

# *Charles Schwab Worldwide Funds plc*

## **Hong Kong Covering Document**

IMPORTANT INFORMATION FOR RESIDENTS OF HONG KONG

20 December 2019

### THIS DOCUMENT IS IMPORTANT

This document is supplemental to, and forms part of, and should be read in conjunction with, the prospectus of Charles Schwab Worldwide Funds plc (the “Company”) dated 2 January 2019 (the “Prospectus”). Terms as defined in the Prospectus shall have the same meaning herein unless otherwise specified.

The directors of Charles Schwab Worldwide Funds plc (the “Directors”) accept responsibility for the accuracy of the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), and notwithstanding anything mentioned in the paragraph entitled “Investment Risks” on page 17 of the Prospectus, the information contained in this document and the Prospectus is in accordance with the facts and does not omit any material information likely to affect the import of such information. The Directors accept responsibility accordingly.

#### *Important Information*

- *Schwab U.S. Dollar Liquid Assets Fund (the “Fund”) may invest in high quality, short term transferable securities and money market instruments, provided that at least 99.5% of its assets are invested in money market instruments issued or guaranteed by a Government Entity, reverse repurchase agreements secured by instruments issued or guaranteed by a Government Entity or cash.*
- *The income of the Fund is based on short-term interest rates which can fluctuate significantly over a short period. This may result in increased income risk, which is the possibility that dividends (i.e., income) will decline because of falling interest rates. There can be no assurance that the Fund will be able to maintain a stable Net Asset Value per Share of U.S. \$1.00 or otherwise achieve its investment objective.*
- *Investment involves risks and investors may lose all, or substantial part, of their investment in the Fund. Investment in the Fund is not of the same nature as a deposit in a bank account and is neither guaranteed nor protected.*

*Important: If you are in any doubt about the contents of this document, or the Prospectus, you should seek independent professional financial advice.*

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## INTRODUCTION

- 1 The Company and its sub-fund, Schwab U.S. Dollar Liquid Assets Fund, are authorised by the Hong Kong Securities and Futures Commission (the “SFC”) under Section 104 of the Securities and Futures Ordinance (the “SFO”) for marketing to the public in Hong Kong. SFC authorisation is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
- 2 In the event the Company and/or the Fund terminates and/or merges with another sub-fund, in addition to following any procedures set out in the constitutive documents or the governing law, Shareholders will be given prior notice as determined by the SFC.
- 3 Subject to paragraph 2, Shareholders will be given three-months prior notice in the event of a withdrawal of the SFC authorisation of the Company or the Fund.
- 4 The Fund is known as a money market fund; however, the purchase of a share in the Fund is not the same as placing funds on deposit with a bank or deposit-taking company. The Manager has no obligation to redeem shares at the subscription Net Asset Value and this Fund is not subject to the supervision of the Hong Kong Monetary Authority.
- 5 No money should be paid to any person in Hong Kong, except to an intermediary that is licensed or registered to carry on Type 1 regulated activity under Part V of the SFO, or to a person who falls within a statutory exemption from the requirement to be licensed or registered to carry on Type 1 regulated activity under Part V of the SFO.
- 6 Notwithstanding the statement on page 3 of the Prospectus where it was mentioned that the English language Prospectus shall prevail in case of inconsistency between the English language Prospectus and the Prospectus in another language, please note that both the English and Chinese offering document (which comprises the Prospectus and this document) shall have equal standing in Hong Kong.
- 7 Investors should note that the Key Investor Information Document in respect of the Fund (“KIID”) will not be distributed in Hong Kong and it will only be made available upon the specific request of a Hong Kong investor. The KIID will be sent to a Hong Kong investor directly on request from the Administrator outside Hong Kong, together with another copy of the Prospectus and this document (collectively the “**Hong Kong Offering Document**”) and a personalised cover letter stating that the KIID should be read in conjunction with the Hong Kong Offering Document.

## HONG KONG REPRESENTATIVE

- 8 The Hong Kong Representative of the Company (the “**Hong Kong Representative**”) is Charles Schwab, Hong Kong, Ltd. whose registered office is situated at Rooms 602-606, Gloucester Tower, 15 Queen’s Road Central, Central, Hong Kong. The Hong Kong Representative has entered into an agreement with the Manager pursuant to which the Hong Kong Representative has been appointed to act as its representative and is authorised to receive requests from Hong Kong residents for subscription, redemption and exchange of Shares. Any fees payable to the Hong Kong Representative under the agreement shall be paid by the Manager out of its own fees. Requests will be forwarded to

the Administrator in Ireland as soon as possible after receipt. The Hong Kong Representative has, however, no authority to agree, on behalf of the Company, that requests will be accepted.

#### **DEALING OF SHARES IN HONG KONG**

- 9 Before subscribing for Shares, investors will be required to open a brokerage account with the Hong Kong Representative, or its affiliates. The opening of such an account enables the Hong Kong Representative to provide Shareholder services to Hong Kong investors. In addition the opening of such an account enables Charles Schwab to monitor its client's identity for complying with regulatory requirements. In order to open a brokerage account, applicants must complete account opening forms, provide information concerning their identity, verify their residence (which will not be in the U.S. or the Republic of Ireland).
- 10 Hong Kong investors wishing to subscribe for Shares should contact the Hong Kong Representative. As soon as practicable following receipt of a subscription request the Hong Kong Representative will forward it to the Administrator in Ireland for processing. All such subscriptions for Shares will be processed by reference to the Net Asset Value calculated at the next Valuation Point after receipt and acceptance by the Administrator in Ireland of the subscription request on the relevant Business Day, regardless of when the subscription request was submitted to the Hong Kong Representative.
- 11 Hong Kong Shareholders wishing to redeem Shares may lodge their redemption requests with the Hong Kong Representative. As soon as possible following receipt of a redemption request the Hong Kong Representative will forward it to the Administrator in Ireland for processing. All redemption requests will be processed by reference to the Net Asset Value calculated at the next Valuation Point after receipt and acceptance by the Administrator in Ireland of the redemption request on the relevant Business Day, regardless of when the redemption request was submitted to the Hong Kong Representative.
- 12 Hong Kong Shareholders may also exchange their Shares in the Fund for shares of other funds authorised in Hong Kong by the SFC, made available through the Hong Kong Representative. Such an exchange will be effected as a redemption request in respect of the Shares in the Fund and a subscription request in respect of shares in the other funds, for which additional fees may apply. To exercise the exchange privilege, Hong Kong Shareholders should contact the Hong Kong Representative requesting that the exchange be effected.

#### **DETERMINATION AND PUBLICATION OF NET ASSET VALUE**

- 13 As set out in the Prospectus, the Fund's Net Asset Value will continue to be calculated using the amortised cost method. The valuation under the amortised cost method will be compared against the valuation under the mark-to-market method (failing of which, mark-to-model). If the difference exceeds 0.50%, the Fund is required under the MMF Regulations to temporarily transact at a variable net asset value.
- 14 For so long as the Company maintains its authorisations with the SFC under Section 104 of the SFO, the Net Asset Value of its Shares will be published daily at [https://client.schwab.com/secure/cc/research/offshore\\_mutual\\_funds/offshore\\_sweep\\_fund/](https://client.schwab.com/secure/cc/research/offshore_mutual_funds/offshore_sweep_fund/) and in the Hong Kong Economic Times and

the South China Morning Post (the “Newspaper”). If dealing of Shares is temporarily suspended, the fact that dealing is temporarily suspended must be published immediately following such temporary suspension and at least once a month during the period of suspension in the Newspaper. Notice of such suspension shall also be transmitted immediately, and in any event within one Business Day, to the SFC. The above website (which is also referred to in the Prospectus) has not been reviewed by the SFC and may contain information in respect of funds which are not authorized by the SFC.

#### **INVESTMENT INSTRUMENTS AND RESTRICTIONS**

- 15 As set out in the Prospectus, the Fund will not engage in FDI transactions. Should the Fund seek to use FDIs for any purpose in the future, the Company will (1) obtain the SFC’s prior approval and (2) provide at least one month prior notice thereof to the Shareholders of the Fund.
- 16 The Fund will not invest in repurchase agreements. Accordingly, investors should disregard all references to repurchase agreements in the Prospectus.
- 17 For so long as the Fund is authorised by the SFC, it may not invest in synthetic asset-backed securities whose income is derived from FDIs, and it will comply with Chapter 8.2 (Money market funds) of the Code on Unit Trusts and Mutual Funds issued by the SFC (including without limitation the investment and borrowing restrictions set forth therein) as amended from time to time.
- 18 With respect to Section 7 (Investment Restrictions) of the Prospectus, the reference to additional investment restrictions, if any, as may be adopted by the Directors refers to those restrictions adopted to facilitate the distribution of Shares to the public in a particular jurisdiction (see the last paragraph of Section 7.3 of the Prospectus). All such additional investment restrictions, if any, that are relevant to the Fund are set out in the Hong Kong Offering Documents.

#### **TRANSACTIONS WITH CONNECTED PERSONS**

- 19 For so long as the Company maintains its authorisations with the SFC under Section 104 of the SFO, no person may be allowed to enter on behalf of the Company into underwriting or subunderwriting contracts without the Custodian’s consent. In addition, the Company or the Manager should confirm in writing that all commissions and fees payable to the Company or the Manager under such contracts, and all investments acquired pursuant to such contracts, will form part of the Fund’s assets.

Where cash forming part of the Fund’s assets is deposited with the Manager or connected persons of such, such cash deposit shall be maintained in a manner that is in the best interests of the holders, having regard to the prevailing commercial rate for a deposit of similar type, size and term negotiated at arm’s length in accordance with ordinary and normal course of business.

Brokers or dealers connected to the Manager, the Investment Manager or any of their connected persons will not in aggregate account for more than 50% of the Fund’s transactions in value in any one financial year.

## RISK CONSIDERATIONS AND OTHER ADDITIONAL DISCLOSURES

- 20 Notwithstanding the statement in Section 8 (Investment Risks) of the Prospectus where it was mentioned that the investment risks set forth therein are not purporting to be exhaustive, please note that the investment risks set forth in Section 8 (Investment Risks) of the Prospectus together with the additional risk disclosures in this document are designed to set out all relevant risks associated with the Fund. Investors should refer to the below for additional risk disclosures for the Fund:

### Downgrading risk

Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. If an investment grade security is downgraded to below investment grade, then Shareholders should note that such below investment grade securities would generally be considered to have a higher credit risk and a greater possibility of default than more highly rated securities. If the issuer defaults, or such securities cannot be realised, or perform badly, Shareholders may suffer substantial losses. In addition, the market for securities which are rated below investment grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and a Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

- 21 In addition to the risks of investing in the Fund set out in the Prospectus, there is a risk in the event of a winding up of the Fund where redemption proceeds received by the Shareholders distributed on the basis as set out on pages 52 and 53 of the Prospectus may be less than the amount that they have invested in the Fund. It is possible that at such time of winding up of the Fund, certain investment held by the Fund may be worth less than the initial cost of such investments, resulting in a substantial loss to the Shareholders. In addition, unamortised preliminary expenses of the Fund would be borne by the Fund.

## FEES AND EXPENSES

- 22 Shareholders shall be given three months notice of any increase in the level of management fee charged in respect of any fund from the current level as stated in the Prospectus.

Shareholders are not subject to a sales charge, a transaction fee, a redemption fee or an exchange fee, notwithstanding that the Directors may, at their discretion, charge a redemption fee and an exchange fee as provided in the Prospectus. In the event that the Directors determine to implement any such fees or charges in respect of any Shares in issue, the Shareholders will be given at least three months' prior notice of the implementation.

For any other increase in fees or charges, Shareholders shall be given sufficient advance notice to enable them to redeem in advance of the implementation of any such increases.

- 23 Notwithstanding anything stated to the contrary in the Prospectus, for so long as the Company and the Fund are authorised by the SFC, no expenses arising out of any advertising or promotional activities in connection with the Company and/or the Fund will be paid out of the assets of the Company and/or the Fund.

## TAXATION IN HONG KONG

- 24 Under the current Hong Kong law, for so long as the Company maintains its authorisation with the SFC under Section 104 of the SFO, the Company is not expected to be subject to Hong Kong profit tax in respect of any of its authorised activities.

Shareholders will not be subject to any Hong Kong tax on distributions paid by the Company from the Fund or on capital gains realised on the sale of any Shares except that Hong Kong profit tax may arise if the acquisition and redemption of Shares is or forms part of a trade, profession or business carried on in Hong Kong.

Shares will not attract Hong Kong estate duty and no Hong Kong stamp duty will be payable on the issue or transfer of Shares. The foregoing is given on the basis of the Investment Manager's understanding of present registration and practice in Hong Kong. Investors are advised to check their tax position.

## REPORTS AND ACCOUNTS

- 25 In addition to the information set out on page 53 of the Prospectus, copies of the annual report and audited accounts, and half-yearly reports for the Company and the Fund will be made available to Shareholders in English only. The annual report will be circulated to Shareholders (electronically should they so elect) within four months of the end of the Company's financial year and in any event at least 21 days before the Annual General Meeting. The half-yearly report will be circulated to Shareholders (electronically should they so elect) within two months of the end of the relevant accounting period.

## DOCUMENTS FOR INSPECTION

- 26 For so long as the Company maintains its authorisations with the SFC under Section 104 of the SFO, copies of any of the following documents may be inspected and obtained free of charge at the office of the Hong Kong Representative (as specified in the Directory of the Prospectus) during normal business hours on any day on which the Hong Kong Representative is open for business:
- (a) the material contracts set out on page 53 of the Prospectus;
  - (b) the Hong Kong Representative Agreement;
  - (c) the Articles;
  - (d) the UCITS Regulations;
  - (e) the MMF Regulations;
  - (f) the latest published annual and half-yearly reports and audited and unaudited accounts of the Company;
  - (g) the Hong Kong Offering Document; and
  - (h) undertakings given to the SFC on behalf of the Company.

## COMPLAINTS AND ENQUIRIES

- 27 Shareholders should note that complaints and enquiries regarding the Company should be made to the Hong Kong Representative where they will be registered and logged and passed to the appropriate department for response and, if appropriate, action. To contact the Hong Kong Representative, investors may either:
- (a) write to the office of the Hong Kong Representative; or
  - (b) call the Hong Kong Representative office at (852) 2101 0500.



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