

---

## Product Knowledge Education-EN

### Funds

A fund is a form of collective investment plan managed by professional fund managers. Subject to an agreed investment scope and strategy, the funds collected from a mass of investors will be invested into stocks, bonds and money market instruments etc. There are many types of funds and their risk characteristics differ greatly from fund to fund. The main reason is that different assets invested under the relevant funds have different risk profiles. In general, there are the following types of funds, in order of high to low risk profile: equity funds, hybrid funds, bond funds, money market funds.

### HSBC Overseas Investment Plan – Offshore Fund (Bank Owned Product)

This is an open-end type of Overseas Investment Plan offered to you by the Bank, under which, the Bank makes several offshore funds (“Fund”) available for selection by investors. Based on investor’s application and selection, the Bank will invest the funds received from investors under the Investment Plan into the corresponding offshore fund(s) in the name of the Bank. The objective of the Investment Plan is to provide investors with the opportunities to participate in global market and to diversify risks through investment in offshore fund. The Investment Plan is an open-end and publicly offered investment product which is non-capital protected with floating return.

**Product risk disclosure: Investment product is not deposit, but rather is an investment which involves investment risks. You should act prudently in making the investment decision.**

### Bonds

Bond is a debt instrument issued by national or local government, financial organization or enterprise for the purpose of raising capital by directly borrowing money from the

---

public, under which a promise is made to repay principal together with interest (coupon) at agreed terms and conditions. The relationship between bond holder and bond issuer is that of creditor and debtor. Bond holder is the creditor, while bond issuer is the debtor.

Traditional bonds repay the bond principal to bondholders at par value, together with a final coupon at the maturity date. Callable Bonds give the issuer the option but not the obligation to redeem the bond earlier than the maturity date, but at specific dates and prices. From investors' perspective, Callable Bonds may increase the re-investment risk.

### **HSBC Overseas Investment Plan – Overseas Bond (Bank Owned Product)**

This is an Overseas Investment Plan offered by the Bank. Based on investor's application and selection, the Bank will invest the funds received from investors under the Investment Plan into the corresponding overseas bond(s) in the name of the Bank. The objective of the Investment Plan is to provide investors with the opportunities to participate in global bond market and to diversify risks through investment in overseas bond(s). The Investment Plan is an open-end and publicly offered investment product which is non-capital protected with floating return. The investor should bear the risk of failure to receive maturity or interest resulted from the default of the issuer and/or the guarantor (if any) of offshore bond, you may loss all investment amount in the worst scenario.

**Product risk disclosure: Investment product is not deposit, but rather is an investment which involves investment risks. You should act prudently in making the investment decision.**

---

## **Structure Deposit / Structure Note and Related Products**

Structured deposits and structured notes are structured products. The performance of a product is related to the specific linked underlying assets, including foreign exchange, interest rates, stock prices (stock indexes), fund prices, commodities (indexes), credit, etc.

### **Structured Deposits (Bank Owned Product)**

The term "structured deposit products" refers to financial derivative products embed deposits, which enable the depositors to obtain corresponding proceeds (if any) on the basis of bearing certain risks by linking them with specific underlyings.

The funds raised from products shall be uniformly operated by the Bank, and be subject to business management under the principle of separating vanilla deposits from derivative transactions. The part of the principal raised shall be incorporated into the uniform operation and management of the internal capital of the Bank. The embedded derivatives of a product are partly invested in the relevant derivative market linked to the underlyings, and the final performance of the product is linked to the derivative product. Structured deposits shall be included in on-balance-sheet accounting, and be included in the payment scope of deposit reserves and deposit insurance premiums according to deposit management.

- **Full or partial principal protected (upon maturity) Structured Deposit**

The products of this type shall provide guarantee of the principal due or part of the principal as agreed upon in the contract. Different structures are linked to types of financial assets such as securities, ETFs, indices, funds and gold ETFs in different markets around the world and are suitable for different market views such as bullish, volatile and bearish. The potential return on structured deposits will be based on the product structure, terms and performance of the underlying targets, and not 100% reflecting or representing the actual performance of the underlying targets.

- **Convertible Non-Principal Protected Structured Deposit**

The products of this type are linked to a single or a basket of underlyings (including not

---

limited to securities, ETFs, indices, funds, etc.), and the products are divided into two stages: Product Phase A and Product Phase B, if any.

Based on the performance of the underlying (the worst in a single or basket), if the underlying performs well, the product may be autocalled or matured at phase A, and investors will receive 100% principal and corresponding coupon. However, if the market conditions are unfavorable and the performance of the underlying is poor, the product will be automatically converted into Product Phase B when Product Phase A expires. Product Phase B will track the performance of Product Phase A single underlying or the worst-performing underlying on the last valuation date in the basket, and at worst case scenario, investor may lose all investment principal.

Investors may redeem the product during the holding period of phase B of the product, and the bank shall charge a certain transaction fee and maintenance fee according to the contract, and deduct the fee at the time of redemption.

**Product Risk disclosure: Unlike common deposits, structured deposits have investment risk, you should fully understand the investment risk and act prudently in making the investment decision.**

## **HSBC Overseas Investment Plan – Overseas Structured Note (Bank Owned Product)**

This is a close-end type of Overseas Investment Plan offered to you by the Bank. Based on investor's application, the Bank will invest the funds received from investors under the Investment Plan into the corresponding offshore structured note in the name of the Bank. The objective of the Investment Plan is to provide investors with the opportunities to participate in global market and to diversify risks through investment in offshore structured note. The Investment Plan is a close-end and publicly offered investment product which is non-capital protected with floating return. The product has credit risk, the issuer and/or the guarantor (if any) of offshore structured note may default on the payment obligation of maturity amount or coupon amount or early termination amount, you may loss all investment amount in the worst scenario.

---

**Product risk disclosure: Investment product is not deposit, but rather is an investment which involves investment risks. You should act prudently in making the investment decision.**

## **Structured Notes (Investment Layer of Trust Plan)**

Structured notes are financial derivative products embed structured investment products issued by the Note Issuer. The return on structured notes is related to the performance of the linked assets. The flexibility of structured notes allows them to offer multiple types of potential benefits. There are market risks, credit risks and liquidity risks of the issuers of investment structured notes. Issuer

**Credit Risk:** The Notes are direct, unsecured and unsubordinated obligations of the Issuer. If the Issuer experiences a deterioration in its financial position, becomes insolvent or is otherwise unable to pay amounts owed to investors under the Notes, investors may not receive any payments under the Notes and may lose some or, in the worst case scenario, all, of their invested amounts. Unlike structured deposits, an investment in the Notes is not covered by any deposit guarantee or compensation scheme (e.g. deposit insurance).