

HSBC INTERNATIONAL MANAGERS DC SCHEME

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 IMDCS is required to produce an 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 IMDCS 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. These are not projections of your own pension plan. Please refer to your annual account statement for an estimate of your pension.
3. All the figures illustrated here are only examples and are not guaranteed – they are not minimum or maximum amounts.
4. All figures are calculated as at the end of 2018.
5. You could get back more or less than this and you may also get back less than the amount that you have invested.
6. Investment return in real terms: is the effective annual growth rate of the fund after adjusting for the inflation rate.
7. The starting pot size is assumed to be £200,000 (this is the median amount for members of IMDCS).
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: £200,000; 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	£200,585	£199,637	£202,732	£201,780	£199,356	£197,971	£202,849	£197,815
3	£201,761	£198,913	£208,308	£205,386	£198,075	£196,971	£208,669	£193,515
5	£202,944	£198,192	£214,037	£209,057	£196,800	£195,057	£214,656	£189,309
10	£205,931	£196,400	£229,059	£218,525	£195,008	£180,609	£230,385	£179,190
15	£208,963	£194,625	£245,135	£228,421	£190,556	£171,631	£247,267	£169,612
20	£212,039	£192,865	£262,339	£238,765	£187,508	£163,098	£265,386	£160,546
25	£215,160	£191,122	£280,711	£249,578	£184,509	£154,990	£284,833	£151,964
30	£218,327	£189,304	£300,456	£260,881	£181,558	£147,285	£305,705	£143,841
35	£221,541	£187,682	£321,543	£272,695	£178,654	£139,963	£328,106	£136,152

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 £212,039 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 £192,865.

FIGURE 1

STARTING FUND: £200,000; 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	£200,585	£199,637	£202,732	£201,780	£203,512	£202,127	£207,024	£201,990
3	£201,761	£198,913	£208,308	£205,386	£210,723	£206,449	£221,822	£206,030
5	£202,944	£198,192	£214,037	£209,057	£218,189	£210,863	£237,677	£210,151
10	£205,931	£196,400	£229,059	£218,525	£238,031	£222,315	£282,452	£220,818
15	£208,963	£194,625	£245,135	£228,421	£259,679	£234,390	£335,662	£232,026
20	£212,039	£192,865	£262,339	£238,765	£283,295	£247,121	£398,897	£243,802
25	£215,160	£191,122	£280,751	£249,578	£309,059	£260,543	£474,043	£256,177
30	£218,327	£189,394	£300,456	£260,881	£337,166	£274,694	£563,346	£269,179
35	£221,541	£187,682	£321,543	£272,695	£367,829	£289,614	£669,473	£282,842

FIGURE 2

STARTING FUND: £200,000; FUTURE CONTRIBUTION: £0								
Fund value at end of year (in real terms / after inflation)	Insight Liquidity Fund (GBP)		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	£199,220	£199,024	£212,293	£211,762	£209,366	£208,859	£208,390	£207,971
3	£197,668	£197,087	£239,191	£237,402	£229,434	£227,770	£226,241	£224,878
5	£196,128	£195,169	£269,498	£266,146	£251,425	£248,394	£245,622	£243,159
10	£192,331	£190,455	£363,145	£354,168	£316,074	£308,498	£301,650	£295,633
15	£188,607	£185,855	£489,334	£471,302	£397,345	£383,145	£370,460	£359,429
20	£184,956	£181,366	£659,372	£627,175	£499,513	£475,855	£454,965	£436,993
25	£181,375	£176,985	£888,497	£834,600	£627,952	£590,998	£558,746	£531,295
30	£177,863	£172,711	£1,197,239	£1,110,626	£789,416	£734,002	£686,201	£645,947
35	£174,420	£168,539	£1,613,266	£1,477,943	£992,396	£911,608	£842,730	£785,340

FIGURE 3

STARTING FUND: £200,000; 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		Legal & General World Emerging Markets Equity Index Fund		Legal & General World Equity Index Fund	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	£206,049	£205,678	£210,537	£210,361	£212,293	£211,356	£207,024	£206,646
3	£218,701	£217,522	£233,304	£232,721	£239,191	£236,039	£221,822	£220,607
5	£232,129	£230,049	£258,534	£257,458	£269,498	£263,605	£237,677	£235,512
10	£269,420	£264,612	£334,199	£331,422	£363,145	£347,438	£282,452	£277,330
15	£312,702	£304,368	£432,010	£426,636	£489,334	£457,933	£335,662	£326,573
20	£362,937	£350,097	£558,447	£549,204	£659,372	£603,567	£398,897	£384,560
25	£421,242	£402,697	£721,887	£706,984	£888,497	£795,517	£474,043	£452,843
30	£488,913	£463,200	£933,163	£910,092	£1,197,239	£1,048,512	£563,346	£533,250
35	£567,456	£532,793	£1,206,272	£1,171,551	£1,613,266	£1,381,966	£669,473	£627,935

FIGURE 4

STARTING FUND: £200,000; FUTURE CONTRIBUTION: £0								
Fund value at end of year (in real terms / after inflation)	PIMCO Global Bond Fund (GBP)		PIMCO Global Investment Grade Credit (GBP)		PIMCO Global Real Return Fund (GBP)		HSBC Amanah Fund – Global Equity Index Fund USD	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	£201,951	£200,997	£204,098	£203,136	£200,000	£199,046	£207,024	£205,229
3	£205,911	£203,006	£212,546	£209,555	£200,000	£197,151	£221,822	£216,100
5	£209,948	£205,035	£221,345	£216,177	£200,000	£195,275	£237,677	£227,547
10	£220,391	£210,197	£244,967	£233,663	£200,000	£190,661	£282,452	£258,887
15	£231,354	£215,489	£271,111	£252,564	£200,000	£186,156	£335,662	£294,545
20	£242,862	£220,915	£300,045	£272,993	£200,000	£181,758	£398,897	£335,113
25	£254,942	£226,477	£332,067	£295,074	£200,000	£177,463	£474,043	£381,269
30	£267,624	£232,179	£367,506	£318,942	£200,000	£173,270	£563,346	£433,782
35	£280,936	£238,024	£406,728	£344,741	£200,000	£169,176	£669,473	£493,528

FIGURE 5

STARTING FUND: £200,000; 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	After all charges	Before charges	After all charges	Before charges	After all charges
1	£200,000	£199,805	£202,146	£201,194	£204,293	£203,337
3	£200,000	£199,415	£206,508	£203,604	£213,156	£210,180
5	£200,000	£199,026	£210,965	£206,042	£222,405	£217,253
10	£200,000	£198,057	£222,530	£212,267	£247,319	£235,995
15	£200,000	£197,093	£234,730	£218,681	£275,025	£256,353
20	£200,000	£196,134	£247,598	£225,287	£305,834	£278,467
25	£200,000	£195,179	£261,172	£232,094	£340,095	£302,489
30	£200,000	£194,228	£275,491	£239,106	£378,194	£328,584
35	£200,000	£193,283	£290,594	£246,330	£420,561	£356,929

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 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. For further information please refer to the Pricing Policy notes which follow
- Transaction costs vary from country to country
- Transaction costs vary depending on the types of investment in which a fund invests
- As the manager's investment decisions are not predictable, transaction costs are also not predictable

Transaction costs may vary significantly from year to year and please note that transaction costs 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).

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%	0.10%	0.00%	-0.10%
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%