

Your Defined Contribution (DC) pension pot

Member investment questions answered



What's in this guide?

The Trustee of the Scheme recently asked a large group of our members with a DC pension pot to tell us whether they had any questions about their investments. We had a great response and we are keen to help as many DC members as we can. We have answered the five most popular questions in this short guide.




- Q1** How do I know which investments are right for me? ▶ Page 3
- Q2** Why don't you bank my gains/can the Trustee ensure funds are safe from future economic crashes? ▶ Page 6
- Q3** What are the charges? ▶ Page 8
- Q4** How do I find out where my DC pension pot is invested and how well it's performing? ▶ Page 8
- Q5** How do I change my investments or my Target Retirement Age? ▶ Page 8



If you want to know more about all your investment options, you can find the DC investment guide and DC fund factsheets on futurefocus, just go to the information centre at: <https://futurefocus.staff.hsbc.co.uk/active-dc/information-centre/dc-fund-factsheets>.

Q1

How do I know which investments are right for me?

-  **Step 1**
Decide how “hands-on” you want to be
-  Step 2
Think about where you are on your saving and retirement journey
-  Step 3
Think about what kind of income you want in retirement

Targeted Investment Strategies means the Flexible Income Strategy, Annuity Purchase Strategy and Lump Sum Strategy.

Step 1 Decide how “hands-on” you want to be

“Hands-off” approach

If you are not a confident investor with time to regularly review your choice of investment funds, you may prefer a “hands-off” investment approach. The Targeted Investment Strategies are the “hands-off” investment option. They follow a pre-set investment strategy designed by the Scheme’s Trustee with the help of expert investment advisers. The mix of the funds changes automatically over time. There are three strategies that you can choose between, the Flexible Income Strategy, the Annuity Purchase Strategy or the Lump Sum Strategy. If you haven’t made your own investment choice, your DC pension pot is automatically invested in the Flexible Income Strategy. We explain more about the three Targeted Investment Strategies, including how the mix of investments changes and why, later in this guide.

Consider this approach if:

- you are not a confident investor with time to regularly review your choice of investment funds

Strategies:

Flexible Income Strategy*

Annuity Purchase Strategy

Lump Sum Strategy

* Default strategy for active DC members if no choice made

“Hands-on” approach

If you have some investment experience, are comfortable choosing between the different types of investments and have a clear view of your retirement objectives and attitude to investment risks, you may want to consider the Freechoice range of funds. If you select from the Freechoice fund range, you can set your own investment strategy.

You will need to review your fund choices and Target Retirement Age (TRA) regularly to make sure your chosen investments still meet your goals. This is especially important as you get closer to retirement.

Consider this approach if:

- you have some investment experience
- you are comfortable choosing between the different types of investments
- you have a clear view of your retirement objectives and attitude to investment risks

Strategy:

Freechoice funds

Q1

How do I know which investments are right for me?

- Step 1
Decide how "hands-on" you want to be
- Step 2**
Think about where you are on your saving and retirement journey
- Step 3
Think about what kind of income you want in retirement

Step 2

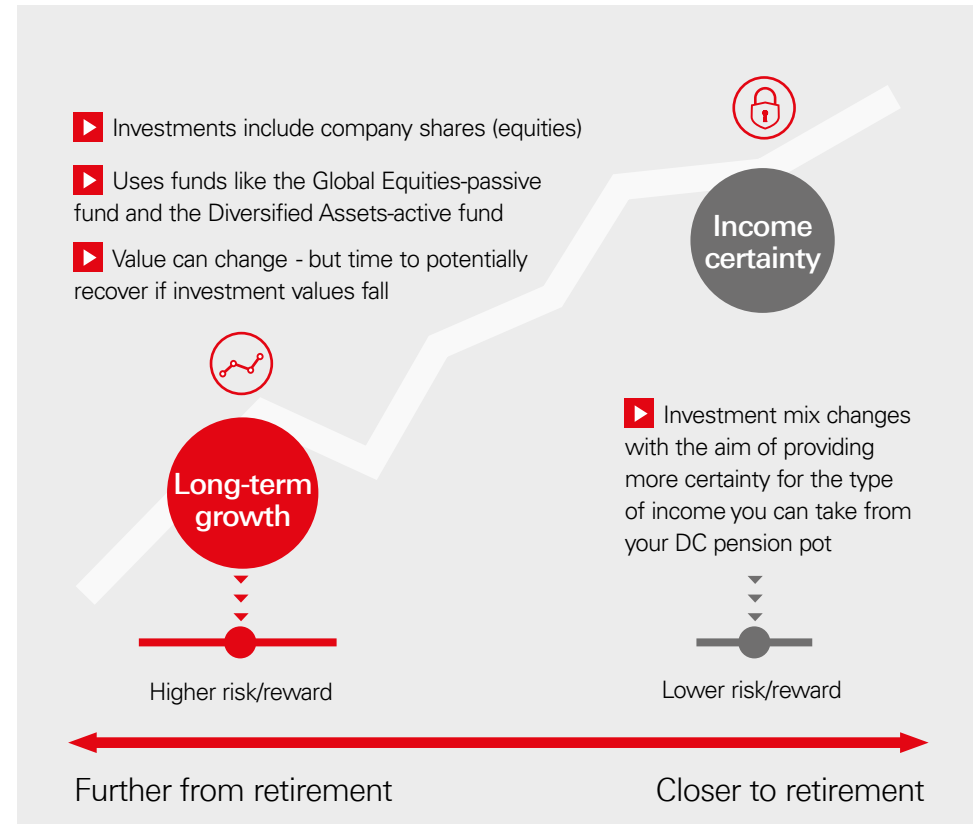
Think about where you are on your saving and retirement journey

If you've chosen one of the Targeted Investment Strategies (the "hands-off" approach) it's important to let us know where you are on your saving and retirement journey. You can do this by updating your TRA on **My Pension**. This tells us the age you expect to retire.

Your TRA is important because the Trustee has designed the Targeted Investment Strategies to change the investment mix used for your DC pension pot over time to your TRA. When you're younger and much further away from retirement, all three Targeted Investment Strategies invest in funds with the aim of achieving long-term investment growth. They invest in things like company shares (also called equities) using funds like the Global Equities-passive fund and the Diversified Assets-active fund.

This means the value of your DC pension pot can change with the highs and lows of the investment markets, but when you are younger, you've still got time for the value of your DC pension pot to potentially recover if investment values fall.

As you get older, and closer to retirement, the investment mix changes with the aim of providing more certainty for the type of income you can take from your DC pension pot. That's why it's important to think more about the kind of retirement income you want, which takes us to step three.



Q1

How do I know which investments are right for me?

- Step 1
Decide how "hands-on" you want to be
- Step 2
Think about where you are on your saving and retirement journey

Step 3
Think about what kind of income you want in retirement

Step 3

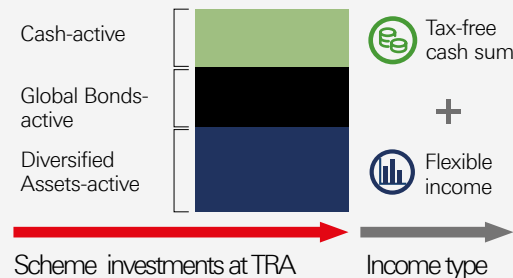
Think about what kind of income you want in retirement

If you choose the hands-off approach and invest your DC pension pot in one of the Targeted Investment Strategies, it's important to think about the type of income you will take in retirement. This is because, as you get closer to retirement, each of the Targeted Investment Strategies uses a different mix of investment funds for your DC pension pot. All of the strategies are designed for you to use 25% of your DC pension pot for a tax-free cash sum but different types of income with the balance.

If you have chosen the hands-on approach and are using the **Freechoice** range of funds, it's still important to make sure that your chosen investments match your financial plans for the future. You should regularly check that your DC pension pot is doing what you want it to, for example, that the investment risk is right for you.

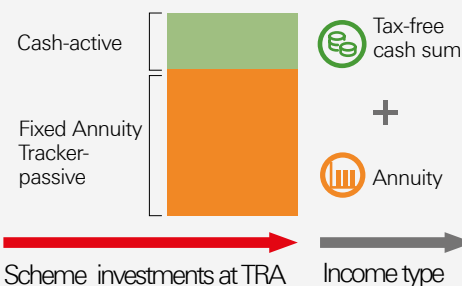
Flexible Income Strategy

The Flexible Income Strategy is designed for members who plan to take a flexible income (e.g. using income drawdown) when they retire, spreading the amount and timing of withdrawals. As you get closer to your TRA, your DC pension pot is automatically switched into a diverse mix of investments including the Global Bonds-active fund and then finally the Cash-active fund. The aim is to provide more limited but continued growth whilst smoothing out some of the investment market's highs and lows.



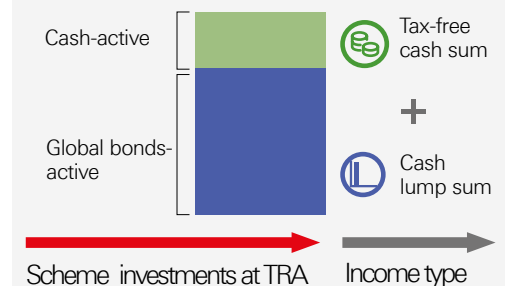
Annuity Purchase Strategy

The Annuity Purchase Strategy is designed for members who plan to buy an annuity (a regular income for life) when they retire. As you get closer to your TRA, your DC pension pot is automatically switched over time into the Fixed Annuity Tracker-passive fund and then the Cash-active fund. The aim is for the value of your DC pension pot to change broadly in line with the price of buying an annuity.



Lump Sum Strategy

The Lump Sum Strategy is designed for members who plan to take all their DC pension pot as a cash lump sum. As you get closer to your TRA, your DC pension pot is switched into the Global Bonds-active fund and then the Cash-active fund. The aim is to reduce the risk that the value of your DC pension pot will fall sharply before you take it at TRA.



Q2

Why don't you bank my gains/can the Trustee ensure funds are safe from future economic crashes?

Investment growth is important

If your DC pension pot is invested in a Targeted Investment Strategy, when you are a long way from your TRA, your DC pension pot is invested in funds that have been chosen to provide investment growth, like the Global Equities-passive fund.

When you are younger, any gains generated by the investments in the Global Equities-passive fund are kept in this fund for you. Some members have asked whether the Scheme can bank any gains or protect DC pension pots from sudden falls in value.

We expect some highs and lows over time because investment markets can be volatile. We cannot predict market bubbles or crashes but as most members are investing over the long term, their DC pension pots may have time to recover from any sharp drop, for example, in equity market prices.

The Targeted Investment Strategies have been designed to gradually reduce members' investment in equities and increase diversification into other types of investment over the years to TRA. This aims to reduce the risk that the value of these DC pension pots will drop sharply when closer to TRA.



Don't forget the value of your DC pension pot is always linked to the price of the investment funds which make up your investment choice whether this is a Targeted Investment Strategy or Freechoice funds. This means that the value of your DC pension pot is not guaranteed and can fall as well as rise. Past investment performance is not a reliable indicator of future results.

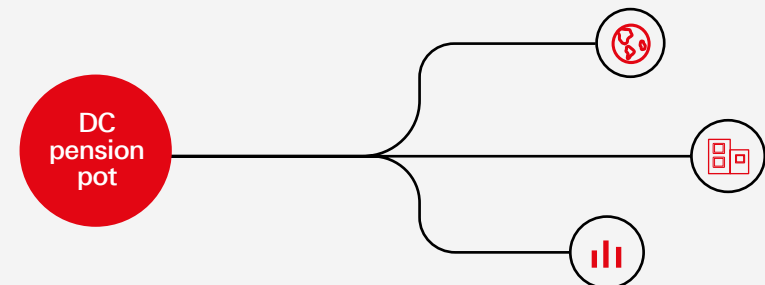
Using a diversified mix of equities and other assets

For the Targeted Investment Strategies, the Trustee carefully chooses a diversified mix of investments for your DC pension pot, even when you are younger and further away from retirement.

Diversification simply means you don't have all your eggs in one basket. Some investments do well in certain economic and market conditions, and less well or poorly in others. Other investments can behave very differently in the same conditions.

Your DC pension pot is invested in the shares of thousands of companies from many countries and across lots of different industries. Over time it is also invested in a wide range of different assets including government and company loans, infrastructure and cash.

Spreading investments helps reduce the risk that the value of your DC pension pot falls significantly due to the poor performance of any particular holding.



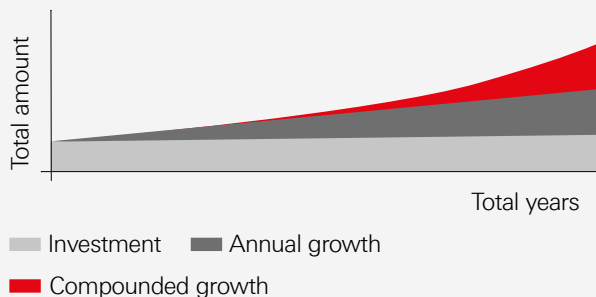
Q2

Why don't you bank my gains/can the Trustee ensure funds are safe from future economic crashes?

Making the most of long-term investment growth

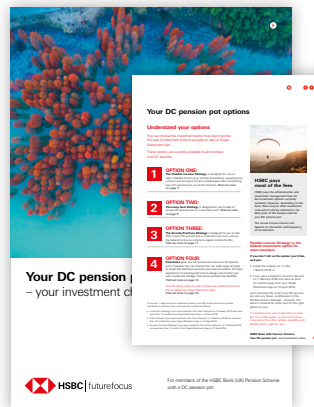
Your DC pension pot may become one of your most valuable long-term savings. To help it grow, your DC pension pot is invested and the more time it's invested, the longer it has to build up and benefit from compounding.

Compounding is the idea of earning growth on both the initial amount invested and the built-up gains from previous periods. It's a bit like rolling a snowball. Every year, investment growth is added on top of the growth from the year before. Whilst investment markets go up and down in the short term, over the longer term, this compounding effect boosts the value of your DC pension pot (although it's important to remember that investment growth is not guaranteed).

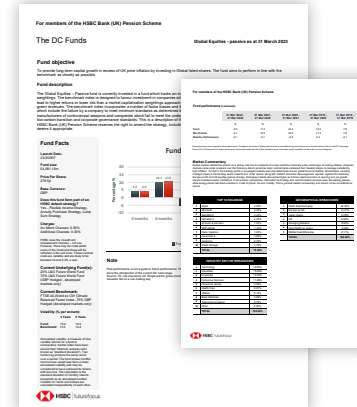


More about investment

You can find more information in the **DC Investment Guide** (see page 8) about the Targeted Investment Strategies including why you might want to consider choosing them and how they work, an overview of the Freechoice funds, different types of investments and risks. The **DC fund factsheets** (see page 8) provide fund-specific investment details including fund objectives, fund investment breakdown, fund performance and fund-specific risk factors and risk ratings.



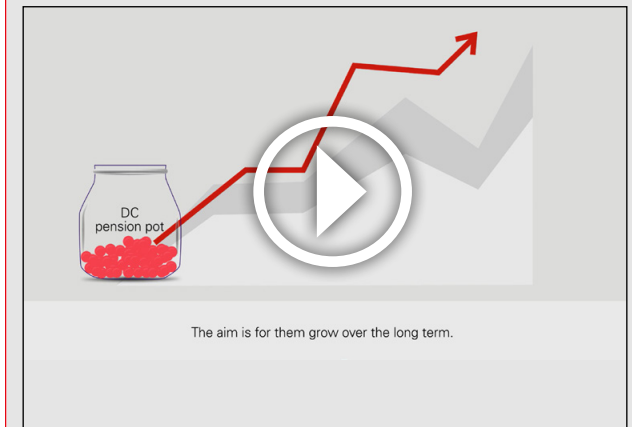
DC Investment Guide



DC fund factsheets



Click to watch this short video to understand more about how the Targeted Investment Strategies work. It tells you about how your DC pension pot is invested and how the mix of investments changes over time to your TRA and beyond.



Q3

What are the charges?

The good news is that HSBC pays the administration and investment management fees for all the investment options available. Depending on the fund you choose, there may be other investment charges which will be reflected in the daily unit price of the fund(s) used for your DC pension pot. The actual annual amount will depend on the funds and frequency of transactions.

Q4

How do I find out where my DC pension pot is invested and how well it's performing?

It's easy to find out where your DC pension pot is invested. Just go to <https://futurefocus.staff.hsbc.co.uk> and click the "Login to My Pension" button on the top right hand side of the screen. If you are on the HSBC network you can sign in via Single Sign On (SSO). If you are not on the HSBC network you will need your user ID and password. Once your logged in, you can see up to date information about all the funds in which your DC pension pot is invested and how they have been performing.

Q5

How do I change my investments or my Target Retirement Age?

Just go to <https://futurefocus.staff.hsbc.co.uk> and click the "Login to My Pension" button on the top right-hand side of the screen. If you are on the HSBC network you can sign in via Single Sign On (SSO). If you are not on the HSBC network you will need your user ID and password. Once your logged in, go to "My Investments" and then "Change my Investments". You can change your investment choices and TRA here.

Find out more

If you want to know more about all your investment options, you can find the following on futurefocus at: <https://futurefocus.staff.hsbc.co.uk>.

- Our DC investment guide and fund factsheets are in the Information centre.
- Our Scheme webcasts are in the retirement webcasts tab in the information centre. These explain more about your DC pension pot investments and how you can help your DC pension pot to grow.
- Our ESG pages which explain how the Trustee manages risks like climate change risk when it selects and monitors the range of investments available for your DC pension pot.

Issued by HSBC Bank Pension Trust (UK) Limited October 2023

This document is based on the Trustee's understanding of applicable law and regulations and does not confer any right to benefits. Members' benefits are governed by the trust deed and rules of the Scheme, as amended from time to time. In the event of any conflict between this document and the trust deed and rules, the trust deed and rules will always override. Issued by HSBC Bank Pension Trust (UK) Limited October 2023 © Copyright HSBC Bank Pension Trust (UK) Limited October 2023. All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Bank Pension Trust (UK) Limited. Members of the pension Scheme may, however, copy appropriate extracts in connection with their own benefits under the Scheme. HSBC Bank Pension Trust (UK) Limited, 8 Canada Square, London, E145HQ Registration number: 489775