

# HSBC OpenFunds - World Selection - Conservative Portfolio

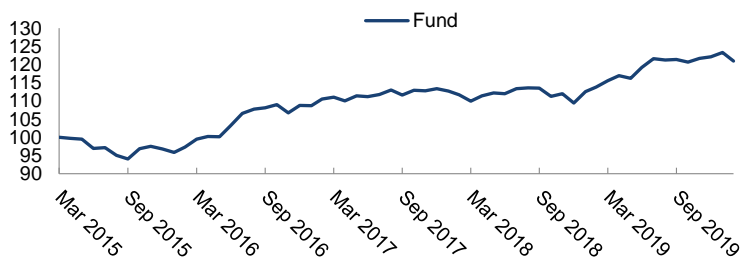
Share Class Income C

29 Feb 2020

## 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 <sup>1</sup>	5Y <sup>1</sup>	Vol <sup>2</sup>	S.R. <sup>3</sup>
Income C	-0.91	-1.88	-0.60	6.29	3.06	4.07	4.71	0.78

Rolling Performance (%)	28 Feb 2019-29 Feb 2020	28 Feb 2018-28 Feb 2019	28 Feb 2017-28 Feb 2018	29 Feb 2016-28 Feb 2017	28 Feb 2015-29 Feb 2016
Income C	6.29	1.94	1.02	13.60	-1.81

**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 29 February 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	Semi-annually
Dividend ex-date	16 Oct 2019
Dividend Yield <sup>4</sup>	1.66%
Last Paid Dividend	0.0128
Dealing Frequency	Daily
Valuation Time	12:00 United Kingdom
Min. Initial Investment	GBP 1,000,000
Ongoing Charge Figure <sup>5</sup>	0.790%
Share Class Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00BQ15ZG67
Share Class Inception Date	04 Dec 2014
NAV per Share	GBP 1.15
Fund Size	GBP 1,066,722,839
Bloomberg Ticker	HWSCPCD LN
SEDOL	BQ15ZG6
Manager	Kate Morrissey David McNay

<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 Conser Port Acc C</b>	<b>3.06</b>	<b>£1,094.74</b>	<b>4.17</b>
Peer Group Average - EAA Fund GBP Moderately Cautious All	2.51	£1,077.14	3.66
Lowest Returning Fund in Peer Group	-1.25	£962.83	0.00
Highest Returning Fund in Peer Group	6.93	£1,222.66	6.46
Cash	0.63	£1,019.15	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

---

### Portfolio performance

Our tactical asset allocation detracted in February, as the broadly risk-off environment did not favour our slightly pro risk stance. Within equities, emerging markets outperformed, meaning our preference here was positive for portfolio returns. Our underweight to both global government bonds and global credit also impacted returns.

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

### Outlook

Global growth showed signs of picking up in late-2019, particularly in emerging markets with momentum in China building gradually since the summer. But the outbreak of COVID-19 will reverse this momentum.

China's growth rate is likely to be negative in Q1 versus the previous quarter. Countries with large economic linkages to China and with limited scope for policy support look vulnerable, such as the eurozone and Japan.

Positively, however, the US economy seems best insulated from the virus, with consumers in good financial health amid a robust labour market.

We also see policy supporting economies. Fed rate cuts are an option. Chinese authorities have already eased monetary policy, among other measures. We expect other economies to roll out similar initiatives to support growth.

Risk-assets globally have faced some pressure following the outbreak of COVID-19, first in China and now more globally. Again, episodic volatility is a feature, not a bug, of the "age of uncertainty".

While COVID-19 is likely to deliver a significant hit to global activity, it can be relatively short-lived. Automatically adopting risk-off investment strategies may prove costly given current market pricing.

However, we need to monitor developments closely, with particular attention on: trends in corporate earnings and default rates, COVID-19 case growth, and high-frequency Chinese activity data.

### Positioning

#### Fixed Income

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

Most credit asset classes are overvalued in our view and investors are being penalised for bearing interest rate and inflation risks - we prefer equities. Fundamentals have started to come under pressure.

With low prospective returns from fixed income, we look to liquid alternatives as a source of diversification.

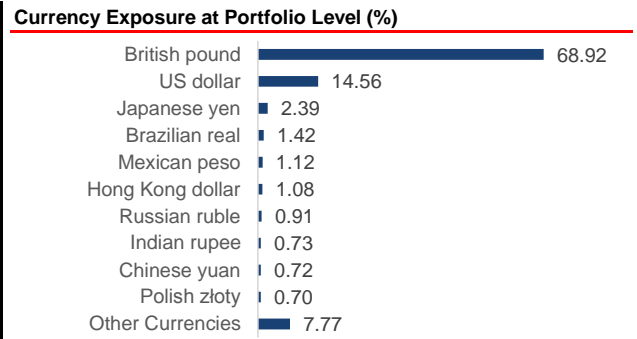
#### Equities

We remain modestly overweight given the wide valuation gap versus bonds. However, upside potential is likely to be capped by structural uncertainty while downside risks could be limited by proactive policy makers.

The uncertainty caused by COVID-19 is likely to cause further disruption and near term market volatility. We remain diversified and maintain our overweight exposure to liquid alternatives at this time.

**Portfolio**

Portfolio Asset Allocation (%)	
Global Equity	26.36
Global Fixed Income	60.35
Global Government Bond	10.26
Global Corporate Bond	29.03
Global High Yield Bond	4.56
Global Asset Backed Bond	5.23
Emerging Market Debt - Hard Currency	4.65
Emerging Market Debt - Local Currency	6.62
Property	4.72
Trend Following	3.56
Style Factors	2.35
Cash	2.65



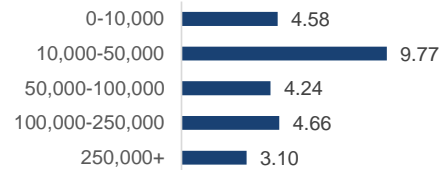
Portfolio Top 10 Holdings	Weight (%)
HSBC GIF GLOBAL CORP BD ZQ1	23.63
HSBC FTSE ALL-WORLD INDEX INSTL ACC	19.71
HSBC GIF GLOBAL GOVT BD ZQ1	8.16
HSBC GIF GLOBAL EM LOCAL DBT ZQ1	6.62
HSBC GIF GLINGD SCTSD CRDT BD ZC	5.23
HSBC GIF GLOBAL RE EQ ZQ1	4.72
HSBC GIF GLOBAL EM BD ZQ1	4.65
HSBC GLOBAL LIQ STERLING LIQUIDITY Y	3.74
HSBC GIF GLOBAL HI YLD BD ZQ1	3.54
HSBC GIF MULTI-ASSET STYLE FACTORS ZC	2.35

Source: HSBC Global Asset Management, data as at 29 February 2020.

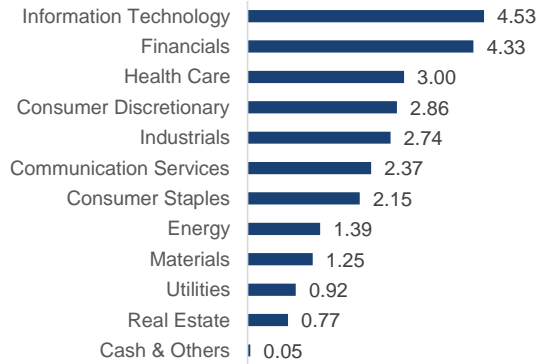
## Equity

Equity Characteristics	
P/E Ratio	13.99
Weighted Average Market Cap (USD Mil)	128,317.30
Dividend Yield	2.67

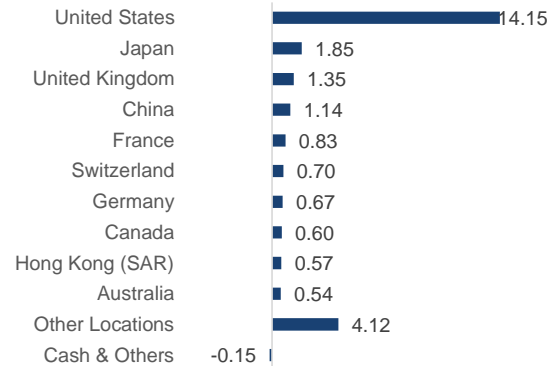
### Equity Average Market Cap Breakdown (USD Mil, %)



### Equity Sector Allocation (%)



### Equity Geographical Allocation (%)



Equity Top 10 Holdings	Location	Sector	Weight (%)
MICROSOFT CORP	United States	Information Technology	0.66
APPLE INC	United States	Information Technology	0.65
AMAZON.COM INC	United States	Consumer Discretionary	0.40
FACEBOOK INC-CLASS A	United States	Communication Services	0.25
ALPHABET INC-CL A	United States	Communication Services	0.21
ALPHABET INC-CL C	United States	Communication Services	0.20
JPMORGAN CHASE & CO	United States	Financials	0.20
JOHNSON & JOHNSON	United States	Health Care	0.19
ALIBABA GROUP HOLDING-SP ADR	China	Consumer Discretionary	0.17
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.

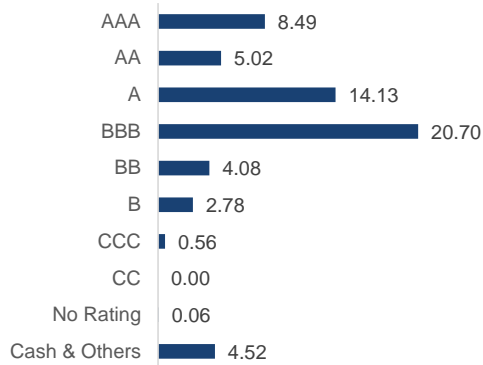
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

Source: HSBC Global Asset Management, data as at 29 February 2020.

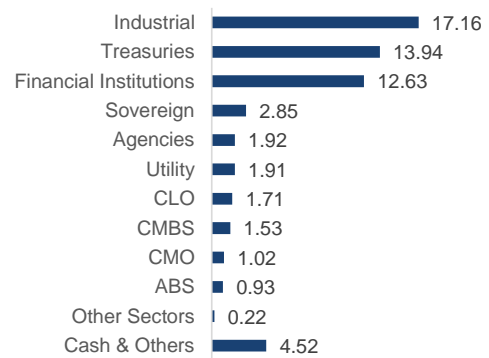
## Fixed Income

Fixed Income Characteristics		Fixed Income Characteristics	
Yield to Maturity (Gross)	3.13	Option Adjusted Duration	5.94
Yield to Worst (Gross)	3.05	Rating Average	A/A-

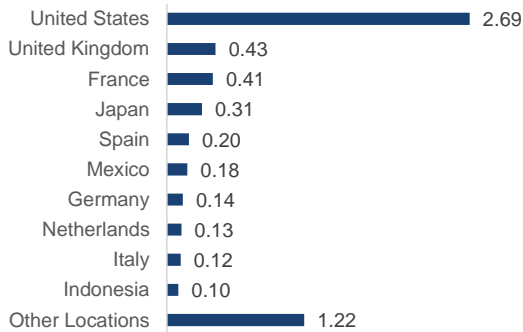
### Fixed Income Quality Rating Allocation (%)



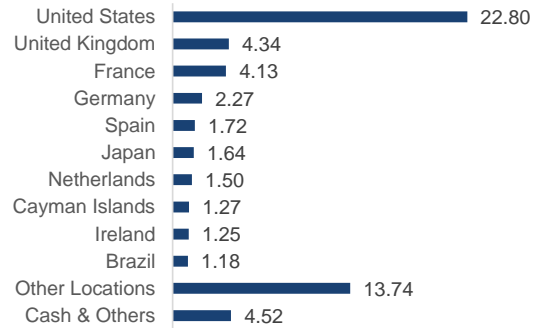
### Fixed Income Sector Allocation (%)



### 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-JUL-20	Brazil	Treasury Bills	0.56
US TREASURY N/B 2.875% 15-MAY-2049	United States	Government Bond	0.34
BANK OF MONTREAL 3.3000 05-FEB-24	Canada	Corporate Bond	0.31
BNP PARIBAS 4.3750 01-MAR-33	France	Corporate Bond	0.27
AERCAP IRELAND CAP/GLOBA 3.5000 15-JAN-25	Ireland	Corporate Bond	0.26
DELL INT LLC / EMC CORP 4.9000 01-OCT-26	United States	Corporate Bond	0.26
EPR PROPERTIES 4.7500 15-DEC-26	United States	Corporate Bond	0.25
JPMORGAN CHASE & CO 4.6% 31/12/2049	United States	Corporate Bond	0.24
NISSAN MOTOR ACCEPTANCE 3.4500 15-MAR-23	United States	Corporate Bond	0.23
HILLENBRAND INC 4.5000 15-SEP-26	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.

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 29 February 2020.

## **Important Information**

---

The material contained herein is for information only and does not constitute legal, tax or investment advice or a recommendation to any reader of this material to buy or sell investments. You must not, therefore, rely on the content of this document when making any investment decisions.

This document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe to any investment.

Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Global Asset Management (UK) Limited accepts no liability for any failure to meet such forecast, projection or target.

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.

To help improve our service and in the interests of security we may record and/or monitor your communication with us. HSBC Global Asset Management (UK) Limited provides information to Institutions, Professional Advisers and their clients on the investment products and services of the HSBC Group.

Approved for issue in the UK by HSBC Global Asset Management (UK) Limited, who are authorised and regulated by the Financial Conduct Authority.

[www.assetmanagement.hsbc.com/uk](http://www.assetmanagement.hsbc.com/uk)

Copyright © HSBC Global Asset Management (UK) Limited 2020. All rights reserved.

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

---

**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