

HSBC Investment Funds - UK Growth & Income Fund

Share Class Accumulation C

30 Jun 2020

Fund Objective and Strategy

Investment Objective

The Fund aims to provide growth and income in the long term, which is a period of five years or more. To achieve its objective, the Fund will invest at least 80% of its value in the shares (equities) of UK companies, including preference shares. UK companies are those that are based in the UK or earn at least 80% of their revenue from the UK. Typically the Fund will invest in the shares of 35 to 50 companies.

Investment Strategy

The Fund is actively managed with reference to the FTSE All-Share Index (the "Index"). The level of risk the Fund may take is considered relative to the Index as part of the portfolio construction process. This means the Fund returns are more likely to be closer to the returns of the Index than if there were no limits on the level of risk the Fund may take. The Index is also considered as part of our investment risk monitoring process, to check that the overall level of risk taken by the Fund manager is not inconsistent with the UK equities market. The performance of the Fund is therefore shown against the performance of the FTSE All-Share Index.

Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹
Accumulation C	-23.46	1.36	8.34	-19.09	-6.04	-1.31
Reference Benchmark	-17.51	1.54	10.17	-12.99	-1.56	2.87

Rolling Performance (%)	30 Jun 2019-30 Jun 2020	30 Jun 2018-30 Jun 2019	30 Jun 2017-30 Jun 2018	30 Jun 2016-30 Jun 2017	30 Jun 2015-30 Jun 2016
Accumulation C	-19.09	-0.16	2.70	16.05	-2.76
Reference Benchmark	-12.99	0.57	9.02	18.12	2.21

3-Year Risk Measures	Accumulation C	Reference Benchmark	Characteristics	Fund	Reference Benchmark
Volatility	15.59%	14.27%	Number of Holdings ex Cash	44	618
Information Ratio	-1.16	-	Avg Market Cap (GBP mil)	53,706	36,002
Beta	1.06	-			

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 ²	0.910%
Share Class Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00B715G377
Share Class Inception Date	03 Dec 2012
NAV per Share	GBP 1.16
Fund Size	GBP 275,371,784
Bloomberg Ticker	HSUGICA LN
SEDOL	B715G37
Reference Benchmark	FTSE All Share Index
Manager	Tobyn Dickinson Guy Froud

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 30 June 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.
- 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.

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

²Ongoing 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

Many non-essential shops and businesses reopened in June with the government announcing plans to expand the reopenings for pubs, restaurants and hair salons in July. Although still negatively impacted by COVID-19, retail sales figures and the unemployment rate exceeded market expectations and the Bank of England Chief Economist noted that the UK economy is on track for a V-shaped recovery. Despite this, investors remained cautious over the looming Brexit negotiations. The FTSE All Share rose 1.4% in the month.

Fund Review

The fund outperformed the benchmark during the month

Contributors to relative performance included Prudential, which rose strongly following the announcement of a reinsurance transaction and equity investment from Athene in Jackson, Prudential's US business. This was positively received by investors as this was a strategic step to separate the unattractive US business from the Group and unlock the sum-of-the-parts valuation discount. Additionally, Royal Bank of Scotland, rallied due to a rotation into value at the beginning of the month.

Detractors included SSP Group, a food operator, which fell in the month following the company's announcement of first half results that showed its recent sales run rate below its consensus expectations, leading to the sell-side downgrading forecasts to account for a slower recovery. Furthermore, an underweight position in Glencore, a mining firm, which rose due to strong commodity demand from China coupled with mining capacity constraints in South America, which pushed commodity prices up.

During the period, there was no portfolio turnover.

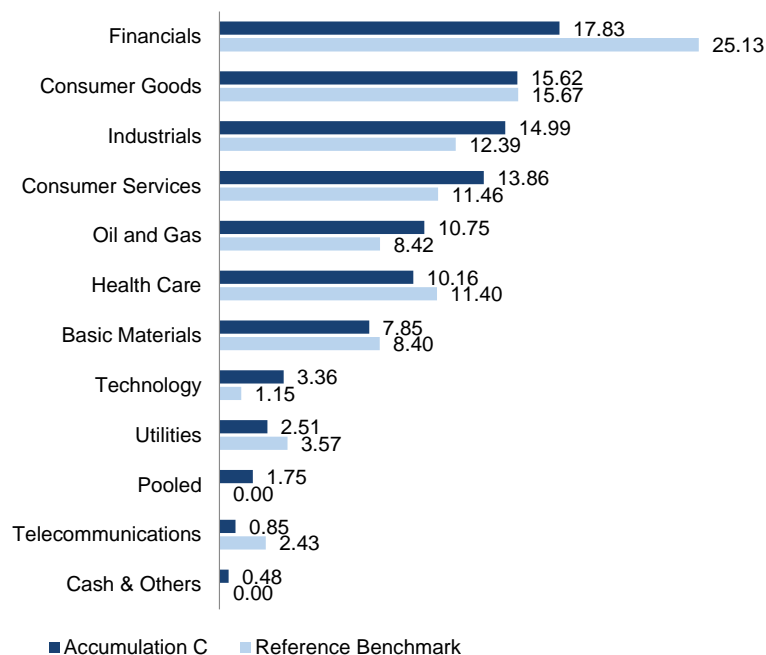
Outlook

While the COVID-19 pandemic represents a very significant challenge for the UK economy, our measure of the UK equity risk premium (excess return over cash) continues to look attractive. Market volatility will remain high and corporate profits will be under pressure from a sudden stop in economic activity and a recession, however recent market underperformance and a much looser global policy setting has improved long-term prospective returns

Investors should be aware of the risks. The outbreak and quick spread of COVID-19 highlights that we remain in an "age of uncertainty". What began in China as localised shock has now become a "sudden stop" in global activity. UK corporate earnings growth is expected to significantly deteriorate and requires close monitoring. Volatility is likely to remain elevated whilst there are risks that containment measures create lasting damage to the supply-side of the economy

Your portfolio aims to deliver diversified exposure to UK equities, by investing in companies with an attractive combination of profitability and valuation. These quality companies typically have sustainable business models, strong balance sheets and good management. We believe this disciplined approach should help investors navigate short-term uncertainties.

Sector Allocation (%)



Top 10 Holdings (%)	Sector	Weight (%)
GlaxoSmithKline PLC	Health Care	6.39
Royal Dutch Shell PLC	Oil and Gas	5.41
BP PLC	Oil and Gas	5.33
Unilever PLC	Consumer Goods	4.80
BHP Billiton PLC	Basic Materials	4.29
Prudential PLC	Financials	4.24
AstraZeneca PLC	Health Care	3.76
Diageo PLC	Consumer Goods	3.43
Imperial Brands PLC	Consumer Goods	3.39
Tesco PLC	Consumer Services	3.30

Source: HSBC Global Asset Management, data as at 30 June 2020

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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

Contact Information

UK Investor/Adviser Tel: 0800 358 3011

Lines are open 9am to 5pm Monday to Friday (excluding public holidays). To help the ACD and the Administrator continually improve their services and in the interests of security, they may monitor and/or record your communications with them.

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

Beta: an historical measure of volatility to measure how a fund moves versus its benchmark (i.e. an Index)

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

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

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

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

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

Information Ratio: a measure of the risk-adjusted return of a fund against its benchmark

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

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

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