

Cost and charges illustration as at 31st December 2018

Background

The Government and Regulators have been conducting a review into the transparency of costs and charges for Investors, and have introduced legislation to make these costs more visible. The Trustee of HSBC Globetrotter is required to produce an example illustration for members which shows the effects of all costs and charges on the value of their pension pot.

This includes transaction costs which are a necessary part of buying and selling a fund's underlying investments, in order to achieve their investment objective. These are not new or additional charges. They have always been there, within the unit price of your funds, but you can now see them, compare them against similar funds and understand their impact on your investment return.

The tables below show the charges that apply to the various investment options available to you through Globetrotter and the illustration shows how they could affect the growth of your pension pot. You are reminded that there are no new contributions being paid.

Illustration assumptions

1. The tables illustrate the potential impact fund costs may have on the projected value of monies invested in an average member's pension plan over various time periods.
2. The illustrations have been prepared having regard to statutory guidance.
3. These are not projections of your own pension plan. Please refer to your annual account statement for an estimate of your pension.
4. All the figures illustrated here are only examples and are not guaranteed – they are not minimum or maximum amounts.
5. All figures are calculated as at the end of 2018.
6. You could get back more or less than this and you may also get back less than the amount that you have invested.
7. Investment return in real terms: is the effective annual growth rate of the fund after adjusting for the inflation rate. A full list of the assumptions used for each fund and more detailed notes are shown after the illustrations
8. The starting pot size is assumed to be £50,000 (this is the median amount for members of Globetrotter).
8. Contributions are £0.
9. Inflation is assumed to be 2.5% each year.

A full list of the assumptions used for each fund and more detailed notes are shown after the illustrations.

STARTING FUND: £50,000; FUTURE CONTRIBUTION: £0

Fund value at end of year (in real terms / after inflation)	PIMCO Global Bond (EUR)		PIMCO Global Investment Grade Credit Fund (EUR)		Newton Multi-Asset Diversified Return Fund		Baring Global Resources Fund	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	£50,146	£49,909	£50,683	£50,445	£49,839	£49,493	£50,712	£49,454
3	£50,440	£49,728	£52,077	£51,347	£49,519	£48,493	£52,167	£48,379
5	£50,736	£49,548	£53,509	£52,264	£49,200	£47,514	£53,664	£47,327
10	£51,483	£49,100	£57,265	£54,631	£48,443	£45,152	£57,596	£44,798
15	£52,241	£48,656	£61,284	£57,700	£47,639	£42,908	£61,817	£42,403
20	£53,010	£48,216	£65,585	£59,661	£46,877	£40,775	£66,347	£40,136
25	£53,790	£47,780	£70,188	£62,395	£46,127	£38,748	£71,208	£37,991
30	£54,582	£47,348	£75,114	£65,220	£45,390	£36,821	£76,426	£35,960
35	£55,385	£46,920	£80,386	£68,174	£44,664	£34,991	£82,027	£34,038

How to read the table

If you have been invested in the PIMCO Global Bond (EUR) fund for 20 years, the projections show you will have a pot of approximately £53,010 before charges have been deducted (based on the assumptions above), but taking inflation into account. After all costs and charges (including transaction costs) have been taken, the projected pot is £48,216.

FIGURE 1 (Globetrotter default option)

STARTING FUND: £50,000; FUTURE CONTRIBUTION: £0										
Fund value at end of year (in real terms / after inflation)	Effect for 30 yr old member (35 years from retirement)		Effect for 45 yr old member (20 years from retirement)		Effect for 50 yr old member (15 years from retirement)		Effect for 55 yr old member (10 years from retirement)		Effect for 60 yr old member (5 years from retirement)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	£51,778	£51,648	£51,778	£51,648	£51,778	£51,648	£51,615	£51,483	£50,799	£50,661
3	£55,526	£55,107	£55,526	£55,107	£55,526	£55,107	£54,482	£54,060	£51,931	£51,503
5	£59,545	£58,799	£59,545	£58,799	£59,545	£58,799	£56,781	£56,040	£52,406	£51,678
10	£70,913	£69,146	£70,913	£69,146	£67,620	£65,902	£59,513	£57,921	N/A	N/A
15	£84,451	£81,315	£80,530	£77,500	£70,874	£68,114	N/A	N/A	N/A	N/A
20	£100,573	£95,625	£84,404	£80,100	N/A	N/A	N/A	N/A	N/A	N/A
25	£119,774	£112,453	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	£136,016	£126,038	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	£142,561	£130,267	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

How to read the table

The default is a lifestyle strategy. Until age 55 you are invested in the L&G World Equity Index Fund (75%), the Pimco Global Investment Grade Credit Fund (15%) and the L&G World Emerging Markets Index Fund (10%). From age 55, your pension savings are gradually switched over 10 years so that at age 65 you are invested in the Insight GBP Liquidity Fund (50%) and Pimco Global Bond Fund (50%).

If you are 30 years old (i.e. 35 years before your selected retirement age) and remain invested in the default option for 10 years, the projections show you will have a pot of approximately £70,913 before charges have been deducted (based on the assumptions), but taking inflation into account (i.e. in real terms). After all costs and charges (including transaction costs) have been taken, the projected pot is £69,146.

FIGURE 2

STARTING FUND: £50,000; FUTURE CONTRIBUTION: £0										
Fund value at end of year (in real terms / after inflation)	Legal & General World Equity Index Fund		PIMCO Global Investment Grade Credit (GBP)		Legal & General World Emerging Markets Equity Index Fund		PIMCO Global Bond Fund (GBP)		Insight Liquidity Fund (GBP)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	£51,756	£51,661	£51,024	£50,784	£53,073	£52,839	£50,488	£50,249	£49,805	£49,756
3	£55,455	£55,152	£53,137	£52,389	£59,798	£59,010	£51,478	£50,752	£49,417	£49,272
5	£59,419	£58,878	£55,336	£54,044	£67,374	£65,901	£52,487	£51,259	£49,032	£48,792
10	£70,613	£69,333	£61,242	£58,416	£90,786	£86,860	£55,098	£52,549	£48,083	£47,614
15	£83,916	£81,643	£67,778	£63,141	£122,334	£114,483	£57,839	£53,872	£47,152	£46,464
20	£99,724	£96,140	£75,011	£68,248	£164,843	£150,892	£60,716	£55,229	£46,239	£45,342
25	£118,511	£113,211	£83,017	£73,769	£222,124	£198,879	£63,736	£56,619	£45,344	£44,246
30	£140,837	£133,313	£91,877	£79,736	£299,310	£262,128	£66,906	£58,045	£44,466	£43,178
35	£167,368	£156,984	£101,682	£86,185	£403,317	£345,492	£70,234	£59,506	£43,605	£42,135

FIGURE 3

STARTING FUND: £50,000; FUTURE CONTRIBUTION: £0								
Fund value at end of year (in real terms / after inflation)	PIMCO Global Bond (EUR)		Legal & General Asia Pacific (ex-Japan) Equity Index Fund		Legal & General Europe (ex-UK) Equity Index Fund		Legal & General Japan Equity Index Fund	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	£50,146	£49,909	£53,073	£52,940	£52,341	£52,215	£52,098	£51,993
3	£50,440	£49,728	£59,798	£59,350	£57,358	£56,943	£56,560	£56,219
5	£50,736	£49,548	£67,374	£66,536	£62,856	£62,099	£61,405	£60,790
10	£51,483	£49,100	£90,786	£88,542	£79,018	£77,124	£75,413	£73,908
15	£52,241	£48,656	£122,334	£117,825	£99,336	£95,786	£92,615	£89,857
20	£53,010	£48,216	£164,843	£156,794	£124,878	£118,964	£113,741	£109,248
25	£53,790	£47,780	£222,124	£208,650	£156,988	£147,749	£139,687	£132,824
30	£54,582	£47,348	£299,310	£277,657	£197,354	£183,500	£171,550	£161,487
35	£55,385	£46,920	£403,317	£369,486	£248,099	£227,902	£210,683	£196,335

FIGURE 4

STARTING FUND: £50,000; FUTURE CONTRIBUTION: £0								
Fund value at end of year (in real terms / after inflation)	Legal & General North America Equity Index Fund		Legal & General UK Equity Index Fund		PIMCO Global Investment Grade Credit Fund (EUR)		Newton Multi-Asset Diversified Return Fund	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	£51,512	£51,420	£52,634	£52,590	£50,683	£50,445	£50,878	£50,532
3	£54,675	£54,381	£58,326	£58,180	£52,077	£51,347	£52,681	£51,612
5	£58,032	£57,512	£64,634	£64,364	£53,509	£52,264	£54,547	£52,716
10	£67,355	£66,153	£83,550	£82,856	£57,265	£54,631	£59,508	£55,579
15	£78,176	£76,092	£108,002	£106,659	£61,284	£57,105	£64,920	£58,598
20	£90,734	£87,524	£139,612	£137,301	£65,585	£59,691	£70,824	£61,780
25	£105,310	£100,674	£180,472	£176,746	£70,188	£62,395	£77,265	£65,136
30	£122,228	£115,800	£233,291	£227,523	£75,114	£65,220	£84,291	£68,673
35	£141,864	£133,198	£301,568	£292,888	£80,386	£68,174	£91,957	£72,403

FIGURE 5

STARTING FUND: £50,000; FUTURE CONTRIBUTION: £0						
Fund value at end of year (in real terms / after inflation)	Baring Global Resources Fund		PIMCO Global Real Return Fund (GBP)		HSBC Amanah Fund - Global Equity Index Fund USD	
	Before charges	After all charges	Before charges ¹	After all charges	Before charges	After all charges
1	£51,756	£50,498	£50,000	£49,761	£51,756	£51,307
3	£55,455	£51,508	£50,000	£49,288	£55,455	£54,025
5	£59,419	£52,538	£50,000	£48,819	£59,419	£56,887
10	£70,613	£55,204	£50,000	£47,665	£70,613	£64,722
15	£83,916	£58,006	£50,000	£46,539	£83,916	£73,636
20	£99,724	£60,951	£50,000	£45,439	£99,724	£83,778
25	£118,511	£64,044	£50,000	£44,366	£118,511	£95,317
30	£140,837	£67,295	£50,000	£43,318	£140,837	£108,446
35	£167,368	£70,711	£50,000	£42,294	£167,368	£123,382

¹ The 'before charges' data for this fund is £50,000 over all time periods, as both the projected investment return and inflation are 2.50%. This means the real return is 0%.

FIGURE 6

STARTING FUND: £50,000; FUTURE CONTRIBUTION: £0						
Fund value at end of year (in real terms / after inflation)	Insight Liquidity Fund (USD)		PIMCO Global Bond Fund (USD)		PIMCO Global Investment Grade Credit Fund (USD)	
	Before charges ¹	After all charges	Before charges	After all charges	Before charges	After all charges
1	£50,000	£49,878	£50,537	£50,299	£51,073	£50,834
3	£50,000	£49,635	£51,627	£50,901	£53,289	£52,545
5	£50,000	£49,393	£52,741	£51,511	£55,601	£54,313
10	£50,000	£48,794	£55,633	£53,067	£61,830	£58,999
15	£50,000	£48,202	£58,682	£54,670	£68,756	£64,088
20	£50,000	£47,617	£61,900	£56,322	£76,459	£69,617
25	£50,000	£47,039	£65,293	£58,023	£85,024	£75,622
30	£50,000	£46,468	£68,873	£59,776	£94,548	£82,146
35	£50,000	£45,904	£72,648	£61,582	£105,140	£89,232

¹ The 'before charges' data for this fund is £50,000 over all time periods, as both the projected investment return and inflation are 2.50%. This means the real return is 0%.

FURTHER NOTES

Cost and charges illustration as at 31st December 2018

In order to meet each fund's investment objective, it will sometimes be necessary to buy and sell underlying investments. In doing so, the fund may need to pay broker commissions and transfer taxes (such as stamp duty reserve tax (SDRT)).

In the case of shares, broker commissions and transfer taxes are paid by the fund on each transaction. In the case of fixed income securities such as bonds, transaction costs are incurred indirectly through what is known as the dealing spread – the difference between the prices paid to buy and sell the underlying investments in the fund.

Comparing the portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them for the following reasons:

- Transaction costs may vary from year to year and are not captured in the ongoing charges figures (OCF). They are an additional expense charged directly to the fund and are reflected in daily fund prices (and net performance).
- Transaction costs do not necessarily reduce returns. The net impact of dealing is the combination of the effectiveness of the manager's investment decisions in improving returns and the associated costs of investment
- Historic transaction costs are not an effective indicator of the future impact on performance
- Transaction costs for buying and selling investments due to other investors joining or leaving the fund may be recovered by investors.
- Transaction costs vary from country to country
- Transaction costs vary depending on the types of investment in which a fund invests
- As fund managers' investment decisions are not predictable, transaction costs are also not predictable.

DEFAULT OPTION ASSUMPTIONS (average over the term)					
Age / Years from retirement	Investment Returns	Inflation	Ongoing charges	Transaction Costs	Net (Real) Return
30 year old member (35 years from retirement)	5.63%	2.50%	0.27%	0.00%	2.86%
45 year old member (20 years from retirement)	5.27%	2.50%	0.28%	0.00%	2.49%
50 year old member (15 years from retirement)	5.00%	2.50%	0.28%	0.00%	2.22%
55 year old member (10 years from retirement)	4.47%	2.50%	0.28%	0.00%	1.69%
60 year old member (5 years from retirement)	3.64%	2.50%	0.29%	0.00%	0.85%

Globetrotter default option

The default is a lifestyle strategy. Until age 55 you are invested in the L&G World Equity Index Fund (75%), the Pimco Global Investment Grade Credit Fund (15%) and the L&G World Emerging Markets Index Fund (10%). From age 55, your pension savings are gradually switched over 10 years so that at age 65 you are invested in the Insight GBP Liquidity Fund (50%) and Pimco Global Bond Fund (50%). As your pension assets are switched between these funds, there may be transaction costs incurred.

ASSUMPTIONS USED TO CALCULATE THE ILLUSTRATIONS (all data is per annum)					
Fund name	Investment Returns	Inflation	Ongoing charges	Transaction Costs	Net (Real) Return
PIMCO Global Bond (EUR)	2.80%	2.50%	0.49%	0.00%	-0.19%
PIMCO Global Investment Grade Credit Fund (EUR)	3.90%	2.50%	0.49%	0.00%	0.91%
Newton Multi-Asset Diversified Return Fund	4.30%	2.50%	0.71%	0.00%	1.09%
Baring Global Resources Fund	6.10%	2.50%	1.95%	0.63%	1.02%
Insight Liquidity Fund (GBP)	2.10%	2.50%	0.10%	0.00%	-0.50%
Legal & General Asia Pacific (ex-Japan) Equity Index Fund	8.80%	2.50%	0.28%	-0.01%	6.03%
Legal & General Europe (ex-UK) Equity Index Fund	7.30%	2.50%	0.25%	0.01%	4.54%
Legal & General Japan Equity Index Fund	6.80%	2.50%	0.23%	-0.01%	4.09%
Legal & General North America Equity Index Fund	5.60%	2.50%	0.20%	-0.01%	2.91%
Legal & General UK Equity Index Fund	7.90%	2.50%	0.10%	-0.01%	5.31%
Legal & General World Emerging Markets Equity Index Fund	8.80%	2.50%	0.45%	0.03%	5.82%
Legal & General World Equity Index Fund	6.10%	2.50%	0.20%	-0.01%	3.41%
PIMCO Global Bond Fund (GBP)	3.50%	2.50%	0.49%	0.00%	0.51%
PIMCO Global Investment Grade Credit (GBP)	4.60%	2.50%	0.49%	0.00%	1.61%
PIMCO Global Real Return Fund (GBP)	2.50%	2.50%	0.49%	0.00%	-0.49%
HSBC Amanah Fund - Global Equity Index Fund USD	6.10%	2.50%	0.92%	0.00%	2.68%
Insight Liquidity Fund (USD)	2.50%	2.50%	0.25%	0.00%	-0.25%
PIMCO Global Bond Fund (USD)	3.60%	2.50%	0.49%	0.00%	0.61%
PIMCO Global Investment Grade Credit Fund (USD)	4.70%	2.50%	0.49%	0.00%	1.71%