

# HSBC OpenFunds - World Selection - Dividend Distribution Portfolio

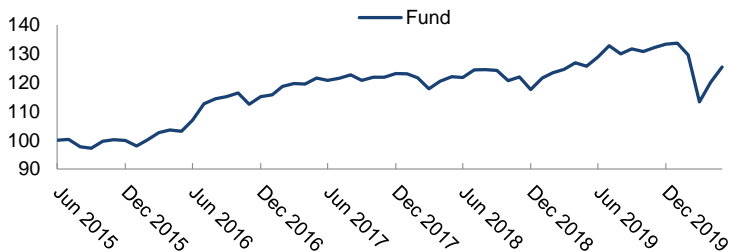
Share Class Income C

31 May 2020

## Fund Objective and Strategy

The objective of this fund is to provide a high level of income by investing in a broad range of asset classes, across global markets. The fund invests primarily in collective investment schemes that in turn invest in fixed income securities, higher yielding equities, property, commodities and derivatives. The Authorised Corporate Director may also invest at its discretion in other transferable securities, money market deposits, cash and near cash.

## Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>	Vol <sup>2</sup>	S.R. <sup>3</sup>
Income C	-5.95	4.44	-3.24	-0.20	1.05	3.98	7.96	0.42

Rolling Performance (%)	31 May 2019-31 May 2020	31 May 2018-31 May 2019	31 May 2017-31 May 2018	31 May 2016-31 May 2017	31 May 2015-31 May 2016
Income C	-0.20	2.99	0.38	17.89	-0.09

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 May 2020

## 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.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- The Fund invests in bonds whose value generally falls when interest rates rise. This risk is typically greater the longer the maturity of a bond investment and the higher its credit quality. The issuers of certain bonds, could become unwilling or unable to make payments on their bonds and default. Bonds that are in default may become hard to sell or worthless.
- Investing in other funds involves certain risks an investor would not face if investing in markets directly. Governance of underlying assets can be the responsibility of third-party managers.
- The Fund may invest in Emerging Markets, these markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- Derivatives may be used by the Fund, and these can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset.
- Investment Leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source.
- Liquidity is a measure of how easily the Fund's holdings can be quickly converted to cash. The value of the Fund's holdings may be significantly impacted by liquidity risk during adverse market conditions.
- Further information on the Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

## Share Class Details

UCITS V Compliant	No
ISA Eligible	Yes
Distribution Type	Distributing
Distribution Frequency	Quarterly
Dividend ex-date	16 Apr 2020
Dividend Yield <sup>4</sup>	3.78%
Last Paid Dividend	0.0097
Dealing Frequency	Daily
Valuation Time	12:00 United Kingdom
Min. Initial Investment	GBP 1,000,000
Ongoing Charge Figure <sup>5</sup>	0.930%
Share Class Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00B84BZW11
Share Class Inception Date	03 Sep 2012
NAV per Share	GBP 1.11
Fund Size	GBP 425,012,008
Bloomberg Ticker	HSOGDCI LN
SEDOL	B84BZW1
Manager	Kate Morrissey

<sup>1</sup>Result is annualised when calculation period is over one year.

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

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

<sup>4</sup>Dividend Yield: represents the ratio of distributed income over the last 12 months to the fund's current Net Asset Value. □

<sup>5</sup>Ongoing 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.

HSBC OpenFunds Portfolios offer a choice of five different risk levels, to be selected by investors depending on factors like their financial goals, time horizon and capacity for loss. Typically, the more risk investors take, the more return they would expect to see.

At HSBC Global Asset Management, we measure risk by volatility – how sharply a Portfolio's share price moves in any given time period (up or down). The higher the volatility, the higher the risk.

The table below shows the Portfolio's return (for the primary IA share class) per year over the last three years (known as annualised) and the level of volatility over the same period. This can be compared against other funds in the peer group, as defined by an independent research company\*.

	3 Year Net Return %	Amount based on £1,000 invested	3 Year Volatility %
<b>HSBC World Selection Div Dis Port C Acc</b>	<b>1.05</b>	<b>£1,031.88</b>	<b>10.31</b>
Peer Group Average - EAA Fund GBP Moderately Adventurou	1.34	£1,040.80	11.15
Lowest Returning Fund in Peer Group	-9.66	£737.37	6.87
Highest Returning Fund in Peer Group	12.77	£1,433.99	19.47
Cash	0.68	£1,020.59	0.08

An example of a good outcome would be that the HSBC Portfolio return is higher than the peer group's average return and the volatility (risk taken) is lower. However investors should consider their own priorities when it comes to returns and the risk taken to achieve them.

\*Morningstar Categories are used to define the peer group comprising funds they deem similar based on fund objectives and holdings. The average is a median.

## Monthly Performance Commentary

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### Portfolio performance

Our tactical asset allocation positioning added value in May, as the risk-on environment favoured our slightly overweight equity position. Our underweight in global government bonds also added value.

The World Selection portfolios are long-term investment solutions that seek to maximise risk-adjusted returns (Sharpe ratios) in the long run.

### Outlook

Uncertainty remains highly elevated, in terms of COVID-19 developments, the business cycle, oil prices, and policy. There are now “multiple equilibria” for the economic system. Our most likely scenario is a “swoosh” type recovery for the global economy – this entails a sharp rebound once lockdowns are lifted, and then a gradual pickup to pre-crisis levels of activity.

Following the initial shock, we are already witnessing the emergence of cyclical winners (China, industrialised Asia) and relative losers (emerging markets ex Asia, smaller oil exporters, frontier economies, and the eurozone).

The global economy needs ongoing support, with little risk of inflation in the near term. The biggest downside risk to this “swoosh” scenario is a policy mistake. “Stimulus fatigue” could set in over the second half of 2020.

The fastest bear market of all time has given way to the fastest recovery, driven by a reduction in downside tail risks following a “whatever it takes” approach by policymakers and a decline in new COVID-19 cases.

We think expected returns for risky assets are attractive - investors are rewarded to absorb volatility in the medium to long-term. We measure very poor prospective returns for developed market government bonds. The shift in policy away from rate cuts and asset purchases towards fiscal stimulus means that the diversification properties of global bonds could deteriorate.

### Positioning

#### Fixed Income

The portfolios have remained underweight fixed income assets as yields and potential returns have remained low.

Near term risks remain in the high yield credit segment and we remain underweight.

#### Equities

We remain modestly overweight given the wide valuation gap versus bonds. However, upside potential is likely to be capped by structural uncertainty in the near term while downside risks could be limited by further monetary and fiscal support and better news on the coronavirus coming through.

We have added further diversification through targeted exposure to the haven currencies Swiss Franc, US Dollar and Japanese Yen which tend to strengthen in times of increased volatility and uncertainty.

## Portfolio

### Portfolio Asset Allocation (%)

Global Equity	44.35
Global Fixed Income	43.07
Global Corporate Bond	10.04
Global High Yield Bond	10.60
Global Asset Backed Bond	5.74
Emerging Market Debt - Hard Currency	4.82
Emerging Market Debt - Local Currency	11.88
Property	5.02
Infrastructure	5.93
Cash	1.63

### Currency Exposure at Portfolio Level (%)

British pound	41.54
US dollar	27.18
Euro	6.29
Japanese yen	3.12
Hong Kong dollar	1.76
Mexican peso	1.57
Swiss franc	1.49
Indian rupee	1.40
South Korean won	1.38
Brazilian real	1.21
Other Currencies	13.05

### Portfolio Top 10 Holdings

### Weight (%)

HSBC UCITS CN CNTL DEV WLD EQ INC FACA1\$	23.84
HSBC GIF GLOBAL EM LOCAL DBT ZQ1	11.34
HSBC CORPORATE BOND INSTITUTIONAL INC	10.04
FIDELITY GLOBAL QUAL INC ETF INC	8.52
VANGUARD FTSE 100 UCITS ETF	7.18
HSBC GIF GLB SHRT DUR HY BD ZQ1	5.31
HSBC GIF GLOBAL HI YLD BD ZQ1	5.29
HSBC GIF GLOBAL RE EQ ZD	5.02
HSBC GIF GLOBAL EM BD ZQ1	4.82
FIDELITY EMERG MKTS QUAL INC ETF USD ACC	4.61

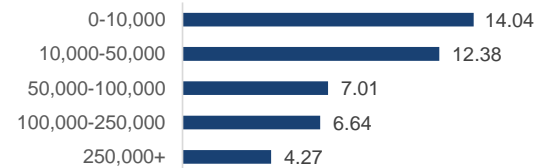
Source: HSBC Global Asset Management, data as at 31 May 2020.

## Equity

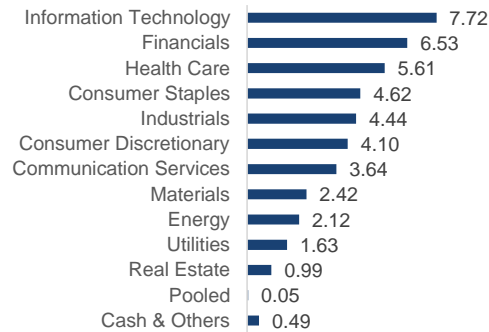
### Equity Characteristics

P/E Ratio	12.79
Weighted Average Market Cap (USD Mil)	138,417.40
Dividend Yield	3.45

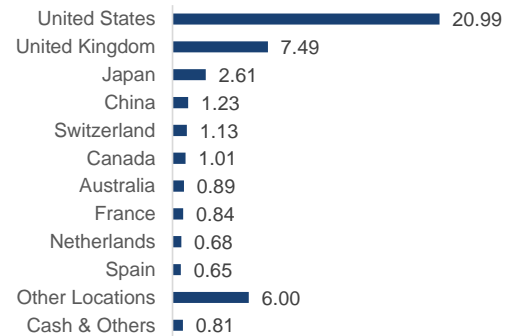
### Equity Average Market Cap Breakdown (USD Mil, %)



### Equity Sector Allocation (%)



### Equity Geographical Allocation (%)



Equity Top 10 Holdings	Location	Sector	Weight (%)
APPLE INC	United States	Information Technology	1.18
MICROSOFT CORP	United States	Information Technology	1.15
AMAZON.COM INC	United States	Consumer Discretionary	0.69
ASTRAZENECA USD0.25	United Kingdom	Health Care	0.54
GLAXOSMITHKLINE ORD GBP0.25	United Kingdom	Health Care	0.44
HSBC HOLDINGS PLC	United Kingdom	Financials	0.40
BRITISH AMERICAN TOBACCO ORD GBP0.25	United Kingdom	Consumer Staples	0.38
JOHNSON & JOHNSON	United States	Health Care	0.34
TENCENT HOLDINGS LTD	China	Communication Services	0.33
HOME DEPOT INC	United States	Consumer Discretionary	0.32

Please note some securities are unclassified against these sector and/or country schemes and will therefore appear under the Cash & Others category.

The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

Source: HSBC Global Asset Management, data as at 31 May 2020.

## Fixed Income

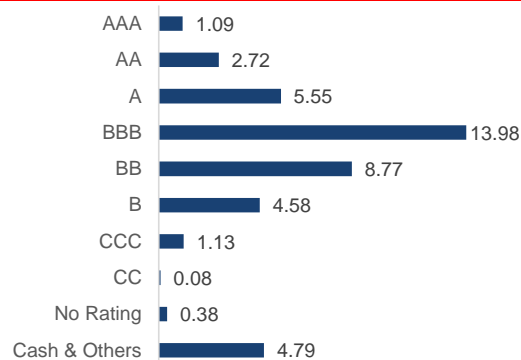
### Fixed Income Characteristics

Yield to Maturity (Gross)	4.59
Yield to Worst (Gross)	4.50

### Fixed Income Characteristics

Option Adjusted Duration	4.48
Rating Average	BBB+/BBB

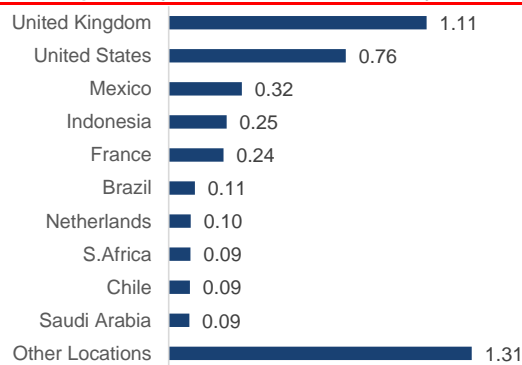
### Fixed Income Quality Rating Allocation (%)



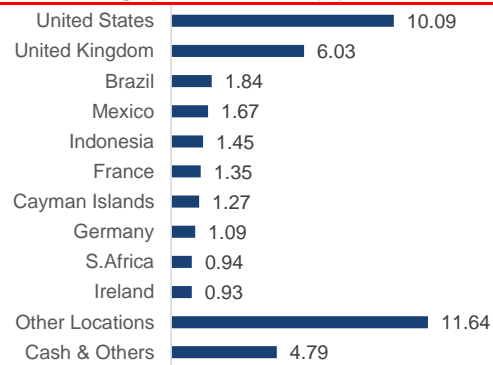
### Fixed Income Sector Allocation (%)



### Fixed Income Option Adjusted Duration Allocation by Location



### Fixed Income Geographical Allocation (%)



Fixed Income Top 10 Holdings	Location	Instrument Type	Weight (%)
LETRA TESOURO NACIONAL 0.000 01/07/2020	Brazil	Government Bond	1.01
MEX BONOS DESARR FIX RT 8.500 18/11/2038	Mexico	Government Bond	0.42
INDONESIA GOVERNMENT 8.375 15/03/2024	Indonesia	Government Bond	0.35
POLAND GOVERNMENT BOND 4.000 25/10/2023	Poland	Government Bond	0.32
TITULOS DE TESORERIA 11.000 24/07/2020	Colombia	Government Bond	0.28
REPUBLIC OF SOUTH AFRICA 10.500 21/12/2026	South Africa	Government Bond	0.25
REPUBLIC OF PERU 6.350 12/08/2028	Peru	Government Bond	0.23
REPUBLIC OF SOUTH AFRICA 7.000 28/02/2031	South Africa	Government Bond	0.22
MALAYSIA GOVERNMENT 3.955 15/09/2025	Malaysia	Government Bond	0.21
INDONESIA GOVERNMENT 6.125 15/05/2028	Indonesia	Government Bond	0.19

Please note that the fixed income allocation tables are calculated using contributions to the fixed income portion, with the equity portion excluded here.

The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

Source: HSBC Global Asset Management, data as at 31 May 2020.

**Important Information**

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The fund is a sub-fund of HSBC OpenFunds, an Open Ended Investment Company that is authorised in the UK by the Financial Conduct Authority. The Authorised Corporate Director and Investment Manager is HSBC Global Asset Management (UK) Limited. All applications are made on the basis of the Prospectus, Key Investor Information Document (KIID), Supplementary Information Document (SID) and most recent annual and semi-annual reports, which can be obtained upon request free of charge from HSBC Global Asset Management (UK) Limited, 8 Canada Square, Canary Wharf, London E14 5HQ, UK; the local distributors or from our website (see below). Investors and potential investors should read and note the risk warnings in the Prospectus, KIID and additionally, in the case of retail clients, the information contained in the supporting SID.

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Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at [www.assetmanagement.hsbc.com/uk](http://www.assetmanagement.hsbc.com/uk)

## Terms of Glossary

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**Accumulation Share:** a type of share where the income earned by the Fund is retained in the Fund

**ACD:** HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director of the Company

**Actively Managed:** where the fund manager uses their expertise to pick investments to achieve the fund's objectives

**Bond(s):** a loan, usually to a company or government, that pays interest

**Bond Index Futures:** a contract stating that the holder agrees to purchase a bond index at a particular price on a specified future date

**Collective Investment Scheme:** a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property

**Credit Rating:** an assessment of the credit risk of a company, government or other organisation. It seeks to measure how likely it is that the issuer of a bond will be able to continue to make interest payments and repay the money loaned to it

**Developed Markets:** countries with relatively high levels of personal income and established economies

**Duration:** a measure of how long it takes in years for an investor in a bond to recoup the price they paid for the bond from its interest payments. It provides an indication of how much bond prices are likely to change if and when interest rates change

**Emerging Markets (EM):** countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body

**Equities:** shares issued by a company

**Futures:** a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price

**Growth:** the increase in the value of investments

**Government Bond or Gilt:** a loan to a national government in return for regular payments (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date. Gilts are loans to the UK government

**Hedge Funds:** an investment fund that pools money from investors and invests in a variety of assets, often with complex investment strategies and risk management techniques

**Hedge or Hedging:** using derivative type investments as a way to reduce risk

**High yield bond:** a bond paying a higher level of interest but which has a lower credit rating than investment grade

**Income:** money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or paid back into the fund and reinvested

**Income Share:** the type of Share where the income earned by the Fund is paid out to you

**Investment Grade:** a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it

**Market Capitalisation:** the total dollar market value of a company's outstanding shares. Commonly referred to as "market cap", it is calculated by multiplying a company's shares outstanding by the current market price of one share

**Maturity:** the period of time left for a bond or gilt to remain outstanding before the original loan and any final interest is repaid to the lender

**Net Asset Value (NAV):** the value of the scheme property of a fund less the liabilities of the fund

**Ongoing Charges Figure:** a measure of what it costs to invest in a fund. It includes the fee paid to the ACD and other operating costs

**Option adjusted duration (OAD):** a duration value based on the probability of early redemption call by the bond issuer

**Option adjusted spread duration (OASD):** estimates the price sensitivity of a bond to a 100 basis-point movement (either widening or narrowing) in its spread relative to treasuries, taking into account the likelihood of early redemption

**Price Earnings (P/E) Ratio:** the price paid for a share divided by the annual profit earned by the firm per share

**Preference Shares:** shares of a company which entitle the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends. Preference shares may be convertible to the ordinary shares of a company

**Property-related securities:** shares of property companies that own, manage or develop property and Real Estate Investment Trusts (REITs), which are investment companies that own buildings and land

**Return(s):** the money made or lost on an investment

**Share(s):** an equally valued holding in a fund of a company, representing part ownership of that fund, (including larger denomination shares and smaller denomination shares)

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

**Volatility:** a measure of the size and frequency of changes in the value of an investment over a short space of time

**Yield:** the income from an investment, usually stated as a percentage of the value of the investment

**Yield to Maturity:** the total return anticipated on a bond if the bond is held until the end of its lifetime, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage

**Yield to Worst:** the lowest potential yield that can be received on a bond without the issuer actually defaulting, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage