

# HSBC Investment Funds - UK Growth & Income Fund

Share Class Accumulation C

29 Feb 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 <sup>1</sup> | 5Y <sup>1</sup> |
|---------------------|--------|--------|--------|-------|-----------------|-----------------|
| Accumulation C      | -13.50 | -10.24 | -11.72 | -3.30 | -0.79           | 0.79            |
| Reference Benchmark | -11.85 | -8.89  | -8.92  | -1.43 | 1.53            | 3.56            |

| 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 |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Accumulation C          | -3.30                   | -0.45                   | 1.45                    | 13.24                   | -5.95                   |
| Reference Benchmark     | -1.43                   | 1.70                    | 4.40                    | 22.81                   | -7.32                   |

| 3-Year Risk Measures | Accumulation C | Reference Benchmark | Characteristics            | Fund   | Reference Benchmark |
|----------------------|----------------|---------------------|----------------------------|--------|---------------------|
| Volatility           | 11.27%         | 11.12%              | Number of Holdings ex Cash | 43     | 625                 |
| Information Ratio    | -0.84          | -                   | Avg Market Cap (GBP mil)   | 49,476 | 36,789              |
| Beta                 | 0.98           | -                   |                            |        |                     |

| 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 <sup>2</sup> | 0.910%                       |
| Share Class Base Currency          | GBP                          |
| Domicile                           | United Kingdom               |
| ISIN                               | GB00B715G377                 |
| Share Class Inception Date         | 03 Dec 2012                  |
| NAV per Share                      | GBP 1.32                     |
| Fund Size                          | GBP 1,760,143,662            |
| Bloomberg Ticker                   | HSUGICA LN                   |
| SEDOL                              | B715G37                      |
| Reference Benchmark                | FTSE All Share Index         |
| Manager                            | Tobyn Dickinson<br>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 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.
- 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.

<sup>1</sup>Result is annualised when calculation period is over one year.

<sup>2</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.

## Monthly Performance Commentary

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### Market Review

The UK market finished February in negative territory as the commodity-heavy index saw a sharp selloff as the spread of the coronavirus gathered speed, raising concerns of its impact to global growth.

During the month, the Bank of England voted 7-2 to keep rates on hold in January, but policy easing remains possible amid Brexit uncertainty.

### Fund Review

Detractors from relative performance included SSP Group, a global provider of catering and concession services, and Royal Bank of Scotland, one of Europe's largest banks.

Contributors included Qinetiq, a defence focused science and technology research company, and Rentokil Initial, a provider of facilities management and essential support services, such as pest control, hygiene and work-wear, to governments and commercial sector organisations.

During the period, a position was initiated in International Consolidated Airlines, whilst Lloyds Banking Group and M&G were sold.

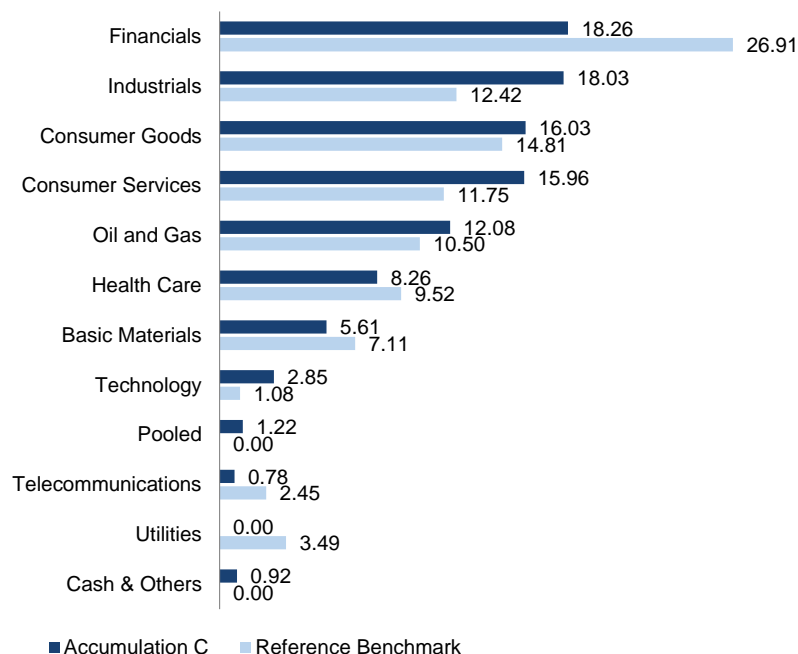
### Outlook

The key drivers of the UK equity market are typically valuation and the outlook for the global and UK economies. Although the UK equity risk premium is relatively high in a global context, its valuation is close to long-term averages on many measures. It is therefore likely that the macro outlook will be the main driver of market performance from here. Additionally, we expect some greater Brexit clarity this year and a fiscal boost to growth may further support domestically focused stocks.

However, investor should be aware of the risks. A further significant deterioration in UK growth and corporate fundamentals would be a major challenge, and a stronger sterling, on the back of Brexit clarity, could cap gains in overseas earnings of UK listed stocks.

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 (%) |
|-----------------------|-------------------|------------|
| BP PLC                | Oil and Gas       | 6.09       |
| Royal Dutch Shell PLC | Oil and Gas       | 5.99       |
| GlaxoSmithKline PLC   | Health Care       | 5.58       |
| Diageo PLC            | Consumer Goods    | 4.53       |
| Unilever PLC          | Consumer Goods    | 4.51       |
| HSBC Holdings PLC     | Financials        | 3.99       |
| Prudential PLC        | Financials        | 3.90       |
| Barclays PLC          | Financials        | 3.66       |
| Tesco PLC             | Consumer Services | 3.36       |
| BHP Billiton PLC      | Basic Materials   | 3.25       |

Source: HSBC Global Asset Management, data as at 29 February 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](http://www.assetmanagement.hsbc.com/uk).

**Contact Information**

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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

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**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