

HSBC Investment Funds - Balanced Fund

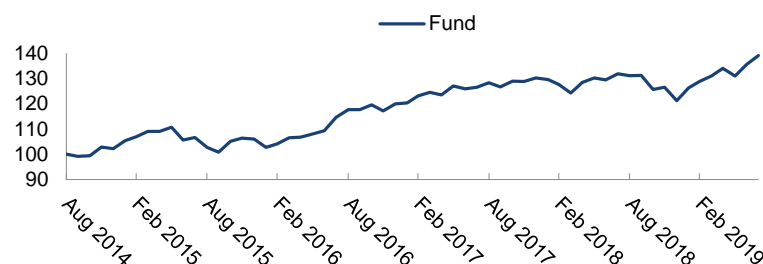
Share Class CC

31 Jul 2019

Fund Objective and Strategy

The Fund's investment objective is to provide capital growth together with some income by investing in a broad range of investments including UK and overseas shares, Government bonds, and fixed interest securities.

Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹	Vol ²	S.R. ³
CC	14.71	2.56	3.73	5.43	6.65	7.27	7.43	0.83

Rolling Performance (%)	31 Jul 2018-31 Jul 2019	31 Jul 2017-31 Jul 2018	31 Jul 2016-31 Jul 2017	31 Jul 2015-31 Jul 2016	31 Jul 2014-31 Jul 2015
CC	5.43	4.19	10.42	7.47	8.95

Share Class Details

UCITS V Compliant	Yes
ISA Eligible	Yes
Distribution Type	Accumulating
Dealing Frequency	Daily
Valuation Time	12:00 United Kingdom
Min. Initial Investment	GBP 1,000,000
Ongoing Charge Figure ⁴	0.770%
Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00BG0R5293
Inception Date	10 Dec 2013
NAV per Share	GBP 2.42
Fund Size	GBP 370,178,361
Bloomberg Ticker	HSBBACA LN
SEDOL	BG0R529
Manager	Justin Turner

Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

Source: HSBC Global Asset Management, data as at 31 July 2019

Risk Disclosure

- The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.
- Emerging markets are subject to greater illiquidity and volatility than developed markets.
- Changes in currency exchange rates will cause the value of investments to fluctuate.
- As interest rates rise debt securities will fall in value. All credit instruments have potential for default.
- Assets may be more difficult to convert to cash during adverse market conditions, in turn impacting asset valuation.
- Governance of underlying assets remains the responsibility of third-party managers. Regular assessment is undertaken for third-party manager approval.

¹Result is annualised when calculation period is over one year.

²Volatility since inception: a measure of how much a fund's price goes up or down as a percentage of its average performance.

³Sharpe ratio since inception: a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations.

⁴Ongoing Charges Figure, is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

Monthly Performance Commentary

Market Review

Global equities were little changed in July as a “truce” in US-China trade tensions was offset by the US FOMC signalling a “mid-cycle adjustment” in policy rather than a long series of rate cuts. However, sterling depreciation provided a boost, meaning the MSCI All Countries World Index increased by 4.28% over the month.

In the US, the labour market remains solid, with 224,000 jobs added in June, while Q2 GDP growth surprised to the upside (+2.1% quarter-on-quarter annualised). Further escalation in trade tensions continues to be the main downside risk to growth, particularly if confidence is impacted. The Fed cut rates by 25bps and a lack of inflation pressure and increased downside risks to growth are likely to translate into possible further Fed rate cuts later this year.

Manufacturing data in the Eurozone continues to weaken, while retail sales have declined in Q2 so far. Underlying inflation remains very subdued and the European Central Bank looks increasingly likely to engage in policy easing, although it faces some constraints. In the UK, growth is moderating as support from Brexit related stockpiling in Q1 unwinds in an environment of elevated domestic and global uncertainty. The Bank of England has switched to an easing bias, reflecting increased downside risks from global conditions and Brexit.

In Asia, Chinese data releases for June showed signs of a pick-up in activity momentum, while a “truce” in the trade conflict with the US could be positive for sentiment. Ongoing policy loosening also has the potential to stabilise China’s economy alongside global trade growth.

In India, measures in the final budget for fiscal year 2020 are unlikely to provide a large boost to growth, but there is an emphasis on infrastructure spend and the long-term structural story remains positive.

Growth remains sluggish in Japan amid external headwinds and a loss of momentum in business investment. This year’s consumption tax hike also presents a risk.

The backdrop for emerging markets has improved amid a dovish Fed and more accommodative emerging market central banks. However, corporate profitability has disappointed this year, while a “trade truce” rally has happened even though uncertainties remain.

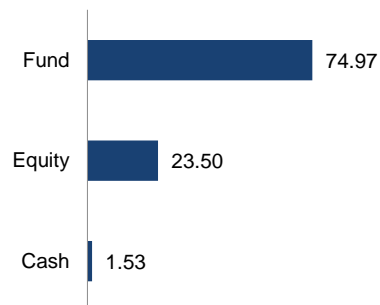
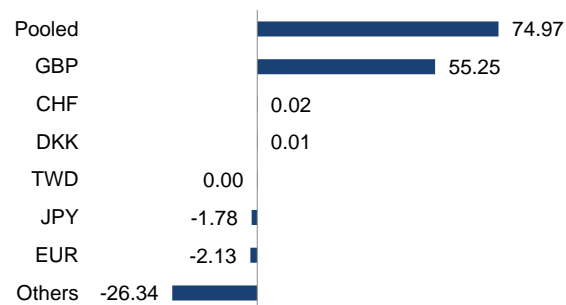
Fund Review

During July market returns were relatively subdued, with most asset markets posting low single digit returns. In the relatively flat environment, the Balanced fund posted a small positive return.

During July the fund’s tactical positioning marginally detracted. The risk-on positioning was broadly neutral, and the tactical preferences for EMD in local currency and tilt away from Global High Yield bonds added value. However, the fund’s sterling hedges detracted as the value of sterling fell during July.

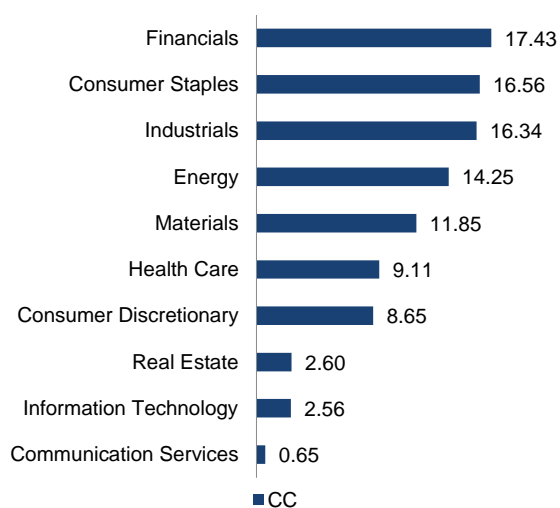
No significant changes to the portfolio’s asset allocation were made during the month.

The portfolio continues to be positioned to reflect our preference for equity over fixed income, specifically emerging market equity. Within fixed income our preferences is for EMD in local currency.

Portfolio Asset Allocation (%)**Currency Exposure at Portfolio Level (%)****Top 10 Holdings (%)**

HSBC American Index Institutional Inc	9.27
HSBC GIF Global Em Mkts Local Dbt ZQ1	6.91
HSBC European Index Institutional Income	6.53
HSBC FTSE All-World Index Inst Inc	5.67
HSBC GIF Global Emerg Mkts Bd ZQ1	5.05
HSBC GIF Global Real Estate Eq ZD	4.83
HSBC Multi-Factor Worldwide Eq ZQ Inc	4.66
HSBC Gilt & Fixed Interest Instl Inc	3.53
HSBC Pacific Index Instl Inc	3.20
HSBC GIF Global Government Bond ZD	3.03

Source: HSBC Global Asset Management, data as at 31 July 2019

Equity Sector Allocation (%)

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