

HSBC OpenFunds - World Selection - Conservative Portfolio

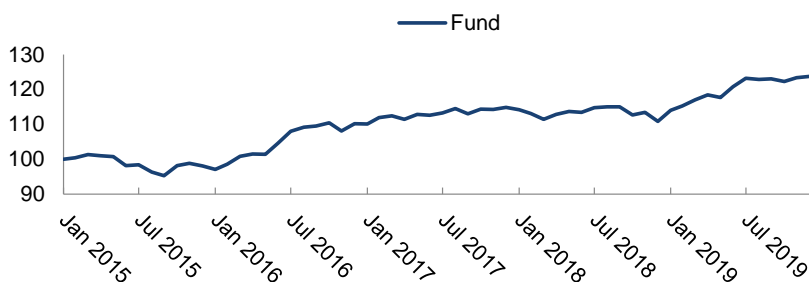
Share Class Income C

31 Dec 2019

Fund Objective and Strategy

The Portfolio aims to provide capital growth through investment in a broad range of asset classes across global markets with a bias towards asset classes that focus on fixed interest strategies. The Portfolio will invest primarily in collective investment schemes that in turn invest in fixed income securities, equities, property and derivatives.

Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹	Vol ²	S.R. ³
Income C	11.64	0.31	0.60	11.64	3.94	4.76	4.67	0.86

Rolling Performance (%)	31 Dec 2018-31 Dec 2019	31 Dec 2017-31 Dec 2018	31 Dec 2016-31 Dec 2017	31 Dec 2015-31 Dec 2016	31 Dec 2014-31 Dec 2015
Income C	11.64	-3.51	4.23	12.35	0.01

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 December 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.
- 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	Semi-annually
Dividend ex-date	16 Oct 2019
Dividend Yield ⁴	1.69%
Last Paid Dividend	0.0131
Dealing Frequency	Daily
Valuation Time	12:00 United Kingdom
Min. Initial Investment	GBP 1,000,000
Ongoing Charge Figure ⁵	0.840%
Share Class Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00BQ15ZG67
Share Class Inception Date	04 Dec 2014
NAV per Share	GBP 1.16
Fund Size	GBP 1,063,564,761
Bloomberg Ticker	HWSCPD LN
SEDOL	BQ15ZG6
Manager	Kate Morrissey David McNay

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.

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

⁵Ongoing 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

Macro commentary

Global equities saw out 2019 with another month of positive returns after the US and China agreed the terms for a “phase one” trade deal. Global equities returned 1.48% in December and 22.90% for 2019 as a whole

According to the US Trade Representative factsheet, the phase one trade deal includes:

- A partial reduction in US tariffs and a suspension of the threatened introduction of further tariffs due on 15th December.
- China increasing its imports from the US over the next 2 years
- “Binding and enforceable obligations” to address China’s technology transfer practices and greater enforcement of intellectual property rights

Emerging markets equities were the standout performer in December, returning 4.99% over the month.

In the UK, the Conservative Party, led by Prime Minister Boris Johnson, won the general election, with the size of the majority towards the top end of expectations. The large majority achieved in the election allowed PM Johnson to get his Withdrawal Agreement bill through the House of Commons with a 124 vote majority.

Incoming ECB President Christine Lagarde gave her first press conference in December, following her first rate setting meeting, where she committed to maintain the ultra-loose policy adopted by Mario Draghi. However, the tone was generally more upbeat, pointing to “some signs of stabilisation in the growth slowdown”.

Jay Powell indicated a shift in the Fed’s policy stance. Previously, the Fed had described its 3 interest rate cuts since July as an insurance policy. However, the Fed now sees the current rate of 1.5-1.75% as more long term, rather than temporary.

Credit asset classes delivered positive returns in December, with subdued inflation and supportive monetary policy helping to keep yields low. Returns from global high yield bonds and emerging markets debt were particularly strong while global government bonds underperformed.

Portfolio performance

Our tactical asset allocation continued to add value in December, as the broadly risk on environment continued to favour our slightly pro risk stance. Within equities, emerging markets were the standout performer, meaning our preference here was beneficial to portfolio returns.

The Portfolio Management team made 2 changes to the portfolios in December. GBP continued to strengthen at the start of December and immediately after the general election result. Therefore, we continued to reduce the size of our equity FX hedge, taking it down from 30% of developed market equity to 15%. While some upside potential remains for the currency, we believe that the balance of probabilities has shifted to future depreciation – which we would want to be exposed to. The phase one trade deal between the US and China leads to a slightly more favourable environment for global growth. Therefore, we have increased our global equity exposure by 0.50%. This has been implemented ex-US. We believe other global markets may benefit more from the phase one deal as the US economy is less dependent on global trade than other countries.

Outlook

Trade tensions, recession worries and a host of other issues remain the central feature of the global economic environment – we are living in The Age of Uncertainty. However, moving to defensive asset allocations would have been a costly strategy in 2019. For 2020, we continue to believe in a pro-risk investment strategy. Our baseline scenario is for slow and steady growth in corporate profits and economic activity. However, the economy remains vulnerable to shocks and uncertainty, so we need to monitor trends closely. Positively, our data suggests that a recession is not on the immediate horizon. We believe that the policy environment will remain supportive, which should help to limit investment market downsides, but we have to be realistic about what is achievable given the performance of risk assets in 2019. Despite this strong performance, market pricing still looks attractive for some risk assets, especially when compared to the potential returns on offer from cash and core fixed income asset classes such as global government bonds. We therefore need to be smart in our decisions on how we diversify our portfolios. Government bonds have been superb hedges for multi-asset portfolios in the last decade. However, the environment is shifting and we may need to look outside of conventional forms of safety for diversification.

Positioning

Fixed Income

The portfolios have remained underweight fixed income assets as yields and potential returns have remained low. Corporate bonds are looking relatively expensive and prospective returns are still not high enough in our view. We look elsewhere for better ways to back global growth. With low prospective returns from fixed income, we look to liquid alternatives as a source of diversification.

Equities

We retain our view that the most effective way to access the global growth story is through equities, particularly from a relative valuation perspective versus bonds. The recent developments in US – China trade talks provide a slightly more positive outlook and leads us to increase our global equity exposure slightly. However, we remain diversified and maintain our overweight exposure to liquid alternatives at this time.

Portfolio

Portfolio Asset Allocation (%)

Global Equity	27.11
Global Fixed Income	57.20
Global Government Bond	9.50
Global Corporate Bond	27.46
Global High Yield Bond	4.42
Global Asset Backed Bond	4.88
Emerging Market Debt - Hard Currency	4.47
Emerging Market Debt - Local Currency	6.47
Property	4.92
Trend Following	3.44
Style Factors	2.23
Cash	5.09

Currency Exposure at Portfolio Level (%)

British pound	67.50
US dollar	14.39
Euro	2.60
Japanese yen	2.46
Hong Kong dollar	1.10
Brazilian real	0.88
Mexican peso	0.86
Indian rupee	0.80
South Korean won	0.72
Swiss franc	0.68
Other Currencies	7.98

Portfolio Top 10 Holdings

	Weight (%)
HSBC GIF GLOBAL CORP BD ZQ1	22.24
HSBC FTSE ALL-WORLD INDEX INSTL ACC	20.14
HSBC GIF GLOBAL GOVT BD ZQ1	7.55
HSBC GIF GLOBAL EM LOCAL DBT ZQ1	6.47
HSBC GIF GLOBAL RE EQ ZQ1	4.92
HSBC GIF GLINGD SCTSD CRDT BD ZC	4.88
HSBC GIF GLOBAL EM BD ZQ1	4.47
HSBC GLOBAL LIQ STERLING LIQUIDITY Y	3.74
HSBC GIF GLOBAL HI YLD BD ZQ1	3.43
HSBC GIF MULTI-ASSET STYLE FACTORS ZC	2.23

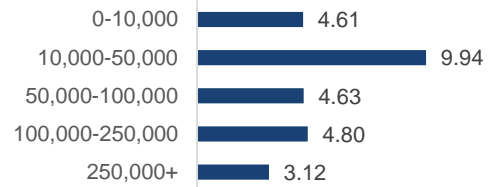
Source: HSBC Global Asset Management, data as at 31 December 2019.

Equity

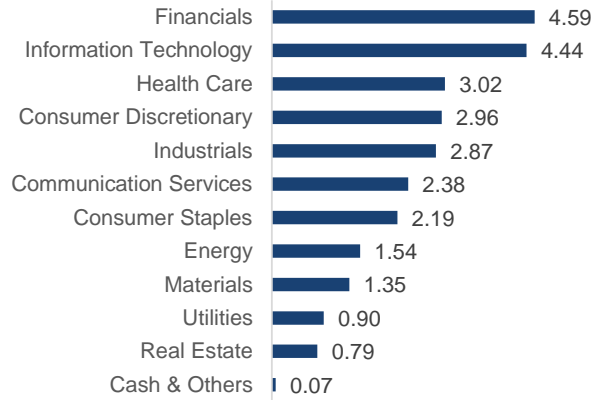
Equity Characteristics

P/E Ratio	15.54
Weighted Average Market Cap (USD Mil)	125,913.70
Dividend Yield	2.38

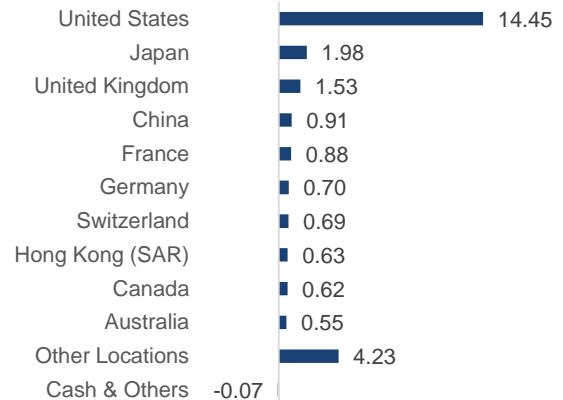
Equity Average Market Cap Breakdown (USD Mil, %)



Equity Sector Allocation (%)



Equity Geographical Allocation (%)



Equity Top 10 Holdings	Location	Sector	Weight (%)
APPLE INC	United States	Information Technology	0.66
MICROSOFT CORP	United States	Information Technology	0.60
AMAZON.COM INC	United States	Consumer Discretionary	0.37
FACEBOOK INC-CLASS A	United States	Communication Services	0.24
JPMORGAN CHASE & CO	United States	Financials	0.23
JOHNSON & JOHNSON	United States	Health Care	0.19
ALPHABET INC-CL A	United States	Communication Services	0.19
ALPHABET INC-CL C	United States	Communication Services	0.19
ALIBABA GROUP HOLDING-SP ADR	China	Consumer Discretionary	0.17
BERKSHIRE HATHAWAY INC-CL B	United States	Financials	0.16

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 December 2019.

Fixed Income

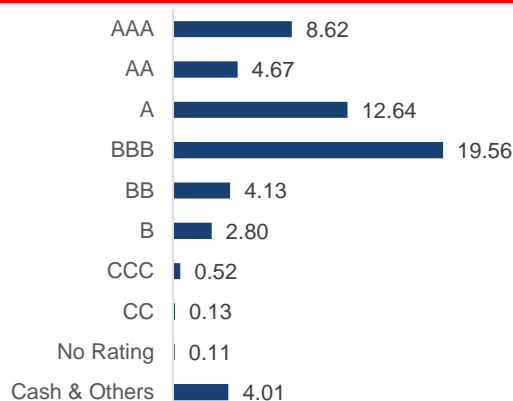
Fixed Income Characteristics

Yield to Maturity (Gross)	3.34
Yield to Worst (Gross)	3.20

Fixed Income Characteristics

Option Adjusted Duration	5.68
Rating Average	A/A-

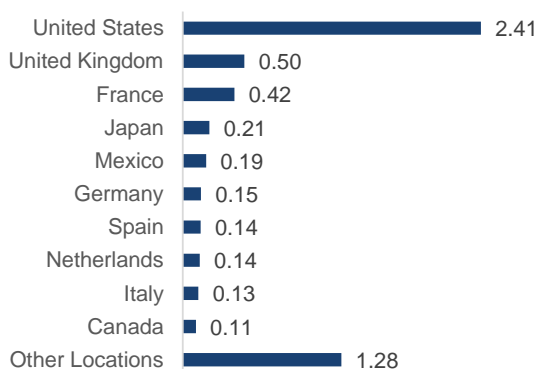
Fixed Income Quality Rating Allocation (%)



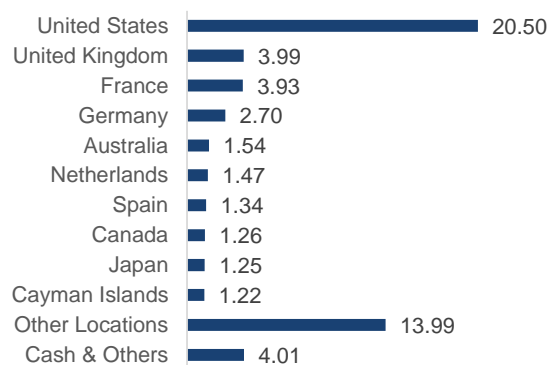
Fixed Income Sector Allocation (%)



Fixed Income Option Adjusted Duration Allocation by Location



Fixed Income Geographical Allocation (%)



Fixed Income Top 10 Holdings

Fixed Income Top 10 Holdings	Location	Instrument Type	Weight (%)
LETRA TESOURO NACIONAL 0.0000 01-JUL-20	Brazil	Treasury Bills	0.57
US TREASURY N/B 2.875% 15-MAY-2049	United States	Government Bond	0.35
BANK OF MONTREAL 3.3000 05-FEB-24	Canada	Corporate Bond	0.28
AERCAP IRELAND CAP/GLOBA 3.5000 15-JAN-25	Ireland	Corporate Bond	0.23
BNP PARIBAS 4.3750 01-MAR-33	France	Corporate Bond	0.23
US TREASURY N/B 1.6250 15-AUG-29	United States	Treasury Note	0.22
DELL INT LLC / EMC CORP 4.9000 01-OCT-26	United States	Corporate Bond	0.22
EPR PROPERTIES 4.7500 15-DEC-26	United States	Corporate Bond	0.21
NISSAN MOTOR ACCEPTANCE 3.4500 15-MAR-23	United States	Corporate Bond	0.20
FORD MOTOR CREDIT CO LLC 5.1130 03-MAY-29	United States	Corporate Bond	0.20

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

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

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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.

Terms of Glossary

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