

HSBC CLOSET INDEXING CLASS ACTION

NOTICE OF CERTIFICATION THIS NOTICE IS IMPORTANT TO YOU.

IT IS PUBLISHED BY ORDER OF THE BRITISH COLUMBIA SUPREME COURT.

This notice is directed to:

All persons, wherever they reside, who hold or held at any time from January 1, 2005 to February 4, 2025, one or more units of the *HSBC Equity Fund* (the “**Equity Fund**”) or a *World Selection Diversified Fund* (the “**Class Members**” or the “**Class**”).

A “**World Selection Diversified Fund**” refers to an HSBC mutual fund that holds or held the *HSBC Equity Fund* at any time from January 1, 2005 to February 4, 2025. The following is a list of the *World Selection Diversified Funds*:

- *HSBC World Selection Diversified Conservative Fund*;
- *HSBC World Selection Diversified Moderate Conservative Fund*;
- *HSBC World Selection Diversified Balanced Fund*;
- *HSBC World Selection Diversified Growth Fund*; and
- *HSBC World Selection Diversified Aggressive Growth Fund*.

Following the acquisition of HSBC Global Asset Management (Canada) Limited and HSBC Investment Funds (Canada) Inc. by Royal Bank of Canada (effective March 28, 2024), the *Equity Fund* was migrated to RBC and marketed as the RBC Indigo Equity Fund and the *HSBC World Selection Diversified Funds* was marketed as the RBC Indigo Diversified Funds.

THE CERTIFICATION ORDER

On February 4, 2025, the Court of Appeal for British Columbia certified the action *Gibbs v. Gibbs v. HSBC Global Asset Management (Canada) Limited et al.*, Court File No. VS-207242 (the “**Class Action**”) as a class proceeding. Linnea Gibbs has been appointed representative plaintiff (the “**Representative Plaintiff**”) for the Class. The defendants are HSBC Global Asset Management (Canada) Limited and HSBC Investment Funds (Canada) Inc. (the “**Defendants**”), which were trustee and manager of the *Equity Fund* and the *World Selection Diversified Funds*.

The Representative Plaintiff alleges, among other things, that in managing the *Equity Fund* during the Class Period the Defendants used the “Closet Indexing Strategy”, which was an investment strategy to closely track the performance of the *Equity Fund*’s benchmark index (the “**Benchmark**”) before deducting management fees. The Representative Plaintiff alleges that as a result of the amount of those fees, and close extent to which the performance of the *Equity Fund* tracked the performance of the Benchmark through use of the Closet Indexing Strategy, there was a substantial and material risk that the *Equity Fund* would underperform the Benchmark after fees, which risk is also alleged to have materialized over the Class Period. The Representative Plaintiff alleges that the Defendants never disclosed their use of the Closet Indexing Strategy and its substantial risk of after-fee underperformance versus the Benchmark, and also alleges that they did not ever assess their fees for reasonableness.

The Representative Plaintiff pleads claims including breach of trust, prospectus misrepresentation, and unjust enrichment. She seeks compensation on behalf of the Class. She also seeks disallowance of expenses and disgorgement of excessive fees allegedly received by the Defendants.

The Defendants deny the allegations made by the Representative Plaintiff. In their response, they plead that they managed the *Equity Fund* in a diligent and prudent manner, in line with the objectives set out in the offering documents. They also plead that, as manager of the *Equity Fund*, they made investment decisions based on quantitative and qualitative research and have never engaged in 'closet indexing'.

The certification order means that the Class Action may proceed to trial on certain issues on a common basis. Certification is a preliminary procedural matter. The merits of the claims in the Class Action, and the allegations of fact on which the claims are based, which the Defendants deny, have not yet been considered by the Court.

DO NOTHING IF YOU WANT TO PARTICIPATE IN THE CLASS ACTION

Class Members who **want to participate** in the Class Action are **automatically included** and need not do anything at this time.

YOU MUST OPT OUT IF YOU DO NOT WANT TO PARTICIPATE IN THE CLASS ACTION

Class Members who do not want to participate in the Class Action must opt out. If you want to exclude yourself from the Class Action, you must send written notice to Class Counsel expressing your desire to opt out of the HSBC Closet Indexing Class Action. Your written notice must include your name, address, and telephone number. If you are submitting an opt-out request on behalf of a corporation or other entity, you must state your

position with and authority to bind the corporation or entity.

Your opt-out request must be sent by email or mail to Class Counsel:

Investigation Counsel P.C.

Re: HSBC Closet Indexing Class Action

55 University Avenue, Suite 900

Toronto ON M5J 2H7

Email:

hsbcclosetindexing@investigationcounsel.com

Tel : 416.637.3152

In order for your opt out request to be valid, it must be postmarked or received no later than November 12, 2025 and it must contain all of the required information.

Each Class Member who does not opt out of the Class Action will be bound by the terms of any judgment or settlement, whether favourable or not, and will not be allowed to prosecute an independent action against the Defendants for any of the factual matters raised in the Class Action. If the Class Action is successful, you may be entitled to share in the amount of any award or settlement recovered. A Class Member who opts out will not be entitled to participate in the Class Action and will not be entitled to share in the amount of any award or settlement.

NO DIRECT COST TO YOU

The Representative Plaintiff has entered into a contingency fee retainer agreement with law firm Investigation Counsel P.C. which provides that counsel will be paid only if the Class Action is successful either through a judgment on the common issues in favour of the Class or by way of an approved settlement. In either event, the legal fees would be set by the Court, and the Court may order that those fees be paid out of the settlement proceeds or by the Defendants.

If the class action is not successful, you will NOT be responsible for any legal costs of the Class

Action and will NOT have any other financial obligations because of the Class Action.

ADDITIONAL INFORMATION

For further information, Class Members can contact Class Counsel at the email or mailing address above.

Publication of this notice has been authorized by the Supreme Court of British Columbia.