

HSBC OpenFunds - World Selection - Conservative Portfolio

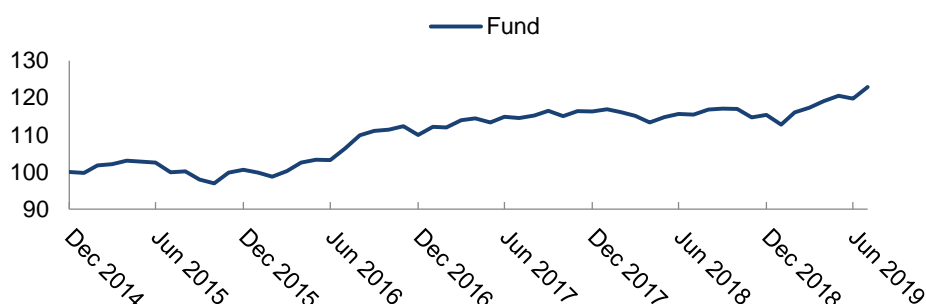
Share Class CD

31 Jul 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	Since Inception ¹	Vol ²	S.R. ³
CD	11.17	2.02	4.00	7.32	4.50	-	4.98	4.84	0.91

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
CD	7.32	1.40	4.85	9.72	-

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.
- Alternative investments may be difficult to sell in a timely manner or at a reasonable price.
- A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. Investing in derivatives involves leverage. High degrees of leverage can magnify the impact of asset price or rate movements.
- 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.

Share Class Details

UCITS V Compliant	No
ISA Eligible	Yes
Distribution Type	Distributing
Distribution Frequency	Semi-annually
Dividend Yield ⁴	1.62%
Last Paid Dividend	0.0064
Dealing Frequency	Daily
Valuation Time	12:00 United Kingdom
Min. Initial Investment	GBP 1,000,000
Ongoing Charge Figure ⁵	0.840%
Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00BQ15ZG67
Inception Date	04 Dec 2014
NAV per Share	GBP 1.16
Fund Size	GBP 1,022,585,145
Bloomberg Ticker	HWSCPCD 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 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.

Portfolio performance

The World Selection Conservative portfolio had another strong month, with positive returns seen across asset classes.

Our preference for risk assets added value in July, with strong returns seen from equity asset classes and local currency emerging markets debt.

Within equities, our preference for emerging markets was positive, with the region experiencing a strong month for UK based investors.

Our underweight allocation to government and corporate bonds was also positive. However, our increased allocation to cash weighed on returns in July.

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

Outlook

Signs that global growth was improving a few months ago have proved short-lived. Our global Nowcast is stuck at a level below our sense of trend growth.

US growth continues to outperform that of other economies, but is moderating. Chinese activity data have reversed the gains seen in March/April, which has weighed on the global manufacturing sector.

We remain of the view that global growth is in a “cyclical slowdown” rather than the beginning of a more severe recessionary environment. But the flare-up in tensions between the US and China has increased downside risks.

Inflation remains muted, even in the US, where unit labour costs have weakened and inflation expectations fallen, despite a tight labour market.

A lack of inflation pressure has allowed the US Federal Reserve (Fed) to lean against the increased downside risks to growth and cut rates.

While market pricing may prove to be too aggressive, some further “insurance” policy easing is likely.

Bonds have continued to rally, making their valuations increasingly stretched. They offer poor returns even assuming a “lower-for-even-longer” rate scenario. We therefore remain underweight in bonds.

With a global recession looking unlikely amid policy support, relative valuations remain consistent with a pro-risk stance in our multi-asset portfolios. Nevertheless, corporate profitability needs to be monitored closely in our view.

Positioning

There were no significant changes to the portfolio’s asset allocation in July.

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.

Riskier, EM debt securities remain attractive in our view, especially in local currencies where potential currency appreciation could provide a tailwind to performance. However, it is important to be selective.

Equities

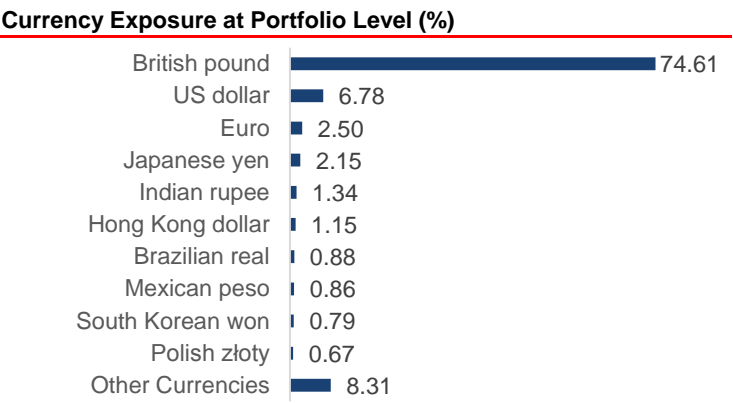
We retain our view that the most effective way to access the global growth story is through equities. Our leading indicator suggests that we are not yet at the end of the economic cycle.

We recently reduced Japan and EM equity modestly, and increased US equity in order to lower portfolio risk in view of lingering trade tensions. We continue to have a preference for UK equity as UK markets have underperformed and valuations currently look appealing to us.

EM equity continues to be supported by interest rate cuts in China and a dovish Fed. Valuations have improved and there is potential for improvement in performance in 2019.

Portfolio

Portfolio Asset Allocation (%)	
Global Equity	27.78
Global Fixed Income	57.40
Global Government Bond	7.82
Global Corporate Bond	28.04
Global High Yield Bond	4.52
Global Asset Backed Bond	5.05
Emerging Market Debt - Hard Currency	4.49
Emerging Market Debt - Local Currency	7.48
Property	5.04
Style Factors	1.95
Trend Following	3.09
Cash	4.75



Portfolio Top 10 Holdings	Weight (%)
HSBC GIF GLOBAL CORPORATE BOND ZQ1	24.45
HSBC FTSE ALL-WORLD INDEX INSTL ACC	20.55
HSBC GIF GLOBAL GOVERNMENT BOND ZQ1	7.74
HSBC GIF GLOBAL EM MKTS LOCAL DBT ZQ1	7.00
HSBC GIF GLOBAL ASSET-BACKED BD ZC	5.05
HSBC GIF GLOBAL REAL ESTATE EQ ZQ1	5.04
HSBC GIF GLOBAL EMERG MKTS BD ZQ1	4.49
HSBC GIF GLOBAL HIGH YIELD BOND ZQ1	3.55
HSBC GLOBAL LIQ STERLING LIQUIDITY Y	3.14
ISHARES USD CORP BOND UCITS ETF	2.04

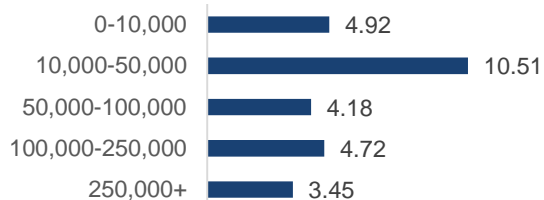
Source: HSBC Global Asset Management, data as at 31 July 2019.

Equity

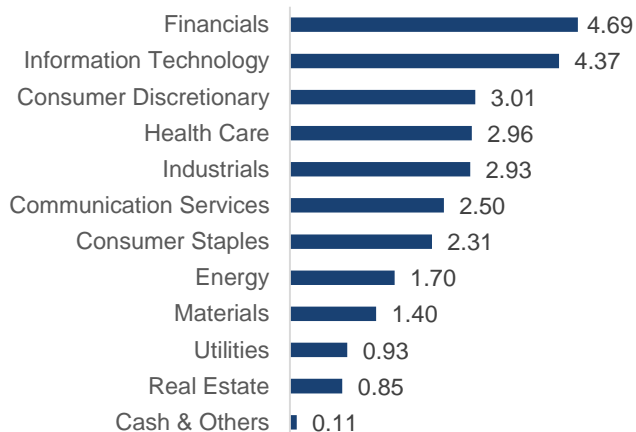
Equity Characteristics

P/E Ratio	14.60
Weighted Average Market Cap (USD Mil)	114,863.50
Dividend Yield	2.52

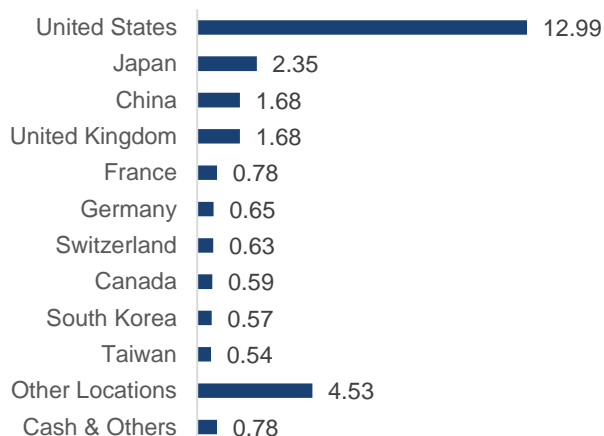
Equity Average Market Cap Breakdown (USD Mil, %)



Equity Sector Allocation (%)



Equity Geographical Allocation (%)



Equity Top 10 Holdings	Location	Sector	Weight (%)
MICROSOFT CORP	United States	Information Technology	0.58
APPLE INC	United States	Information Technology	0.55
AMAZON.COM INC	United States	Consumer Discretionary	0.41
FACEBOOK INC-CLASS A	United States	Communication Services	0.26
JPMORGAN CHASE & CO	United States	Financials	0.21
ALPHABET INC-CL A	United States	Communication Services	0.20
JOHNSON & JOHNSON	United States	Health Care	0.20
ALPHABET INC-CL C	United States	Communication Services	0.20
EXXON MOBIL CORP	United States	Energy	0.18
VISA INC-CLASS A SHARES	United States	Information Technology	0.17

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

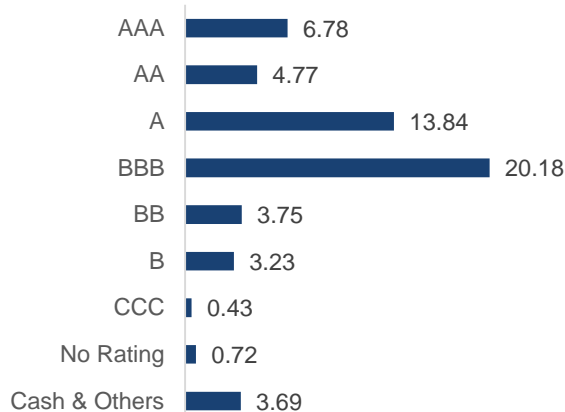
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

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

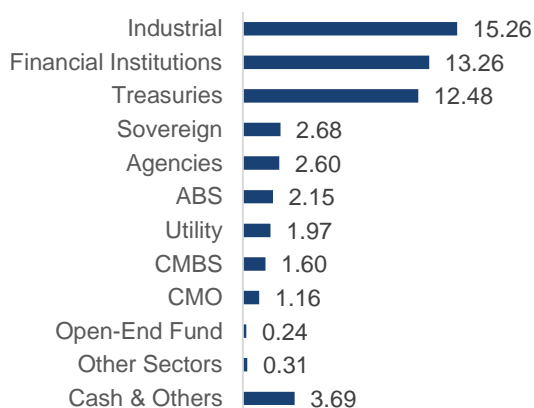
Fixed Income

Fixed Income Characteristics		Fixed Income Characteristics	
Yield to Maturity (Gross)	3.89	Option Adjusted Duration	5.56
Yield to Worst (Gross)	3.77	Rating Average	A/A-

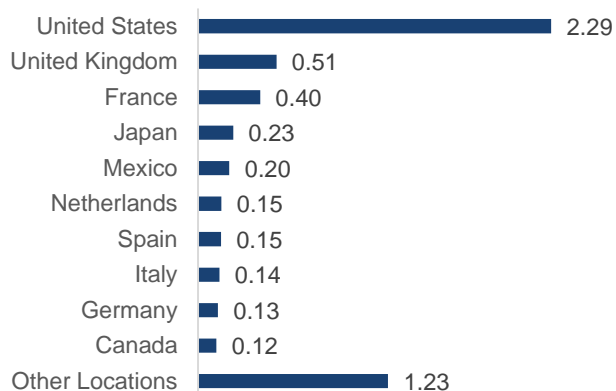
Fixed Income Quality Rating Allocation (%)



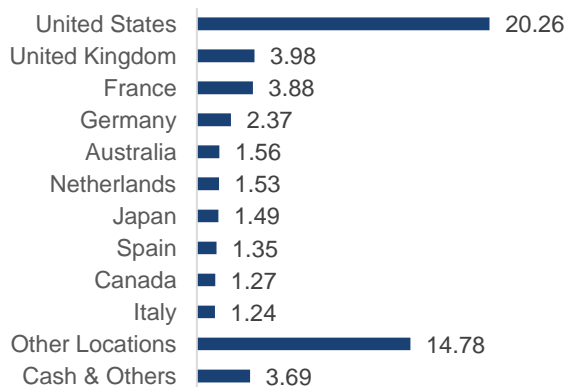
Fixed Income Sector Allocation (%)



Fixed Income Option Adjusted Duration Allocation by Location



Fixed Income Geographical Allocation (%)



Fixed Income Top 10 Holdings	Location	Instrument Type	Weight (%)
LETRA TESOURO NACIONAL 0.0000 01-JAN-20	Brazil	Treasury Bills	0.60
US TREASURY N/B 3.3750 15-NOV-48	United States	Government Bond	0.48
BANK OF MONTREAL 3.3000 05-FEB-24	Canada	Corporate Bond	0.30
AERCAP IRELAND CAP/GLOBA 3.5000 15-JAN-25	Ireland	Corporate Bond	0.25
BNP PARIBAS 4.3750 01-MAR-33	France	Corporate Bond	0.25
DELL INT LLC / EMC CORP 4.9000 01-OCT-26	United States	Corporate Bond	0.24
EPR PROPERTIES 4.7500 15-DEC-26	United States	Corporate Bond	0.23
WESTPAC BANKING CORP 2.7500 11-JAN-23	Australia	Corporate Bond	0.23
NISSAN MOTOR ACCEPTANCE 3.4500 15-MAR-23	United States	Corporate Bond	0.22
FORD MOTOR CREDIT CO LLC 5.1130 03-MAY-29	United States	Corporate Bond	0.22

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 July 2019.

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Further Information can be found in the prospectus.

Terms of Glossary

Convertible bond: a type of bond that the holder can convert into a specified number of shares of common stock in the issuing company or cash of equal value.

Corporate bond: a bond issued by a company in order to raise financing.

Coupon: the annual interest rate paid on a bond, expressed as a percentage of the face value.

Credit quality: one of the principal criteria for judging the investment quality of a bond or bond mutual fund.

Developed markets: countries that are most developed in terms of its economy and capital markets.

Duration: a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates.

Emerging markets (EM): nations' economies in the process of fast economic growth. Investments in emerging markets are generally considered to be with higher risk.

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.

High yield bond / Non-investment grade bond: fixed income security with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default, but have the potential for higher rewards.

Information ratio: ratio of portfolio returns above/under the returns of a benchmark to the volatility of those returns.

Investment grade bond: considered investment grade or IG if its credit rating is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's.

Maturity: the period of time for which a financial instrument remains outstanding.

Modified duration to worst: the lowest potential duration that will achieve on a bond without the issuer actually defaulting.

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.

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

Tracking error: a measure of how closely a portfolio follows the index to which it is benchmarked.

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

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.

Rating: rating of a debtor (credit rating) by rating agencies is based on specific criteria such as debt situation, country risk etc. Ratings from Moody's and Standard & Poor's® is the most widely used systems in the international markets with range from AAA and Aaa (highest credit rating) to D (Debtor in financial difficulties, repayment already distressed).

NAV: stands for net asset value. It is used on funds and represents the value of all assets and receivables less debt, liability and costs. Typically, it is reported as a value per share.

Swap: a derivative contract through which two parties exchange financial instruments. E.g. in an interest swap, typically one contracting party pays a fixed interest while the other pays a variable interest.

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.

Shares: units of ownership interest in a corporation or financial asset that provide for an equal distribution in any profits, if any are declared, in the form of dividends. The two main types of shares are common shares and preferred shares. Physical paper stock certificates have been replaced with electronic recording of stock shares, just as mutual fund shares are recorded electronically.

Bond: a fixed income investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. Bonds are used by companies, municipalities, states and sovereign governments to raise money and finance a variety of projects and activities. Owners of bonds are debt holders, or creditors, of the issuer.

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

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

Market capitalization: refers to 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.