

Risks and Disclaimers

Effective date 1st November 2025

Although we are tax aware with regards to wealth structuring or financial planning, please note that HSBC Private Banking does not act as your tax adviser and we recommend that you consult your existing tax advisers with regards to this report and any potential implementation, including specific income and tax calculations.

Glossary of Risks

Investment Risk	The investment is subject to market fluctuations and there can be no assurance that an investment will return its value or that appreciation will occur. For the avoidance of doubt there is no guarantee regarding preservation or return of capital.
Currency risk	Currency may have either a direct or an indirect effect on individuals' investments. Where the reference currency is different from the reporting currency, foreign exchange movements will directly impact the value of the holdings. Currency will indirectly impact the value of the underlying investments as foreign exchange movements strongly influence the market economy and the competitiveness of both domestic and international companies. Funds which try to hedge to a reference currency can mitigate the direct impact of currency movements but cannot completely isolate the indirect effects of foreign exchange movements.
Credit risk	Credit risk can occur where the issuer or counterparty to an investment suffers from a reduced credit rating or fails to deliver cash or investments up to the pre-agreed amount.
Liquidity risk	Liquidity constraints where subscriptions and redemptions are not available daily, or where lockups apply, mean that investors are subject to market risk during interim pricing periods and may not be able to access funds at short notice.
Liquidity risk - Structured Investments	Structured Products are not listed, traded or publicly quoted on any stock exchange. However, the Issuer, may offer a secondary market to purchase or sell the products such a price, and in such a quantity, as determined at the absolute discretion of the Issuer.
Liquidity risk - Hedge funds	They are less liquid investments (e.g. quarterly with 90 days' notice). The tradability of the hedge funds may vary. Redemption frequency will vary between monthly, quarterly, and in some instances, annually. Some funds in your portfolio may have lock-ups of one year or longer, and may incur a penalty charge if redeemed prior to the end of these lock-up periods. In addition, hedge funds are unregulated vehicles that have "gates" that can be implemented to restrict investors from redeeming a pre-determined percentage amount set by their Offering Memorandums (OM), which could supersede the liquidity terms stipulated by the fund / funds if these gates are triggered. We also draw your attention to the fact that, in some cases, funds can suspend redemptions with the permission of their board of directors, once again superseding the liquidity terms stipulated in the OM. Some of the funds have the flexibility to invest in some illiquid assets, which are kept in side-pockets. These side-pockets are typically less liquid and, therefore, may result in delayed settlement of those side-pockets until the fund is ready to liquidate that portion of the portfolio, therefore, these special investments / side-pockets may not match the stipulated liquidity terms of the main fund and have indefinite liquidity timelines.
Liquidity risk - Private Equity and Real Estate	There is typically no public market for these investments. In addition, such interests are not transferable except with the consent of the managing entity of the fund.
Derivatives usage risk	Hedge Funds often invest in financial derivative instruments (instruments whose prices are dependent on one or more underlying assets). The use of derivatives involves additional risks such as high sensitivity to price movements of underlying assets, counterparty risk for non-exchange traded derivatives where one side of the instrument may not meet its payment obligations in the event of default, and their use may result in increased leverage. These risks may lead to significant losses.

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Time horizon	Investors should expect to be locked in for the full term of the investment.
Key person risk	Where investment decisions are made by an individual or a very small team, the potential loss of any one individual represents a significant risk to the ongoing viability of the investment
Strategy specific risk	Underlying investments may be managed by third-party management teams. This could result in failure of the manager to successfully execute the intended strategy, which could lead to poor fund performance. There can be no assurance that the manager will be successful in implementing the fund's investment strategy.
Limited transparency - Offshore hedge funds	Limited transparency is typically a feature of both hedge funds and funds of funds. Funds of funds rely on underlying managers' allocations, and holdings may be less transparent than in single-manager long-only funds. Furthermore, hedge funds, in particular may have highly tactical investments along with less frequent and less stringent reporting requirements, which do not provide investors with a picture of holdings on any given day.
Concentration risk	We recommend that you assess this transaction in the context of your overall investable assets. We recommend that you diversify your assets to reduce concentration risk. We also recommend that you consider counterparty diversification to reduce issuer risk.
Capital protection risk - Structured Investments	Any capital protection provided by the product is applicable at maturity only. If the product is sold prior to maturity then the current market price will apply; this can fall as well as rise during the life of the product and you may not get back all of the sum invested.
Forfeiture risk - Private Equity and Real Estate	Failure to make capital call payments could result in forfeiture of commitment, with investors classified in default. In the event of default, investors risk losing their invested capital and remaining interest in the vehicle (without compensation) and may be subject to legal proceedings to recover unfunded commitments.
Smaller company risk	Small companies may be less liquid than larger companies and therefore price movements in securities of smaller companies may be more volatile and involve greater risk.
Contingent convertible or bail-in debentures	Contingent convertible and bail-in debentures are hybrid debt-equity instruments that may be written off or converted to common stock on the occurrence of a trigger event. Contingent convertible debentures refer to debentures that contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event. These debentures generally absorb losses while the issuer remains a going concern (i.e. in advance of the point of non-viability). "Bail-in" generally refers to (a) contractual mechanisms (i.e. contractual bail-in) under which debentures contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event, or (b) statutory mechanisms (i.e. statutory bail-in) whereby a national resolution authority writes down or converts debentures under specified conditions to common stock. Bail-in debentures generally absorb losses at the point of non-viability. These features can introduce notable risks to investors who may lose all their invested principal.

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Investment risk of fixed income	Changes in interest rate, volatility, credit spread, rating agencies actions, liquidity and market conditions may significantly affect the prices and mark-to-market valuation.
Tracking error risk	Passive index funds are designed to track the reference index before fees and expenses. However, these funds may deviate from the index depending on several factors, including: how fully the fund replicates the index, if the makeup of the index changes and if dividends are not fully captured.
Emerging markets risk	There is a greater risk associated with emerging markets; liquidity may be less reliable and price volatility may be higher than those of more developed economies, which may result in the fund suffering sudden and large falls in value.
Sector concentration risk	Funds with a single sector focus will typically be more volatile than funds which invest broadly across markets.
Country concentration risk	Funds with a single country focus will typically be more volatile than funds which invest broadly across markets and geographies.
Regional concentration risk	Region-specific funds have a limited investment scope and are susceptible to a decline in the region in which they invest. Therefore, these funds may be more risky than those which invest more broadly across markets and geographies.
Political risk	Countries where political leadership is either unstable or where it exerts a very strong influence on markets and business practices may be subject to greater volatility. Political risk may include potential for currency controls which would disrupt efficient financial markets.
Subordinated debentures	Subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in the event of the issuer's liquidation.
Perpetual debentures	Perpetual debentures often are callable, do not have maturity dates and are subordinated. Investors may incur reinvestment and subordination risks. Investors may lose all their invested principal in certain circumstances. Interest payments may be variable, deferred or cancelled. Investors may face uncertainties over when and how much they can receive such payments.

Overseas Fund Regime

Retail funds domiciled in Luxembourg or Ireland are authorised by the Commission de Surveillance du Secteur Financier (CSSF) or Central Bank of Ireland. Where marketed to retail clients in the UK, they are either marketed under the Temporary Marketing Permissions Regime (which is due to be demised by the end of 2025) or they are recognised in the UK under the Overseas Fund Regime but they are not (in either case) UK authorised funds.

UK investors should be aware that if they invest in these funds, the UK's Financial Ombudsman Service is unlikely to be able to consider complaints against the fund, its management company or its depositary. In addition, any claims for losses relating to the management company/operator or the depositary of the fund are unlikely to be covered by the UK Financial Services Compensation Scheme, in the event that either person should become unable to meet its liabilities to investors.

A UK investor may be able to make a complaint to the fund and its management company, but UK investors may not have access to the alternative dispute resolution schemes in Luxembourg or Ireland. Further, a UK investor may not have a right to access a compensation scheme in Luxembourg or Ireland in the event that either the fund's management company/operator or the depositary should become unable to meet its liabilities to investors.

Eligibility to access overseas alternative dispute schemes and investor compensation schemes is a complex area. For further information, please refer to the Prospectus and/or consider taking legal advice. A copy of the prospectus can be provided on demand.

Important information about sustainable investing and how we classify ESG and Sustainable Investing

Please note, whilst we may factor any information you have provided to us about ESG and sustainable investing preferences into our advice and recommendations to better support you in your investment journey, that information will not constitute or give rise to any mandatory requirements or restrictions and we will have no obligation to take the information into account when providing investment advice or recommendations.

In broad terms, “ESG and sustainable investing” products include investment approaches or instruments that consider environmental, social, governance and/or other sustainability factors to varying degrees. Certain instruments we currently classify as ESG or sustainable investing products may be on a path to become more environmentally or socially sustainable over time. There is no guarantee that ESG and Sustainable investing products will produce returns similar to those which don’t have any ESG or sustainable characteristics. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for, ESG and Sustainable investing or the effect of ESG and Sustainable investing products. ESG and Sustainable investing and related measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

We may allocate one of the following HSBC ESG and Sustainable Investing (SI) classification to an investment product:

HSBC ESG Enhanced – Investment products that follow specific ESG criteria. This classification covers:

- o Single-line instruments whose issuers are considered to better manage ESG risks compared to peers in their sector
- o products that aim to invest in, or provide exposure to, issuers who are considered better in their ESG risk management compared to their peers or who are improving in the way they manage ESG risks

HSBC Thematic - Investment products that focus on ESG related growth areas by identifying companies that align to specific sustainable themes, including:

- o Single-line instruments whose issuers’ business activities are aligned in whole or part with thematic ESG outputs or operational metrics
- o other products that aim to invest in, or provide exposure to, sectors or issuers whose business activities are aligned in whole or part with thematic ESG outcomes or operational metrics

HSBC Purpose - Investment products that aim to have a direct, positive impact on society, environment, or both. There are clearly pre-defined measurable impact targets which are subject to periodic impact reporting. This classification covers:

- o Single-line instruments that raise proceeds which will be used for a particular ESG related purpose
- o other products that invest in, or provide exposure to, issuers or arrangements that aim to deliver forward looking, measurable and positive ESG outcomes

In assessing the ESG and sustainability characteristics of an investment, HSBC may rely on measurement criteria devised and reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the ESG / sustainability effect of, or measurement criteria for, an investment will be aligned with any particular investor’s sustainability goals; or (b) that the stated level or target level of ESG / sustainability effect will be achieved. ESG and Sustainable investing is an evolving area. New regulations and coverage are being developed which will affect how investments can be categorised or labelled in the future.

Important information about sustainable investing and how we classify ESG and Sustainable Investing

An investment which is considered to fulfil ESG or sustainable criteria today may not meet those criteria at some point in the future. When we allocate an HSBC ESG and Sustainable Investing (SI) classification to an investment product, this does not mean that all underlying holdings in the investment product or portfolio individually qualify for the classification. Similarly, when we classify an equity or fixed income instrument under an HSBC ESG Enhanced, HSBC Thematic or HSBC Purpose category, this does not mean that the underlying issuer's activities are fully aligned with the relevant ESG or sustainable characteristics attributable to the classification. Not all investments, portfolios or services are eligible to be classified under our ESG and SI classifications. This may be because there is insufficient information available or because a particular investment product does not meet HSBC's ESG and SI classifications criteria.

In the UK, the Financial Conduct Authority has established a sustainable investment labelling and disclosure regime (UK SDR) for UK based funds under which funds may apply one of four sustainability labels if they meet certain strict criteria: Sustainability Focus, Sustainability Improvers, Sustainability Impact and Sustainability Mixed Goals. If a fund subject to UK SDR does not qualify for and apply a label it cannot use "sustainable", "sustainability" and "impact" terms in its name and may only use certain other sustainability related terms that imply it has sustainable characteristics if it meets certain sustainability related requirements. It is important to note that UK SDR labels and HSBC's ESG and SI classifications are not equivalent or comparable. The UK SDR seeks to provide a framework to assist retail investors identify funds that aim to achieve positive sustainability outcomes. The HSBC ESG and SI classifications cover a much broader product range, including single line equities and fixed income investments, non-UK based funds and structured products and are focused to a large extent on identifying investments with greater resilience to ESG-related risks because of the way those risks are managed. Whilst there may be some overlap in the sense that an investment which is resilient to ESG-related risks could indirectly contribute to positive ESG outcomes, this will not always be the case. Just because an overseas fund has been allocated an HSBC ESG and SI classification does not mean it would meet the sustainability outcome criteria necessary to qualify for a UK SDR label or otherwise have sustainable characteristics that would allow it to be promoted as sustainable if it was based in the UK. To avoid any confusion between the two different approaches, all UK based funds are classified as "Not Assessed" under the HSBC ESG and SI classification framework. This applies whether or not the fund qualifies for a sustainability label under UK SDR.

At HSBC we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For out more about our [climate strategy](#).

Leverage Risk

Leverage magnifies both gains and losses and adds risk to your portfolio. You should be aware of the following:

You will be liable to pay interest on any loan balance at the rate set out in your Facility Letter regardless of whether or not the income from any asset or investment you may have earmarked for the purpose of covering the interest is sufficient.

In addition you will be liable to repay or settle your liabilities in respect of all drawings under your loan facility even if the value of any asset or investment you may have earmarked for the purpose of repaying or settling those liabilities is insufficient. In both these circumstances you will be liable to make up any shortfall from your other resources.

Both the level of income (if any) from any asset or investment and the value of any asset or investment may fall. Furthermore, the amount of interest payable on your loans may increase. In a worst case scenario, an asset or investment you have earmarked for funding your liabilities under a loan agreement may become worthless, leaving you liable to fund all interest on any loan and also repay any loan balance from your other sources.

Where minimum collateral values apply to a facility agreement you may be required to provide additional collateral or even repay a loan if the collateral value has decreased beyond specified levels.

The London Interbank Offered Rate ("LIBOR") and the Euro Interbank Offered Rate ("EURIBOR") are interest rate benchmarks often used to determine the interest payable under a facility (collectively "IBORs"). Widely used across the industry, LIBOR and EURIBOR are the subject of national and international regulatory guidance and reform. The consequences of reform are unpredictable and may have an adverse impact on any financial instruments linked to, or referencing, any of these benchmarks.

The value of the product may alter as a result of the change to an IBOR and so it may be worth more or less than would have been the case if the IBOR continued to be available.

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Please remember that the value of investments and the income from them can go down as well as up; you may not get back the amount you invested. Further, the effect of inflation may reduce the spending power of your investment in the future. Past performance is not a guide to future performance. In addition, when an investment is denominated in a currency other than your local or reporting currency, changes in exchange rates may have a negative effect on your investment. There is no guarantee of positive trading performance. It may not be possible to immediately redeem units in underlying funds.

No investor should invest unless they are prepared to accept a degree of risk. Some of the instruments discussed in this document are designated investments under the Financial Services and Markets Act 2000 and do not include the security of capital, which is afforded under a bank or building society account. The compensation arrangements for designated investments are different from bank deposits. Your Relationship Manager will be able to provide details of the different compensation arrangements for designated investments and bank deposits.

The rules and regulations made under the Financial Services Markets Act 2000 for the protection of investors, including the protections of the Financial Services Compensation Scheme, do not apply to investment business undertaken with the non UK offices of HSBC Group.

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