

HSBC ETFs plc (the “Company”)

Registered Office: 25/28 North Wall Quay | IFSC | Dublin 1 | Ireland

This letter and the changes it announces have not been reviewed by the Central Bank of Ireland (the “Central Bank”) and it is possible that changes thereto may be necessary to meet the Central Bank’s requirements. The Directors of the Company are of the opinion that there is nothing contained in this letter nor in the proposals detailed herein that conflicts with the requirements of the Central Bank. The Directors accept responsibility for the information contained in this letter.

THIS LETTER IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt as to the action you should take you should seek advice from your stockbroker, bank manager, solicitor, accountant, independent financial adviser or tax advisor. If you have sold or transferred all of your shares in the Company, please pass this letter at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee as soon as possible.

Capitalised terms used herein are defined in the prospectus for the Company (the “Prospectus”).

17 March 2016

Dear Shareholder,

We wish to notify you of some changes that will be introduced to the HSBC ETF range.

The changes are summarised as follows:

1. Changes to the Total Expense Ratio

We are pleased to advise you that with effect from the 17th of March 2016, the total expense ratio¹ of certain funds will be reduced as follows. There will be no changes to the total expense ratio of other funds in the HSBC ETF range.

Fund	Current TER	New TER
HSBC MSCI WORLD UCITS ETF	0.35%	0.15%
HSBC FTSE 100 UCITS ETF	0.35%	0.07%
HSBC MSCI EUROPE UCITS ETF	0.30%	0.20%
HSBC EURO STOXX 50 UCITS ETF	0.15%	0.05%
HSBC MSCI EMERGING MARKETS UCITS ETF	0.60%	0.40%
HSBC MSCI JAPAN UCITS ETF	0.40%	0.19%

¹ Fund fees and expenses are paid as one single fee referred to as the ‘total expense ratio

Registered in Ireland with Company Number 467896

Directors: Peter Blessing | Eimear Cowhey | Melissa McDonald (British)

2. Exclusions of companies involved in cluster munitions and / or anti-personnel landmines activities

From the 20th of April 2016 onwards, the Investment Manager will arrange for the screening of companies for their involvement in the use, development, manufacturing, stock piling, transfer or trade of cluster munitions and / or anti-personnel landmines. Where such involvement is apparent, it is the policy of the Board not to knowingly invest in such companies. A large part of HSBC Global Asset Management's activity is conducted in countries which have signed the 1997 Ottawa Treaty on Land Mines (LMC) and the Convention on Cluster Munitions (CCM) which took effect on 1 August 2010. Both treaties deal with the manufacturing, stockpiling, utilisation and clearing side of these weapons and many signatory countries have implemented these into law with specific prohibitions to finance companies still involved in these weapons. However, there often is no clear guidance on investing in these companies. We are implementing this widespread screening process because we believe the spirit of the laws is arguably to prevent any form of financing. HSBC strives to comply with both the letter as well as the spirit of all applicable laws.

3. Other Changes

The following changes will be introduced to the Prospectus and Supplements for all of the funds in the HSBC ETF range.

i. Replication methodology

The wording will change for all the Funds that currently adopt a *full replication strategy*. The new wording seeks to clarify that in certain situations a fund may not be able to invest in all the constituents of the index and that the holdings of the funds may differ from the constituents of the index.

Current wording	New wording
Full Replication	Replication
The Fund will aim to hold all of the constituents (or equivalent instruments) of the Index, generally in the same proportion in which they are included in the Index.	In seeking to achieve its investment objective, the Fund will aim to invest in the constituents of the Index in generally the same proportions in which they are included in the Index. However, there may be circumstances when it is not possible or practicable for the Fund to invest in all constituents of the Index. Such circumstances may include (but are not limited to): (i) a limited availability of the Index constituents; (ii) trading suspensions on constituents of the Index; (iii) cost inefficiencies; (iv) if the assets under management of the Fund are relatively small, or (v) where there are internal or regulatory driven trading restrictions (as detailed in the Prospectus: Investment Restrictions and Other Restrictions) that apply to the Fund or Investment Manager but not the Index. As a result of not investing in some of the Index constituents, the Fund may: (i) gain exposure indirectly through other assets or instruments (including, American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts which are certificates typically issued by a bank or trust company evidencing ownership of shares of a non- US issuer or financial derivative instruments ("FDI")) which, in the opinion of the Investment Manager, will assist in achieving the Fund's investment objective and are alternatives to directly purchasing the underlying securities included in the Index and/or (ii) hold the investible Index constituents in different proportions to the Index and/or (iii) invest in securities which are not constituents of the Index which, in the opinion of the Investment Manager, are expected to provide similar performance and risk characteristics to the uninvestible Index constituents and/or (iv) hold cash or cash equivalents.

The wording will change for all the Funds that currently adopt a *optimised replication strategy*. The new wording seeks to clarify that the holdings of the funds can differ from the constituents of the index.

Current wording	New wording
Optimised replication	Optimised
The Fund will typically hold only a representative sample of the securities included in the Index.	In seeking to achieve its investment objective, the Fund will use optimisation techniques which take account of tracking error and trading costs when constructing a portfolio. Consequently the Fund may not hold each underlying Index constituents or hold Index constituents close to their Index weights. Furthermore, the Fund may hold securities which are not Index constituents but which are expected to provide similar performance and risk characteristics to certain Index constituents.

ii. Tracking Error

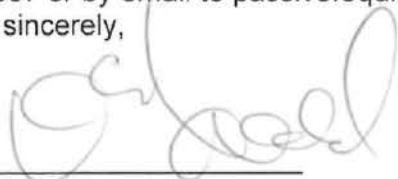
The new wording seeks to clarify the concept of tracking error and which factors may affect the tracking error.

Current Wording	New Wording
It is currently anticipated that the Fund will track the Index with a potential variation of up to [●] % annually under normal market conditions.	<p>The tracking error is the annualised standard deviation of the difference between the monthly (or daily) returns of the Fund and the Index.</p> <p>A series of factors may give rise to Tracking error:</p> <ul style="list-style-type: none"> - Transaction costs, operating expenses, custody costs, taxes, as a result of changes in the investments of the Fund and re-weightings of the Index, corporate actions, cash flows into and out of the Fund from dividend/reinvestments and any costs and expenses which are not taken into account in the calculation of the Index. - Internal restrictions, which may result in screening for any company involved in cluster munitions and anti-personnel land-mines (as detailed in the Prospectus: INVESTMENT RESTRICTIONS - Other Restrictions) or other market or regulatory driven trading restrictions that apply to the Fund but not the Index. <p>Moreover, in the event of the temporary suspension or interruption of trading in the investments comprising the Index, or of market disruptions, rebalancing the Fund's investment portfolio may not be possible and may result in deviations from the returns of the Index.</p> <p>There is no guarantee that the investment objective of any Fund will be achieved. In particular, no financial instrument enables the returns of any Index to be reproduced exactly</p> <p>The anticipated tracking error is the expected standard deviation of the differences between the returns of a sub-fund and its Index.</p> <p>As at the date of this Supplement, the anticipated tracking error for the Fund is expected to be up to [●] % in normal market conditions. Divergences between anticipated and realised Tracking Error will be explained in the Annual Report for the relevant period.</p> <p>The anticipated tracking error for the Fund is not a guide to future performance.</p>

Finally, there are a number of less significant or housekeeping changes made to the Prospectus and each of the Supplements of the HSBC ETF range. The updated documents are available from <http://www.etf.hsbc.com/>. A hard copy is available on request.

If you have any further questions, please do not hesitate to contact your sales representative or your professional advisor or the ETF Product Specialist on +44 207 024 0342 or +44 207 024 0337 or by email to passive.equity.team@hsbc.com.

Yours sincerely,



Director
For and on behalf of
HSBC ETFs plc

