

HSBC Investment Funds - Balanced Fund

Share Class Accumulation C

31 Dec 2019

Fund Objective and Strategy

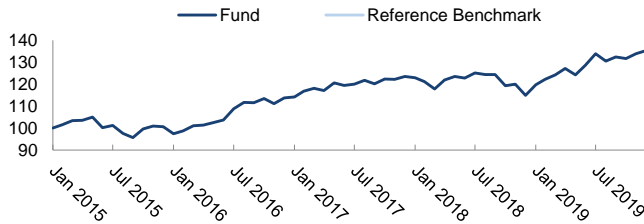
Investment Objective

The Fund aims to provide growth in the long term, which is a period of five years or more, together with income. To achieve its objective the Fund will invest in a range of asset types such as shares of companies (equities), bonds, property, hedge funds and cash. The portfolio will be invested across global markets. The Fund will invest at least 70% and up to 100% of its value in other funds that in turn invest in a range of asset types, including funds which aim to track an index.

Investment Strategy

Under normal market conditions, the Fund will have the following asset allocation: equities: 50% - 80%, bonds: 15% - 50%, Other asset types, including cash: 0% - 30%. These percentages will fluctuate based upon market movement and adjustments to the asset allocation to enable the Fund to meet its aim. The Fund is actively managed and is not managed with reference to a specific benchmark. The performance of the Fund is shown against the performance of the Investment Association Mixed Investment 40-85% Shares sector for comparison purposes.

Performance (%)



| Performance (%) | YTD | 1M | 3M | 1Y | 3Y ¹ | 5Y ¹ | Vol ² | S.R. ³ |
|---------------------|-------|------|------|-------|-----------------|-----------------|------------------|-------------------|
| Accumulation C | 17.72 | 1.14 | 2.20 | 17.72 | 5.96 | 6.90 | 7.42 | 0.83 |
| Reference Benchmark | 15.87 | 1.53 | 2.42 | 15.87 | 6.23 | 6.97 | - | - |

| 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 |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Accumulation C | 17.72 | -6.94 | 8.60 | 13.09 | 3.75 |
| Reference Benchmark | 15.87 | 15.87 | -6.08 | 10.31 | 13.39 |

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 | Yes |
| ISA Eligible | Yes |
| Distribution Type | Accumulating |
| Dividend ex-date | 16 Jul 2019 |
| Dividend Yield ⁴ | 1.51% |
| Last Paid Dividend | 0.0369 |
| Dealing Frequency | Daily |
| Valuation Time | 12:00 United Kingdom |
| Min. Initial Investment | GBP 1,000,000 |
| Ongoing Charge Figure ⁵ | 0.770% |
| Share Class Base Currency | GBP |
| Domicile | United Kingdom |
| ISIN | GB00BG0R5293 |
| Share Class Inception Date | 10 Dec 2013 |
| NAV per Share | GBP 2.45 |
| Fund Size | GBP 364,730,330 |
| Bloomberg Ticker | HSBBACA LN |
| SEDOL | BG0R529 |
| Reference Benchmark | Investment Association Mixed Investment 40-85% Shares sector |
| Manager | Justin Turner Tobyn Dickinson Guy Froud |

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

Market Review

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 see the current rate of 1.5-1.75% as more long term, rather than temporary.

Fund Review

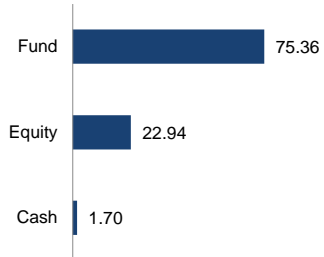
December saw a continuation of the pro-risk attitude in markets that has characterised the majority of the year. Equity markets posted low single digit positive returns, offsetting small declines in bond markets over the month. In this environment the HSBC Balanced OEIC delivered a positive return, while shielding investors from the fall in bond markets.

The tactical positioning of the fund contributed to performance over the month. Most notably, the portfolio manager's decision to sterling hedge a portion of the global equity exposure contributed as GBP strengthened significantly over the month following the Conservative party's electoral victory.

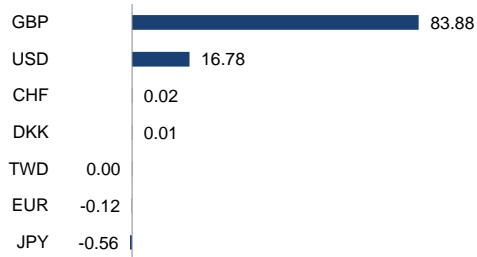
During December the position in Indian local currency debt was sold, and an allocation to Asian credit was introduced. We also reduced the GBP hedge on global equity, as a result of sterling strength.

The portfolio continues to be positioned to reflect a small preference for equity over developed market government debt and corporate bonds.

Portfolio Asset Allocation (%)



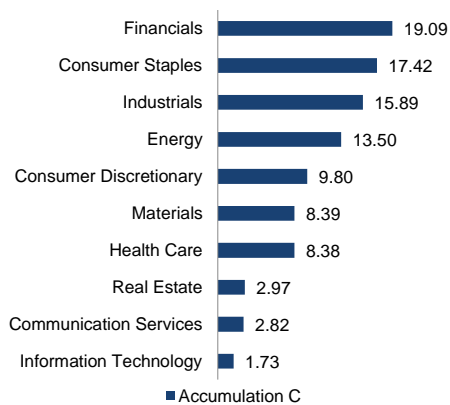
Currency Exposure at Portfolio Level (%)



| Top 10 Holdings (%) | |
|--|------|
| HSBC American Index Institutional Inc | 9.28 |
| HSBC FTSE All-World Index Inst Inc | 8.60 |
| HSBC GIF Global EM Local Dbt ZQ1 | 6.96 |
| HSBC European Index Institutional Income | 6.65 |
| HSBC Multi-Factor Worldwide Eq ZQ Inc | 5.42 |
| HSBC GIF GlnGd Sctsd Crdt Bd ZQ1 | 3.57 |
| HSBC FTSE All Share Index Inst Inc | 3.06 |
| HSBC GIF Global EM Bd ZQ1 | 2.64 |
| HSBC Japan Index Instl Acc | 2.61 |
| HSBC GIF Economic Scale GEM Equity ZD | 2.57 |

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

Equity Sector Allocation (%)



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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

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