fund or the Unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with the dealings in Units of the Fund, any transaction in scheme property or the supply of services to the Fund.

The Depositary Agreement may be terminated on 90 days' written notice by either party, or sooner in the event of a material breach of the Depositary Agreement. The Trustee may not retire voluntarily or otherwise be replaced except upon the appointment of a new trustee.

If there is a loss of financial instruments held in custody, determined in accordance with the UCITS Directive, the Trustee shall return financial instruments of identical type or the corresponding amount to the Fund without undue delay. However, the Trustee will not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary pursuant to the UCITS Directive.

In case of a loss of financial instruments in custody, the Unitholders may invoke the liability of the Trustee directly or indirectly through the Fund provided that this does not lead to a duplication of redress or to unequal treatment of the Unitholders. The Trustee is indemnified by the Fund against all liabilities suffered or incurred by the Trustee by reason of the proper performance of the Trustee's duties under the terms of the Depositary Agreement save where any such liabilities arise as a result of the Trustee's negligence, fraud, bad faith, willful default or recklessness of the Trustee or the loss of financial instruments held in custody. The Trustee will be liable to the Fund for all other losses suffered by the Fund as a result of the Trustee's negligent or intentional failure to properly fulfil its obligations pursuant to the UCITS Directive.

The Trustee shall not be liable for consequential or indirect or special damages or losses, arising out of or in connection with the performance or non-performance by the Trustee of its duties and obligations.

### **Conflicts of Interest**

The Trustee is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Such conflicts of interest may arise where the Trustee or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Arrangements which may give rise to conflicts of interest include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Manager or the Fund;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Manager or the Fund either as principal and in the interests of itself, or as an agent for other clients.

In connection with the above activities the Trustee and/or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and except as required by law, the Trustee is not bound to disclose to, the Fund or its Unitholders any such profits or compensation in any form earned by affiliates of the Trustee or the Trustee when acting in any other capacity;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments either as principal acting in its own interests, or as an agent acting in the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken on behalf of the Fund or Manager, even where such trading is based upon information that is not available to the Fund or the Manager;
- (iv) may provide the same or similar services to other clients including competitors of the Fund and the fee arrangements it has in place will vary;
- (v) may be granted creditors' and other rights by the Fund, e.g. indemnification, which it may exercise in its own interest. In exercising such rights the Trustee or its affiliates may have the advantage of an increased knowledge about the affairs of the Fund relative to third party creditors thus improving its ability to enforce and may exercise such rights in a way that may conflict with the Fund's strategy.

The Fund or the Manager on behalf of the Fund may use an affiliate of the Trustee to execute foreign exchange, spot or swap transactions for the account of the Fund. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Fund. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Fund or its Unitholders. The affiliate shall enter into such transactions on the terms and conditions agreed with the Fund or the Manager on behalf of the Fund. The Trustee will not, except as required by law, disclose any profit made by such affiliates.

Where cash belonging to the Fund is deposited with an affiliate being a bank, cash is not segregated from its own assets and a conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as Trustee. The Manager may also be a client or counterparty of the Trustee (or its affiliates) and a conflict may arise where the Trustee refuses to act if the Manager directs, or otherwise instructs the Trustee to take certain actions that might be in direct conflict with the interests of the investors in a Fund. The types and levels of risk that the Trustee is willing to accept may conflict with the preferred investment policy and strategy.

Potential conflicts that may arise in the Trustee's use of sub-custodians include the following broad categories:

- (1) our global custodian and sub-custodians seek to make a profit as part of or in addition to their custody services. Examples include profit through the fees and other charges for the services, profit from deposit taking activities, revenue from sweeps and repo arrangements, foreign exchange transactions, contractual settlement, error correction (where consistent with applicable law) and commissions for sale of fractional shares;
- (2) the Trustee will typically only provide trustee services where global custody is delegated to an affiliate of the Trustee. Our global custodian in turn appoints a network of affiliated and non-affiliated sub-custodians. Multiple factors influence the determination of our global custodian to engage a particular sub-custodian or allocate assets to them, including their expertise and capabilities, financial condition, service platforms and commitment to the custody business as well as the negotiated fee structure (which may include terms that result in fee reductions or rebates to the global custodian), significant business relationships and competitive considerations;
- (3) sub-custodians, both affiliated and non-affiliated, act for other clients and in their own proprietary interest, which might conflict with clients' interests and the fee arrangements they have in place will vary;
- (4) sub-custodians, both affiliated and non-affiliated, have only indirect relationships with clients and look to the Trustee as its counterparty, which might create incentive for the Trustee to act in its self-interest, or other clients' interests to the detriment of clients; and
- (5) sub-custodians may have creditors' rights against client assets and other rights that they have an interest in enforcing.

In carrying out its duties the Trustee shall act honestly, fairly, professionally, independently and solely in the interests of the Fund and its Unitholders.

The Trustee has functionally and hierarchically separated the performance of its trustee tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest to be properly identified, managed, and monitored. Additionally, in the context of the Trustee's use of sub-custodians, the Trustee imposes contractual restrictions to address some of the potential conflicts and maintains due diligence and oversight of sub-custodians. The Trustee makes available frequent reporting on clients' activity and holdings, with the underlying sub-custodians subject to internal and external control audits. Finally, the Trustee segregates the Fund's assets from its proprietary assets and follows a Standard of Conduct that requires employees to act ethically, fairly, and transparently with clients.

#### **Global Conflicts of Interest policy**

State Street has implemented a global policy laying down the standards required for identifying, assessing, recording, and managing all conflicts of interest which may arise in the course of business. Each State Street business unit, including the Trustee, is responsible for establishing and maintaining a Conflicts of Interest Program for the purpose of identifying and managing organisational conflicts of interest that may arise within the business unit in connection with providing services to its clients, or in delivering its functional responsibilities.

Up-to-date information on the Trustee, its duties, any conflicts that may arise, the safe-keeping functions delegated by the Trustee, the list of delegates and sub-delegates, and any conflicts of interest that may arise from such a delegation will be made available to Unitholders on request.

#### **15. INVESTMENT MANAGER**

The Manager has selected as Investment Manager of the Fund HSBC Global Asset Management (UK) Limited who is authorised and regulated by the Financial Conduct Authority.

HSBC Global Asset Management (UK) Limited is in the same group of companies as the Manager. Its registered office is at 8 Canada Square, London E14 5HQ. The principal activity of the Investment Manager the provision of investment management services to the Fund.

The Investment Manager also gives investment advice to persons other than this Fund.

The investment Manager has discretion to manage and make purchases and sales of the assets of the Fund within the investment guidelines established by the Manager, having regard to the investment policy of the Fund and the investment restrictions, efficient portfolio management and the borrowing powers of the Fund.

The Investment Manager has been appointed under a written agreement with the Manager dated 3 August 2005. Under the agreement, the Manager pays a fee to the Investment Manager. The agreement can be terminated by either party by providing notice to the other in writing or forthwith by any party on certain events involving default, insolvency or if it is in the interest of the Unitholders.

The Investment Manager can select investment advisers to manage the assets of the Fund on a day to day basis. These investment advisers will be selected on both their proven skills and experience in managing funds, and also their ability to continue to generate good returns having regard to the investment policy of the Fund and the investment restrictions, efficient portfolio management, and the borrowing powers of the Fund.

The Investment Manager has delegated the management of a portion of the Fund to:

HSBC Global Asset Management (USA) Inc, registered with the Securities and Exchange Commission in the USA. Registered office: 452 Fifth Avenue, 7th Floor, New York, NY 10018, USA.

## **16. AUDITOR**

The Auditors of the Fund are KPMG Audit LLP, 15 Canada Square, London, E14 5GL.

## **17. REGISTRAR**

The Registrar is Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester CH99 9FB.

The Register of Holders and the plan register may be inspected by Unitholders during normal business hours at Kings Meadow, Chester Business Park, Chester CH99 9FB.

The Registrar is entitled to a fee for the maintenance of the Register of Holders. The present charge is nil per Unitholder per annum.

## **18. CONFLICTS OF INTEREST**

The Manager is part of the HSBC Group of companies. The following is the HSBC Group Conflicts of Interest Policy in respect of the Fund:

The HSBC Group is a worldwide financial organisation, offering a wide range of financial services to its clients. As such, it, or a company with whom it has an association (HSBC), may from time to time have interests which conflict with its clients' interests, or with the duties that it owes to its clients. These include conflicts arising between the interests of HSBC, its associates, and employees on the one hand and the interests of its clients on the other, and also conflicts between clients themselves (including the Fund). Such conflicts may result in a restriction in trading certain securities due to relationships in other parts of HSBC, or due to sensitive information to which the Manager becomes party.

HSBC has established procedures which are designed to identify and manage such conflicts. These include organisational and administrative arrangements to safeguard the interests of clients. A key element of this policy is that persons engaged in different business activities involving a conflict of interest must carry on those activities independently of one another. Where necessary, HSBC maintains arrangements which restrict the flow of information to certain employees in order to protect its clients' interests, and to prevent improper access to client information.

HSBC may also deal as Principal for its own investment account and may be matching transactions with another client. Procedures are in place in order to protect the client's interest in this instance.

In some cases, HSBC's procedures and controls may not be sufficient to ensure that a potential conflict of interest does not damage a client's interests. In these circumstances, HSBC may consider it appropriate to disclose the potential conflict to the client and obtain the client's formal consent to proceed. However, HSBC may decline to act in any circumstance where there is residual risk of damage to the interests of any client.

In managing conflicts, account is taken of the potential for the Manager or other companies within the HSBC Group ("HSBC") to be in a position where:

- HSBC benefits financially, at the expense of the Fund.
- HSBC has an interest in the outcome of a service, activity or transaction (provided to the Fund or another client) which is distinct from the Fund's or the interest in that outcome.
- HSBC has an incentive to favour the interests of another client over the interests of the Fund.
- HSBC carries on the same activities for the Fund and for another client.
- HSBC receives (from a person other than the Fund) an inducement in relation to management activities provided to the Fund, other than the standard commission or fee for that service.

In particular, the Manager and other companies within the HSBC Group may, from time to time, act as investment manager or adviser to other funds or sub-funds; the interests of these funds may not always be aligned with those of the Fund. It is therefore possible that the Manager may in the course of its business have potential conflicts of interest with the Fund. The Manager will,

however, have regard in such event to its obligations and fiduciary responsibilities under the Trust Deed and, in particular, to its obligation to act at all times in the best interests of the Fund and its investors, so far as is practicable having regard to its obligations to other clients.

The Manager will ensure that investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Fund than if the potential conflict had not existed.

**If you have any further questions please call us on 0808 005 5555.**

### **Bank Holding Company Act**

The investments made by the Fund may be restricted by rules and regulations applicable to the HSBC Group. These may include but not be limited to; the US Bank Holding Company Act (see further details below), and other banking acts applicable to the UK and Hong Kong. These may restrict the Fund's ability to purchase or hold certain investments, for example HSBC Holdings plc shares. Any such actions will be executed in compliance with applicable law and in a manner consistent with the best interests of the Unitholders of the Fund. Unitholders should also refer to the "Conflicts of Interest" section above. There can be no assurance that the bank regulatory requirements applicable to HSBC Holdings plc and/or the Fund, will not change, or that any such change will not have a material adverse effect on the investments and/or investment performance of the Fund. Subject to applicable law, HSBC Holdings plc and the Manager may in the future, undertake such actions as they deem reasonably necessary (consistent with ensuring any actions remain in the best interests of the Unitholders of the Fund) in order to reduce or eliminate the impact or applicability of any bank regulatory restrictions on the Fund.

HSBC Holdings plc is the parent company of a number of associates involved in the management, investment management and distribution of the Fund. HSBC Holdings plc is regulated by the Federal Reserve in the United States as a Financial Holding Company ("FHC") under the US Bank Holding Company Act (and its associated rules and regulations) (the "BHCA"). As an FHC, the activities of HSBC Holdings plc and its affiliates are subject to certain restrictions imposed by the BHCA. Although HSBC Holdings plc does not own a majority of the Units of the Fund, its relationship with the Fund through the Manager means HSBC Holdings plc may be deemed to "control" the Fund within the meaning of the BHCA. Investors should note that the operations of the Fund, including its investments and transactions, may be restricted in order to comply with the BHCA.

For example, to comply with the BHCA the Fund may be:

- (i) restricted in its ability to make certain investments;
- (ii) restricted in the size of certain investments;
- (iii) subject to a maximum holding period on some or all of its investments; and/or
- (iv) required to liquidate certain investments.

In addition, transactions made between the Fund, the Manager, the investment manager, HSBC Holdings plc and their affiliates may be restricted.

### **19. ONGOING CHARGES FIGURE**

The ongoing charges figure ("OCF") is based upon the Annual Management Charge (as defined in Section 20 below) for the Fund for the relevant accounting period. The other fees and expenses set out in Section 20 below, do not form part of the OCF as these are paid by the Manager.

The OCF is based on actual expenses for the relevant accounting period. This covers all aspects of operating the Fund during the year, including fees paid for investment management, administration and the independent oversight functions. Where the Fund invests in other funds, the OCF figure includes the impact of the charges made in those other funds (these are the Fund Expenses shown in the table below). The OCF does not include payments Unitholders may make to a financial adviser or any other firm through which they invest; Unitholders will pay for these services directly.

The OCF is calculated and reported annually within the Annual Reports. A breakdown of the current OCF as published in the Annual Report & Accounts for the accounting period 1 February 2024 to 31 January 2025 is set out in the table below.

<b>Annual Management Charge</b>	<b>Fund Expenses</b>	<b>Ongoing Charges Figure</b>
0.92%	0.04%	0.96%

### **20. FEES AND EXPENSES OF THE MANAGER**

#### **Initial Charge**

The Manager does not currently impose an initial charge on the purchase of Units.

### **Annual Management Charge**

The Manager receives a periodic charge, calculated at the rate of 0.92% per annum (plus VAT if any) of the value of the property of the Fund, which accrues daily (the "Annual Management Charge"). For this purpose, the assets are valued on a basis mid-way between the bid and offer valuations of the property of the Fund at the first or only Valuation Point on the relevant day. This charge is paid from the Fund's capital property on or as soon as is practicable after the last Business Day of the calendar month.

### **Remuneration of the Trustee**

The Trustee will receive from the Manager, by way of remuneration for its services, a periodic charge which will be paid monthly in arrears. The rate of the Trustee's periodic charge in respect of the Fund will be such rate or rates as agreed from time to time between the Manager and the Trustee.

The rate of periodic charge for the Fund is currently 0.01% per annum of the Net Asset Value of the Fund, on the first £200,000,000, and 0.007% per annum on the balance above £200,000,000.

The charge will be calculated, pro-rata each month, based on the average Net Asset Value of the Fund during each month. Value Added Tax on the amount of the periodic charge will be applied in addition.

In addition, the Trustee is also entitled to be reimbursed by the Manager for expenses properly incurred by the Trustee in performing duties imposed upon it and in exercising powers conferred upon it by the FCA Rules, which include duties and powers imposed or conferred by the general law, together with any VAT payable thereon. The expenses will include, subject to the FCA Rules, charges of the Trustee's nominees and agents. The duties of the Trustee, for which reimbursement may be made, involve and include (without limitation):

- a) Delivery of stock to the Trustee or Custodian,
- b) Custody of assets,

The basis of the charge is a custody fee based on the market value of the assets and an activity fee for transaction settlements. Fixed activity fees, based on geographic spread, are charged monthly on the movement of stocks other than corporate actions, script dividends or stock loans. The present charges range from 1bps\* per annum to 50bps\* per annum of such market value. The current range of transaction charges is between £15 and £120 per transaction.

\*100 basis points (bps) equals 1%.

- c) Collection of income;
- d) Submission of tax returns;
- e) Handling of tax claims;
- f) Preparation of the Trustee's annual report; and
- g) Such other duties as the Trustee is required or empowered by law to perform.

The Custody fees are paid by the Manager of the Fund.

## **21. OTHER PAYMENTS OUT OF THE FUND PROPERTY**

Broker's commission, fiscal charges and other disbursements which are:

- (i) necessary to be incurred in effecting transactions for the Fund, and
- (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate, may be made out of the property of the Fund.

Where there is a liability for value added or similar tax in relation to these payments this will also be paid out of the property of the Fund.

## **22. VALUATION OF FUND PROPERTY**

The property of the Fund is valued at 8am on every Business Day (the "Valuation Point") to determine the buying and selling prices and the cancellation and creation prices. The Manager may at any time during a dealing day carry out an additional valuation of the property of the Fund if he considers it is desirable to do so.

The value of property of the Fund shall be determined in accordance with the Rules.

The maximum price at which Units may be sold by the Manager is arrived at by valuing the assets of the Unit trust on the basis of the cost to the Unit trust of acquiring those assets (ie offer market prices, dealing costs, stamp duty etc), dividing this amount by the number of Units in issue and adding any Manager's initial charge.

The cancellation price is arrived at by valuing the assets on the basis of the amount the Fund would receive if they were sold (eg bid market prices and dealing costs) deducting any expenses and dividing by the number of Units in issue. The Manager sets the buying and selling prices within this permitted range.

Income is accounted for and paid on an effective yield basis rather than a coupon basis for this Fund.

**As we value the Fund at 8am, the price for many securities (e.g. on the European and American stock exchanges) is the closing price from the previous day.**

The cancellation price last notified to the Trustee is available on request from the Manager.

### **Publication of prices**

The prices of all the Funds will be published daily on the internet at [marksandspencer.com/investments](http://marksandspencer.com/investments). You can also obtain the fund prices by calling us on 0808 005 5555. These are previous day's prices and not the ones used for dealing on the day of publication.

## **23. CLIENT MONEY**

The Manager is subject to the rules and guidance contained in the FCA Client Assets (CASS) Sourcebook. Part of the sourcebook provides protection for money received and held by the Manager on behalf of Unitholders in the Fund, referred to as "Client Money", should the Manager become insolvent.

The FCA Client Money Rules permit the Manager to dis-apply the rules and guidance protecting Client Money for a limited period in specific circumstances. This is referred to as the "Delivery versus Payment" exemption.

The Manager may use the Delivery versus Payment exemption to the Client Money Rules in the following situations:

- (i) where you instruct the Manager to buy Units, the money which the Manager receives from you will be paid to the Trustee by close of business on the working day following receipt. The Manager will not treat this money as Client Money under the Client Money Rules. If, for any reason, the Manager continues to hold this money after this period, the Manager will treat it as Client Money under the Client Money Rules; and
- (ii) where you instruct us to sell Units, under the Client Money Rules we have until the close of business on the working day following receipt of the money to pay the redemption proceeds to you. The Manager is not required to treat this money as Client Money under the Client Money Rules. Notwithstanding this, currently the Manager will treat any payment issued as Client Money in accordance with the Client Money Rules.

Where the Manager is required to treat money as Client Money under the Client Money Rules:

- (i) the Bank will hold your Client Money in a trust account separate to any account used to hold money belonging to the Manager in its own right;
- (ii) the Manager will not be responsible for any loss incurred by you resulting from the acts or omissions of the Bank holding your Client Money unless such loss is reasonably foreseeable and is caused by the Manager's breach;
- (iii) if the Bank becomes insolvent the Manager will have a claim on your behalf against the Bank. If, however, the Bank cannot repay all of its creditors any shortfall may have to be shared pro rata between all investors in accordance with the FCA's client money distribution rules contained within the FCA Rules;
- (iv) if the Manager were to become insolvent the FCA's Client Money distribution rules also apply to your Client Money;
- (v) the Manager reserves the right to stop treating money as Client Money and pay it to a registered charity of their choice:
  - (a) where there has been no movement on your holding for a period of at least six years (disregarding any payments or receipts of interest, charges or similar items); and
  - (b) where your balance is more than £25, the Manager has taken reasonable steps to trace you and return the money to you; or
  - (c) where your balance is £25 or less, the Manager has made one attempt to contact you using the most up-to-date contact details they hold for you and not received a response from you within 28 days of the communication having been made; and
- (vi) if you contact the Manager after they have paid away your Client Money balance to a registered charity, the Manager will give you a sum equal to the balance paid away.

## **24. PURCHASE AND REDEMPTION OF UNITS**

Investment in the Fund should be considered a medium to long term investment (ie at least five to ten years). Investors have access to their money at any time.

However, if the Manager has reasonable grounds to believe that an investor is conducting short term trading for which these funds are not appropriate, the Manager reserves the right to reject an instruction, or apply the Unit price prevailing at the next but one Valuation Point, following receipt of an instruction to buy or sell Units.

### **Purchase**

Applications to buy Units in the Fund can be made by calling our dealing desk 0808 005 5555 daily between 8am and 6pm on Business Days. Instructions may be given in writing by completing an application form and sending it to the Manager at "Savings & Investments Team", M&S Bank, PO Box 329, Wymondham, NR18 8HA.

Further information about the Fund, including the latest published unit prices, the key investor information document ("KIID"), the supplementary information document ("SID") and the annual and half-yearly reports, are available free of charge in English. To obtain these please contact the Manager by visiting [marksandspencer.com/investments](http://marksandspencer.com/investments), calling us on 0808 005 5555 or by writing to M&S Savings and Investments team, M&S Bank, PO Box 329, Wymondham, NR18 8HA.

Either Accumulation Units or Income Units can be purchased. Certificates are not issued in respect of Units in the Fund.

You may wish to take out a regular savings plan. You can commence such a plan with an initial lump sum. Regular savings plan contributions are made by monthly Direct Debit.

You will receive a contract note following all lump sum investments into the Fund. However, when you buy Units by monthly Direct Debit you will not be sent a contract note.

A contract note will be issued no later than the next Business Day following the Valuation Point at which Units were purchased confirming the amount invested, the Unit price at which Units were purchased, and the number of Units acquired. If you have not already paid for the Units, settlement will be due by return of post. You will be sent full registration details and advised of the expiry of any applicable cancellation period.

If a cleared payment is not received by the time and date specified in the contract note the instruction to buy units may be cancelled and in such circumstances no Units will be issued to the applicant.

The applicant or their financial intermediary will be liable for the cost of the cancellation. Furthermore, failure to make payment by the date specified may result in the Fund or the Manager bringing an action against the defaulting applicant or their intermediary, or deducting any costs or losses incurred by the Fund or the Manager against any existing holdings of the applicant.

The Manager reserves the right to reject any application in whole or in part. A purchase of Units in writing and/or by telephone is a legally binding contract.

### **Redemption**

Selling your Units is equally straightforward. You can sell either by calling on 0808 005 5555 between 8am and 6pm on Business Days, or by writing to the Manager at "Savings & Investments Team", M&S Bank, PO Box 329, Wymondham, NR18 8HA.

Telephone instructions must be confirmed in writing. Within five working days of receipt of your written instructions confirming a request to sell, properly signed, the Manager will send you payment for the value of your Units.

You may redeem part of your holding.

A redemption of Units in writing and/or by telephone is a legally binding contract.

You will receive a contract note following a redemption of Units, confirming the number of Units sold, the Unit price received for each Unit sold, and the total amount of the redemption proceeds.

Investment into the Units for the purpose of creating a structured product replicating the performance of the Fund is only permitted after entering into an agreement to this effect with the Manager. In the absence of such an agreement, the manager can refuse or repurchase an investment into the Units if this is related to a structured product and deemed by the Manager to potentially conflict with the interest of other Unitholders.

**The manager does not currently accept purchases or repurchases by way of electronic communication.**

## **Money laundering**

Under current UK money laundering legislation, persons conducting investment business are responsible for compliance with money laundering regulations. The Manager is required by the Rules to have in place anti-money laundering systems and controls.

So as to ensure compliance, additional information may be required from Unitholders, including but not limited to, the provision of appropriate identification in certain circumstances whether in respect of the redemption or purchase of Units or distribution of income. Until satisfactory additional information, including proof of identity and address is provided, the Manager reserves the right, in the case of a purchase or transfer of Units, to refuse to carry out the transaction requested and in the case of a redemption of Units, to hold the proceeds in a Client Money account until such time as the appropriate information is received. In the case of a redemption of Units, where appropriate proof of identity and verification of address is not received from you, the Manager also reserves the right to cancel the deal and, in such cases, the Manager may refuse to accept any further instruction to redeem your Units until such time as full identity and verification of address is received.

## **Market Timing**

The Fund is designed and managed to support longer-term investment and active trading is discouraged. Short-term or excessive trading into and out of the Fund may harm performance by disrupting portfolio management strategies and by increasing expenses. The Manager may at its discretion refuse to accept applications for the repurchase or redemption of Units, especially where transactions are deemed disruptive, particularly from possible market timers or investors who, in its opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Fund. For these purposes, the Manager may consider an investor's trading history in the Fund or other Funds and accounts under common ownership or control.

### **Business Day**

A Business Day means any day other than a Saturday, a Sunday or a bank holiday in England.

The Manager reserves the right to deem a Business Day not to be a Business Day. This will normally be preceding or following a bank holiday.

## **Suspension of dealing**

In exceptional circumstances, the Manager may if the Trustee agrees, or shall if the Trustee so requires, at any time, suspend the buying and selling of Units, if the Manager, or the Trustee in the case of a requirement by it, is of the opinion that there is good and sufficient reason to do so having regard to the interests of Unitholders. No Units can be sold or redeemed during this period. Unitholders will be notified of any decision to suspend the buying and selling of Units as soon as practicable after the suspension commences. The Manager and the Trustee will formally review the suspension of dealing at least every 28 days, and Unitholders will be kept informed regarding the suspension, and its likely duration, at [marksandspencer.com/investments](http://marksandspencer.com/investments).

## **Recalculation of prices**

The price of the Units will be recalculated on every Business Day based on the value of the investments held by the Fund at 8am.

## **Minimum size of deals**

The minimum initial lump sum purchase of Units in the Fund is £100. Following this you can make top up investments of £25.

The minimum monthly payment of a regular savings plan is £25.

## **In Specie Redemptions**

If a Unitholder requests the redemption or cancellation of Units representing 5% or more of the Fund's Net Asset Value the Manager may arrange, or the Unitholder may request, that in place of payment of the price of the Units in cash, the Manager cancels the Units and transfers scheme property or, if required by the Unitholder, the net proceeds of sale of relevant scheme property, to the Unitholder.

Before the proceeds of the cancellation of Units become payable, the Manager must give written notice to the Unitholder that the scheme property or the proceeds of the sale of scheme property will be transferred to that Unitholder.

The scheme property to be transferred will be selected by the Manager in consultation with the Trustee with a view to achieving no more advantage or disadvantage to the Unitholder requesting cancellation/redemption than to the continuing Unitholders of the Fund.

The scheme property to be transferred or the proceeds of sale of the relevant scheme property shall be subject to the retention by the Manager of scheme property or cash equivalent in value to any redemption charge under the FCA Rules and any duty or tax, or amounts owing by the Unitholder to the Fund to be paid in relation to the redemption of Units.

### **In Specie Applications**

In exceptional circumstances the Manager may, at its discretion and by special arrangement, agree to arrange for the Fund to issue Units in exchange for assets other than money, provided the Trustee has taken reasonable care to ensure that the acquisition of those assets in exchange for the Units is not likely to result in any material prejudice to the interests of Unitholders of the Fund.

The Manager will ensure that the beneficial interest in the assets is transferred to the Fund with effect from the issue of the Units.

The Manager will not issue Units in the Fund in exchange for assets, the holding of which would be inconsistent with the Investment Objective, Policy, and Investment Restrictions of the Fund.

### **Dealing Restrictions**

The Manager may refuse or delay your application for the purchase of Units or your instruction for the redemption of Units. In these circumstances the Manager will use reasonable endeavours to contact you personally unless it is not permitted to do so. In particular, applications to purchase Units may be refused:

- (a) if the Manager reasonably believes that you are not eligible to hold Units under the terms of the prospectus;
- (b) if the Manager reasonably considers that by accepting your instruction it may break a law, regulation, code, court order or other duty; or
- (c) if the Manager becomes aware or has reason to believe you are resident in or otherwise connected to a country into which we are not permitted to distribute or offer the Units; or
- (d) if, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a US Person, such Unitholder:
  - (i) will be restricted from making any additional investments in the Fund; and
  - (ii) as soon as practicable have its Units compulsorily redeemed by the Fund (subject to the requirements of applicable law).
- (e) if, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a Canadian Resident, such Unitholder will be restricted from making any additional investments in the Fund.

The Manager may, from time to time, waive or modify the above restrictions.

In addition, the Manager also has the right to refuse to sell Units to a prospective investor if there are reasonable grounds relating to the circumstances of the applicant. In this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant.

Units of the Fund may not be offered or sold to any US Person or Canadian Resident.

## **25. COMPULSORY TRANSFER AND REDEMPTION**

Units in the Fund may not be acquired or held by any person in circumstances ("relevant circumstances"):

- (a) which constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, including breach of any anti money laundering law or regulation or breach of any law or regulation relating to Financial Crime and any illegal purpose; or
- (b) which would (or would if other Units were acquired or held in like circumstances) result in the Manager incurring any liability to taxation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory).

In this connection, the Manager may (amongst other things) reject any application, redemption or transfer of Units.

If it comes to the attention of the Manager that any Units ("affected Units") have been acquired or are being held directly or beneficially in any of these relevant circumstances, or where the Unitholder in question is not qualified to hold such Units or if this is reasonably believed to be the case, the Manager may give 30 days' notice (an "action notice") to the holder of the affected Units requiring the transfer of the Units to a person who is qualified or entitled to own them or may give a request in writing for the redemption or cancellation of such Units in accordance with the Rules.

If the Unitholder has been served a notice and does not within 30 days after the date of such notice transfer the Units to a person qualified to own them or establish to the satisfaction of the Manager (whose judgement shall be final and binding) that they and any person on whose behalf they hold the affected Units are qualified and entitled to own them, they may be deemed upon the expiration of the thirty day period to have given a request in writing for the redemption of all the affected Units pursuant to the Rules.

A Unitholder who becomes aware that he has acquired or holds affected Units in any of these relevant circumstances, or by virtue of which he is not qualified to hold such affected Units, shall forthwith, unless he has already received an action notice, either transfer all his affected Units to a person qualified to own them or give a request in writing for the redemption of all his affected Units pursuant to the Rules.

## **26. FORWARD PRICING**

Unitholders buy and sell at the prices calculated by reference to the next Valuation Point following receipt by the Manager of their valid instructions. This is known as 'forward pricing'.

## **27. GENERAL INFORMATION**

The Prospectus, Trust Deed and Supplementary Instruments, Engagement Policy and Retail Customer Target Market Assessment along with the latest KIID, annual and half-yearly reports, may be inspected at, and are obtainable from Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester CH99 9UT.

### **Remuneration Policy**

The Manager has established a remuneration policy for those categories of staff within the HSBC Group, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or the Funds. The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the Manager and the Funds. The remuneration policy is intended to be consistent with the obligation of the Manager act in the best interest of the Funds and unitholders.

The up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are determined and the governance arrangements for determining remuneration and benefits is available at [marksandspencer.com/investments](http://marksandspencer.com/investments). A paper copy is available from the Manager free of charge upon request. Any notice or document will be served on Unitholders by mail or other such form as may be agreed between the parties.

### **Execution only**

Marks & Spencer Unit Trust Management Limited offers an execution-only service, and the Funds are offered without investment advice. As such, we are not required to assess the appropriateness of this service for our investors which means that the protection offered by the Financial Conduct Authority's rules on assessing appropriateness will not apply. It is important to review your investments on a regular basis. If you have any concerns, we recommend you seek independent financial advice. You may be charged for any advice you receive. You can find more information about the M&S unit trusts at [marksandspencer.com/investments](http://marksandspencer.com/investments) or by calling us on 0808 005 5555.

### **Tax Advice**

The tax benefits of a stocks and shares ISA are subject to government legislation and may change in the future. You should remember that the tax law applicable depends on your personal situation and residency status. Please be aware that you need to meet your tax responsibilities in the UK and any other countries where tax rules apply. We can't take any responsibility for this, and we also can't provide tax advice. If you are unclear as to your tax position, you should seek professional advice or contact your tax office for further information.

## **28. TAXATION**

### **General**

The information given in this section is based on UK law and HM Revenue and Customs ("HMRC") practices as known at the date of this document and does not constitute legal or tax advice and applies only to UK Unitholders. The rates and basis of taxation may change in the future. You should remember that the tax law applicable depends on your own personal situation and residency status. It is recommended that investors seek advice from a competent professional advisor concerning their tax position before acquiring Units in this Fund.

### **The Fund**

As the Fund is an authorised unit trust scheme it is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within the Fund.

Corporation tax is payable by the Fund on income net of allowable management expenses. The rate of corporation tax applicable to the Fund is 20%.

Income other than dividends received, is liable to corporation tax after deducting allowable expenses. Where taxable overseas income is received by a Fund after deduction of foreign tax, it may be possible for the Fund to offset such tax against corporation tax liabilities on that income by way of double tax relief.

### **Taxation of Individual Unitholders**

#### *Interest Distributions*

Interest distributions are paid without a deduction of income tax at source.

A Personal Saving Allowance exempts from tax the first £1,000 (in tax year 2025/2026) of savings income for basic rate taxpayers and the first £500 (in tax year 2025/2026) for higher rate taxpayers. This allowance is not available for additional rate taxpayers. All UK taxpayers (including basic rate taxpayers) will therefore be liable to pay UK tax on an interest distribution made or treated as made by the Fund, subject to the Personal Savings Allowance and, where applicable, the starting savings rate for savings.

#### *Capital Gains Tax*

Unitholders disposing of Units in the Fund may be liable to capital gains tax on the gain realised from that disposal if their capital gains from all sources in the tax year exceed the annual exempt amount and any available relief for losses. Capital gains tax is charged at the capital gains tax rate applicable for the tax year in which the gains are realised.

In the case of the first income allocation received in respect of a unit purchased during an accounting period, the amount representing the income equalisation included in the price of the unit is a return of capital and is not taxable in the hands of the Unitholders. This amount should be deducted from the cost of the unit in computing any capital gains realised on their disposal.

#### *Accumulation*

Where a distribution is accumulated, the distribution is treated as if it was actually received by the Unitholder on the distribution date, as above. Where income is accumulated in relation to Accumulation Units the amount of notional distribution (excluding equalisation) increases the allowable expenditure on the Units for the purposes of capital gains tax.

### **Corporate Unitholders**

A corporate investor's interest in the High Income Fund is treated as a creditor relationship subject to the loan relationship rules. These require a fair value basis of accounting to be applied. Movement in the value of the investment over an accounting period must be reflected as a credit or debit for the purpose of computing profits chargeable to corporation tax.

### **Nonresident individual Unitholders**

Tax may or may not be payable in respect of Interest Distributions depending on the Unitholder's tax position and the provisions of any relevant double tax treaty with the United Kingdom.

### **Foreign Account Tax Compliance Act (FATCA)**

Under FATCA we are required to collect and report certain information on accounts held by Specified US Persons. This includes accounts held by US citizens and US residents, certain corporations or partnerships created or organised in the United States, as well as accounts held by certain passive entities with owners ('Controlling Persons') who are US citizens or US resident persons. We may also be required to report certain information on customers or financial counterparties who do not provide us with documentation.

FATCA also imposes a 30% withholding tax on certain payments to a foreign financial institution ("FFI") if that FFI is not compliant with FATCA. The Fund is a FFI and thus, subject to FATCA.

This withholding tax applies to payments to the Fund that constitute interest, dividends and other types of income from US sources (such as dividends paid by a US corporation) and beginning on 1 January 2019, this withholding tax was extended to the proceeds received from the sale or disposition of assets that give rise to US source dividend or interest payments.

The UK has entered into an Intergovernmental Agreement ("IGA") with the US to facilitate FATCA compliance and reporting of the required information to HMRC. Such information will be onward reported by HMRC to the US Internal Revenue Service. The Manager intends to comply with the terms of the IGA and relevant UK implementing Legislation. Therefore, the Fund expects to be treated as a compliant financial institution and does not expect any FATCA withholding to apply on payments made to it.

If a Unitholder fails to provide the Fund, its agents or authorised representatives with any correct, complete and accurate information to enable the Fund to comply with the UK IGA, this may result in the compulsory redemption of Units. Furthermore, the Fund may at its discretion take appropriate action without the consent of Unitholders to provide for any measures that the Fund deems appropriate or necessary to comply with the UK IGA.

Unitholders in the Fund should consult their own tax advisors regarding FATCA with respect to their own particular circumstances. In particular, Unitholders who hold their Units through intermediaries should check the intermediaries' intention to comply with FATCA.

### **The Common Reporting Standard (CRS)**

The CRS is similar to FATCA and is standard developed by the OECD that requires financial institutions to collect and report similar information about an account holder's tax residency outside of the US.

Under the CRS and the International Tax Compliance Regulations 2015, the tax residency of a Unitholder will need to be determined. In order to do so, a Unitholder may be asked to complete the appropriate self-certification form and return it to the Manager. Completing this form will ensure that accurate and up to date information about the tax residency of a Unitholder is being held.

The CRS does not impose a withholding tax obligation.

If you want to know more about the CRS then you can visit [www.crs.hsbc.com](http://www.crs.hsbc.com).

We reserve the right to refuse any application for Units if the information provided or not provided does not satisfy the requirements under the CRS Law.

If you have any questions on how to define your tax residency status, please visit the OECD website, [www.oecd.org/tax/automatic-exchange/](http://www.oecd.org/tax/automatic-exchange/) or speak to your tax advisor as we are not allowed to give tax advice.

### **ISAs**

The Units are qualifying investments for inclusion in an ISA.

### **Disclaimer**

The above statements are based on the Manager's understanding of current UK law and HM Revenue & Customs practice at the time of printing which may be subject to retrospective change. The future basis and rates of taxation may change without warning.

Although the Manager has endeavoured to provide accurate information on tax law and practice in the forgoing text, it cannot guarantee that such information is a correct interpretation of the legislation concerned. Unitholders are recommended to consult their professional advisers if they are in any doubt as to their individual tax position.

## **29. COMPLAINTS AND COMPENSATION**

If you have a complaint, please write in the first instance to the Manager at the address shown below. If the Manager is unable to resolve your complaint you may also write directly to the Financial Ombudsman Service at Exchange Tower, Harbour Exchange Square, London E14 9SR or call them on 0800 0234567 (calls to this number are now free on mobile phones and landlines), or 0300 123 9 123 (calls to this number cost no more than calls to 01 and 02 numbers).

If the Manager cannot meet their financial obligations to you, you may be entitled to compensation under the Investors Compensation Scheme (FSCS). Further details are available from the Manager, or you may also write directly to Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St Botolph Street, London, EC3A 7QU, or refer to the FSCS website [www.fscs.org.uk](http://www.fscs.org.uk) or call the FSCS on 0800 678 1100 or 020 741 4100.

All clients are classified as retail customers. Certain clients who would otherwise be an eligible counterparty or a professional client may not necessarily have rights under the Financial Ombudsman Service or the compensation scheme.

## **30. CHANGES**

Fundamental changes to the Fund (as defined in the Rules) will not be made without prior approval by a meeting of Unitholders.

Significant changes to the Fund (as defined in the Rules) will not be made without giving 60 days' notice in writing to Unitholders.

Notifiable changes to the Fund (as defined in the Rules) will be advised to Unitholders in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the Fund.

## **31. RISKS**

**The following are important warnings and potential investors should consider the following risk factors before investing in the Fund.**

The Fund is exposed to market price fluctuations. This risk is managed by adherence to the investment guidelines and to the investment and borrowing powers set out in the Trust Deed and Prospectus to reduce excessive exposure to any particular type of security or issuer.

### **General**

There are inherent risks in investing in securities markets. Security prices are subject to market fluctuations and can move irrationally and be unpredictably affected by many and various factors including political and economic events and market rumours.

There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may go down as well as up and Unitholders may receive back less than the original amount invested.

There is no guarantee that the investment objective of the Fund will be achieved.

It is important to note that past performance cannot be regarded as an indication of future performance. Please remember that inflation will reduce what you can buy in the future with your investment.

The Manager will monitor the management of the Fund to ensure the risks published remain relevant and that any change to the risk exposure is communicated to the Unitholders.

The regulatory and taxation regime under which the Fund operates may change in the future.

### **Liquidity risk**

Liquidity is a measure of how easily an investment can be converted to cash without a loss of capital and/or income in the process. The value of assets may be significantly impacted by liquidity risk during adverse market conditions.

### **Operational risk**

The main risks are related to systems and process failures. Investment processes are overseen by independent risk functions which are subject to independent audit and supervised by regulators.

### **Efficient Portfolio Management (EPM) and Counterparty Risk**

The Fund will be subject to the risk of the inability of any counterparty to perform its contractual obligations either by failing to pay or failing to deliver securities. If a counterparty defaults, the relevant Fund may suffer losses as a result.

The Fund may use EPM, however there is no guarantee that the use of EPM will result in a positive effect for any Fund and its investors and may result in losses.

Where a Fund enters into stocklending transactions, there is no counterparty risk as the Fund is indemnified. Any government securities are guaranteed by the government, or a government department or agency of the country concerned.

There is no guarantee that any Fund will achieve the objective for which it entered into a transaction in relation to EPM. Stocklending transactions may, in the event of a default by the counterparty, result in the securities lent being recovered late or only in part. Where stocks are lent, collateral is received in return and will be held by the Trustee.

### **Fixed Income Risk**

If yields on fixed income securities rise, then the capital value of the Fund may decrease.

### **High Yield**

Income offered by bonds often reflects, in part, the risk rating of the issuer. The underlying Funds can invest in sub-investment grade bonds, which may produce a higher level of income than investment grade bonds but carry increased risk of default on repayment. This may affect the level of income you receive and/or the capital value of your investment.

Furthermore, the Fund may invest in the highest yielding sectors of the fixed income universe, including but not limited to, non-investment grade corporate bonds (high yield bonds) and all other types of debt instrument available globally (loan agreements, structured debt, emerging market debt). This may affect the level of income you receive and/or the capital value of your investment. The higher income offered by these bonds often reflects, in part, the higher credit risk associated with these instruments. It also reflects a higher level of liquidity risk: at times liquidity conditions of these instruments may worsen, and underlying funds may be forced to sell their holdings at unfavourable prices.

### **Interest rate risk**

As interest rates rise debt securities will fall in value. The value of debt securities is inversely proportional to interest rate movements.

### **Credit risk**

Issuers of debt securities may fail to meet their regular interest and/or capital repayment obligations. All credit instruments therefore have potential for default. Higher yielding securities are more likely to default.

### **Currency Exchange Rates**

Investments for the Fund may be made in assets denominated in currencies other than the base currency and exchange rate movements may affect the value of an investment favourably or unfavourably, separately from gains or losses otherwise made by such investments.

### **Smaller Companies**

Where the Fund holds investments in smaller companies, it should be noted that by their nature these companies are generally new to the market and may therefore be subject to significant price movements. They may also be difficult for the Investment Adviser to buy and sell.

### **Derivatives**

The Fund may hold derivative financial instruments for the purposes of EPM and these may involve a high degree of financial risk. There is a risk that a small movement in the price of the underlying security, or benchmark, may result in a disproportionately large movement (favourable or unfavourable) in the price of the derivative instrument; the risk of default by a counterparty and the risk that transactions may not be liquid.

It is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.

### **Investing in Europe**

Where the Fund invests in a European country which has the Euro as its local currency, there is a risk that that country could cease using the Euro in the event that there is a collapse of the European monetary union, in which case such countries may revert back to their former (or another) currency. This could lead to additional performance, legal and operational risks to the Fund and may ultimately negatively impact the value of the Fund. The performance and value of the Fund may potentially be adversely affected by any or all of the above factors, or there may be unintended consequences in addition to the above arising from the potential European crisis that adversely affect the performance and value of the Fund.

### **Emerging Markets**

Where the Fund invests in some overseas markets these investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.

Investment in emerging markets may involve a higher risk than those inherent in established markets.

Investors should consider whether or not investment in such Fund is either suitable for, or should constitute a substantial part of, a prudent investor's portfolio.

Companies in emerging markets may not be subject:

- (a) to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;
- (b) to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

Restrictions on foreign investment in emerging markets may preclude investment in certain securities by the Fund and, as a result, limit investment opportunities for the Fund. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.

The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.

Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

### **Synthetic Risk and Reward Indicator (SRRI)**

The SRRI rating is based on price volatility over the last five years and is an indicator of absolute risk. An SRRI is scored on a scale of 1 to 7.

A Fund that scores an SRRI at the lower end of the scale would typically mean lower risk and lower returns, whereas a Fund that scores an SRRI at the higher end of the scale would typically mean a higher risk and higher returns. Historical data may not be a reliable indication for the future.

The rating is not guaranteed to remain unchanged and should the situation arise where the SRRI score would change through the Investment Manager or Investment Adviser deciding to allocate the Fund assets in a manner which results in a change to the SRRI through the investment decisions or investment in any new markets, prior to making any change, the Manager and Trustee shall determine whether the change would be 'Fundamental' or 'significant', as defined in the FCA Rules. A significant change will require the Manager to contact the Unitholders on the Register a minimum of 60 days prior to making the change, whereas a Fundamental change will require the prior approval of Unitholders at a General Meeting.

Where this occurs through circumstances outside of the Investment Manager, Investment Adviser or the Manager's control, for example through movement in market volatility, the Manager will notify you of the change in the Fund's annual accounts.

### **Operational risk**

The main risks are related to systems and process failures. Investment processes are overseen by independent risk functions which are subject to independent audit and supervised by regulators.

### **Suspension of Dealings**

In certain circumstances the right to redeem Units may be suspended (see "Suspension of Dealing" on page 26).

### **Charges to Capital**

As charges are taken from capital, this may limit the potential for capital growth and there could be periods of time when these charges will be greater than the growth of the Fund.

### **Cancellation Rights**

If you apply to invest in the Fund following investment advice from a financial adviser, you will have the right to cancel your application. If you exercise your right to cancel, the amount returned may be less than the amount you invested, if there has been a downward movement in the stock market from the date of investment to the date your instruction to cancel was received.

### **Banned Weapons policy**

The Manager has determined that the Fund will not invest directly in securities issued by companies that are considered, after reasonable enquiries, to be involved in the use, development, manufacturing, stockpiling, transfer or trade of controversial weapons (i.e. those banned by international convention), including but not limited to cluster munitions and/or anti-personnel mines and/or biological weapons and/or blinding laser weapons, and/or chemical weapons and/or non-detectable fragments. This policy restricts the Fund from investing directly in relevant securities. In the case of Funds that track an index, if the index includes a security prohibited under this policy, the Fund will not directly hold that security, which will lead to a deviation in the performance of the Fund against the index. This policy applies to all HSBC Group funds.

As this policy aims to prohibit investment in certain types of securities, Unitholders and potential unitholders should be aware that this reduces the investment universe available and prevents the Fund from benefitting from any potential returns from such companies.

### **Environment, Social and Governance (ESG) Scoring Risk**

The Fund may rely on third parties to provide ESG scoring data where relevant. Therefore, the Fund is subject to certain operational and data quality risks associated with reliance on third party service providers and data sources. ESG data provided by third parties may not always be reliable, consistent, or available and this may impact on the Fund's ability to accurately assess sustainability risks and effectively promote environmental and social characteristics, where relevant.

### **Sustainable Funds and Environment, Social and Governance (ESG) data**

Funds that promote environmental and/or social characteristics or have sustainable investment aims are subject to particular disclosure requirements or may make particular disclosures, with the purpose of providing transparency to show how the Funds' environmental and / or social characteristics are met, or how the sustainable investment objective and policy is achieved.

The investment manager's investment process will use relevant and available information, to assess the investments to be made and to manage the Funds in line with the stated investment objective and policy.

However, the disclosures may not always include complete data for a Fund's portfolio due to the unavailability of such data. A lack of data could arise because a company does not provide this data at an entity and/or product level, or because the company's circumstances change, and it ceases to provide particular information in future.

In such a situation, the discretionary investment manager will aim to disclose as much information about the Fund's portfolio as possible in order to provide as much transparency as it is able to about the alignment between the existing investments and the environmental and/or social characteristics promoted by the Fund or the Fund's sustainable investment objective where relevant.

### **Asset Backed Securities**

In general, asset backed securities including mortgage backed securities are debt securities with interest and capital payments backed by a pool of financial assets such as mortgages and loans, with collateral backing often provided by physical assets such as residential or commercial property, or are supported by unsecured loan cash flows without physical asset backing.

The investment characteristics of asset backed securities differ from traditional debt securities. The major difference is that the principal is often paid in stages and may be fully repaid at any time because of the terms of the underlying loans. This variability in timing of cash flows makes estimates of future asset yield and weighted average life uncertain.

The broad asset backed securities market also includes synthetic Collateralised Debt Obligations (CDO). These usually have shorter maturities and are referenced to debt obligations or other structured finance securities.

Asset backed securities including mortgage backed securities are subject to the general risks for Fixed Income Securities and High Yield Fixed Income Securities and the following additional risks:

- Prepayment Risk

The frequency at which prepayments occur on loans underlying asset backed securities will be affected by a variety of factors including interest rates as well as economic, demographic, tax, social, legal and other factors. Generally, fixed rate mortgage holders often prepay their mortgage loans when prevailing mortgage rates fall below the interest rates on their mortgage loans subject to mortgage finance availability and no material change in the value of the property or the borrowers' credit worthiness.

- Subordinated Risk

Investments in subordinated asset backed securities involve greater risk of default and loss than the senior classes of the issue or series. Asset backed securities deals are structured into tranches such that holders of the most junior securities absorb losses before more senior tranches.

When losses have been absorbed by the most junior tranche, the next most junior tranche will absorb subsequent losses. Investors in junior tranches can carry high capital risk and may face a complete loss.

- Capital Value Risk

The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those arising in the property location, the borrower's equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Most commercial mortgage loans underlying mortgage backed securities are full recourse obligations of the borrower which is usually a Special Purpose Vehicle (SPV). If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related mortgage backed securities are likely to be adversely affected.

The ultimate extent of the loss, if any, to the subordinated classes of mortgage backed securities may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related mortgage backed securities. Revenues from the assets underlying such mortgage backed securities may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court-appointed receiver to control collateral cash flow.

Where a loan originator has assigned specific loans to an asset backed security structure and the originator has faced financial difficulties, creditors of the originator have sometimes challenged the validity of the assigned loans. Such challenges can weaken the asset backing for asset backed securities.

- Economic Risk

Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of commercial mortgage backed securities could result in cash flow delays and losses on the related issue of commercial mortgage backed securities.

The value of the real estate which underlies mortgage loans is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines.

- Refinancing Risk

Mortgage loans on commercial and residential properties often are structured so that a substantial portion of the loan principal is not reduced over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and saleability of the real estate. Therefore, the unavailability of real estate financing may lead to default.

### **32. INTEGRATION OF SUSTAINABILITY RISKS INTO INVESTMENT DECISIONS**

The Manager is disclosing the manner in which sustainability risks are integrated into the investment process and the potential impacts of sustainability risks on the return of the Fund. A sustainability risk is defined as an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

We recognise that sustainability risks are amongst those risks which can impact the value of securities.

The potential impact of sustainability risks and how likely they are to materialise can vary according to the market or investment universe concerned. Such risks may already be reflected in the market view of a particular security to a greater or lesser extent. For this reason, the consideration of a sustainability risk within our investment processes may differ dependent upon the investment approach of the Fund, strategy or asset class concerned.

The Manager has appointed HSBC Global Asset Management (UK) Limited as Investment Manager for the Fund. The Investment Manager has delegated the management of a portion of the Fund to HSBC Global Asset Management (USA) Inc as Investment Adviser. The Investment Manager and Investment Adviser have adopted HSBC Asset Management’s responsible investment policy (the “Policy”) in the integration of sustainability risks into investment processes.

The Policy outlines HSBC Asset Management’s approach to certain key responsible investment issues. Different investment approaches, for example active management – whether equity or fixed income - and passive (index tracking) management, have very different associated sustainability risks and opportunities. Implementation of the Policy will therefore depend on the investment strategy employed.

For more information, please refer to the Policy which can be found on HSBC Asset Management’s website, [www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/governance](http://www.assetmanagement.hsbc.co.uk/en/individual-investor/about-us/governance).

#### **Potential impact of sustainability risks on returns**

Companies that adequately manage sustainability risks may be better placed to anticipate future sustainability risks and opportunities. This may make them more strategically resilient and therefore able to anticipate, and adapt to, the risks and opportunities in relation to sustainability on the horizon. Likewise, if managed inadequately, sustainability risks may adversely impact the value of the underlying company or the competitiveness of the country issuing government bonds. Sustainability risks can materialise in various forms for the issuers or government securities or other investments / assets, as applicable, in which Funds invest in, including (but not limited to) (i) reduced revenue due to shifts in customer preferences, negative impacts on the workforce, social unrest and decreased production capacity; (ii) increased operating/capital costs; (iii) write-off and early retirement of existing assets; (iv) loss of reputation due to fines and judgements and loss of license to operate; (v) the risk score (and market for) government bonds. These risks, together or individually, can potentially impact the returns of the Fund.

The potential impacts of sustainability risks on the returns of the Fund will also depend on the Fund’s investments and the materiality of sustainability risks. The likelihood of sustainability risks arising in respect of the Fund may be mitigated by the relevant Investment Manager/Investment Adviser’s approach to integrating sustainability risks in its investment decision-making process as outlined in the Policy. However, there is no guarantee that these measures will completely mitigate or prevent sustainability risks materialising in respect of the Fund. The likely impact on the return of the Fund from an actual or potential material decline in the value of an investment due to a sustainability risk will therefore vary and depend on several factors,

including, but not limited to, the type, extent, complexity, and duration of the event or condition, prevailing market conditions and the existence of any mitigating factors.

The Fund is actively managed and integrates a consideration of sustainability risks in investment decision-making processes. The relevant Investment Manager/Investment Adviser integrates sustainability risks by identifying ESG factors that could have a financial impact on the performance of an investment. Exposure to sustainability risk does not necessarily mean that the relevant Investment Manager/Investment Adviser will refrain from taking or maintaining a position in an investment. Rather, the Investment Manager/Investment Adviser will consider the assessments of sustainability risks together with other material factors in the context of the investee company or issuer and the investment objective and policy of the Fund.

The Fund may invest in financial derivative instruments and therefore, sustainability risks are harder to factor in as the Fund is not directly investing in the underlying asset. Currently, no ESG integration methodology can be applied for the financial derivative instruments which may be utilised.

### **33. OTHER MATTERS**

Other than already disclosed in this document the Manager is not aware of any possible fees or expenses that may become payable by either the Fund or a Unitholder.

The Manager is under no obligation to account to the Trustee or to Unitholders for any profit made on the issue of Units or on the reissue or cancellation of Units which it has redeemed. The Manager does not seek to make a profit by holding Units as principle, rather its policy is to hold sufficient Units to meet the regulatory requirement for the adequate controls over the issue and cancellation of Units.

The Manager, Trustee, Custodian and any “affected person” are not liable to account to the Unitholders of the Fund for any profits or benefits it makes or receives that are derived from or in connection with dealings in Units; any transaction in scheme property; and the supply of services to the Fund.

Any person relying on this prospectus which was current at the date shown, should check with the Manager that this document is the most current version and that no revisions or corrections have been made. This prospectus is intended to provide comprehensive details to enable investors to make a balanced and informed decision about the merits of participating in the Fund.

At the request of a Unitholder the Manager will provide information relating to (a) the quantitative limits applying to the risk management of the Fund; (b) the methods used in (a); and (c) any recent development of the risk and yields of the main categories of investments of the Fund.

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### 34. APPENDIX 1:

The Trustee has delegated those safekeeping duties set out in Chapter 6 of the FCA's Collective Investment Scheme rules to HSBC Bank plc with registered office at 8 Canada Square, London E14 5HQ, as its global sub-custodian.

HSBC Bank plc as global sub-custodian has appointed local sub-custodians as listed below, as at the date of this prospectus. This list is current as at the date of this Prospectus, more up-to-date information (if any) is available from the Manager on request.

<b>MARKET</b>	<b>SUB-CUSTODIAN</b>
ARGENTINA	HSBC BANK ARGENTINA SA
AUSTRALIA	HSBC BANK AUSTRALIA LIMITED
AUSTRIA	HSBC CONTINENTAL EUROPE S.A., GERMANY
BAHRAIN	HSBC BANK MIDDLE EAST LIMITED, BAHRAIN BRANCH
BANGLADESH	THE HONGKONG & SHANGHAI BANKING CORPORATION
BELGIUM (LOCAL CUSTODY)	BNP PARIBAS SA
BENIN	SOCIETE GENERALE COTE D'IVOIRE
BERMUDA	HSBC BANK BERMUDA LIMITED
BOTSWANA	STANDARD CHARTERED BANK BOTSWANA LIMITED
BRAZIL	BANCO BNP PARIBAS BRASIL S/A
BULGARIA	UNICREDIT BULBANK AD
BURKINO FASO	SOCIETE GENERALE COTE D'IVOIRE
CANADA	ROYAL BANK OF CANADA
CHILE	BANCO SANTANDER CHILE
CHINA (SHANGHAI)	HSBC BANK (CHINA) COMPANY LIMITED
CHINA (SHENZHEN)	HSBC BANK (CHINA) COMPANY LIMITED
CHINA (INTERBANK BOND MARKET IN BEIJING)	HSBC BANK (CHINA) COMPANY LIMITED
CHINA (INTERBANK BOND MARKET IN SHANGHAI)	HSBC BANK (CHINA) COMPANY LIMITED
COLOMBIA	S3 CACEIS COLOMBIA SA, SOCIEDAD FIDUCIARIA
COSTA RICA	BANCO NACIONAL DE COSTA RICA
CROATIA	PRIVREDNA BANKA ZAGREB D.D
CYPRUS	BNP PARIBAS SA, ATHENS BRANCH
CZECH REPUBLIC CLIENT AND PROPRIETARY ASSETS ARE SEGREGATED	CESKOSLOVENSKA OBCHODNI BANKA, A.S.
DENMARK	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
EGYPT	HSBC BANK EGYPT SAE
ESTONIA	AS SEB PANK
FINLAND	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
FRANCE	CACEIS BANK FRANCE
GERMANY	HSBC CONTINENTAL EUROPE S.A., GERMANY
GHANA	STANBIC BANK GHANA LIMITED
GREECE	BNP PARIBAS SA, ATHENS BRANCH
HONG KONG – SPECIAL ADMINISTRATIVE REGION (INCLUDING STOCK CONNECT AND BOND CONNECT)	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
HUNGARY	UNICREDIT BANK HUNGARY ZRT
ICELAND	LANDSBANKINN HF
INDIA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
INDONESIA	PT BANK HSBC INDONESIA
IRELAND	EUROCLEAR BANK SA/NV
ISRAEL	BANK LEUMI LE-ISRAEL BM
ITALY	BNP PARIBAS SA
IVORY COAST	SOCIETE GENERALE COTE D'IVOIRE
JAPAN	THE HONGKONG & SHANGHAI BANKING CORPORATION
JORDAN	BANK OF JORDAN
KAZAKHSTAN	JSC CITIBANK KAZAKHSTAN
KENYA	STANBIC BANK KENYA LIMITED
KUWAIT	HSBC BANK MIDDLE EAST LIMITED, KUWAIT BRANCH
LATVIA	AS SEB BANKA
LITHUANIA	AB SEB BANKAS
LUXEMBOURG (LOCAL CUSTODY)	CLEARSTREAM BANKING SA

<b>MARKET</b>	<b>SUB-CUSTODIAN</b>
MALAWI	STANDARD CHARTERED BANK (MAURITIUS) LTD
MALAYSIA	HSBC BANK MALAYSIA BERHAD
MALI	SOCIETE GENERALE COTE D'IVOIRE
MAURITIUS	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
MEXICO	HSBC MEXICO, SA
MOROCCO	CITIBANK MAGHREB S.A
NAMIBIA	STANDARD BANK NAMIBIA LIMITED
NETHERLANDS	BNP PARIBAS SA
NEW ZEALAND	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
NIGER	SOCIETE GENERALE COTE D'IVOIRE
NIGERIA	STANBIC IBTC BANK
NORWAY	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
OMAN	HSBC BANK MIDDLE EAST LIMITED (OMAN BRANCH)
PAKISTAN	CITIBANK NA
PALESTINE	BANK OF JORDAN PLC, PALESTINE BRANCH
PERU	CITIBANK DEL PERU
PHILIPPINES	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
POLAND	BANK POLSKA KASA OPIEKI SA
PORTUGAL	BNP PARIBAS SA
QATAR	HSBC BANK MIDDLE EAST LIMITED, QATAR BRANCH
ROMANIA	CITIBANK EUROPE PLC DUBLIN, ROMANIA BRANCH
RUSSIA	AO CITIBANK
SAUDI ARABIA	HSBC SAUDI ARABIA LIMITED
SENEGAL	SOCIETE GENERALE COTE D'IVOIRE
SERBIA	UNICREDIT BANK SRBIJA A.D.
SINGAPORE	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
SLOVAK REPUBLIC	CESKOSLOVENSKA OBCHODNA BANKA A.S.
SLOVENIA	UNICREDIT BANKA SLOVENIJA DD
SOUTH AFRICA	STANDARD BANK OF SOUTH AFRICA LTD
SOUTH KOREA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
SPAIN	BNP PARIBAS SA
SRI LANKA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
SWEDEN	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)
SWITZERLAND	UBS SWITZERLAND AG
TAIWAN	HSBC BANK (TAIWAN) LIMITED
TANZANIA	STANDARD CHARTERED BANK (MAURITIUS) LTD
THAILAND	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
TOGO	SOCIETE GENERALE COTE D'IVOIRE
TUNISIA	UNION INTERNATIONALE DE BANQUES TUNISIA
TURKEY	TURK EKONOMI BANKASI ANONIM SIRKETI A.S (TEB)
UGANDA	STANBIC BANK UGANDA LIMITED
UAE	HSBC BANK MIDDLE EAST LIMITED
UNITED KINGDOM	HSBC BANK PLC
UNITED STATES OF AMERICA	HSBC BANK USA, N.A.
VIETNAM	HSBC BANK (VIETNAM) LTD
ZAMBIA	STANBIC BANK ZAMBIA LIMITED
ZIMBABWE	STANDARD BANK OF SOUTH AFRICA LIMITED