

# HSBC Investment Funds - Balanced Fund

Share Class Accumulation C

31 May 2020

## Fund Objective and Strategy

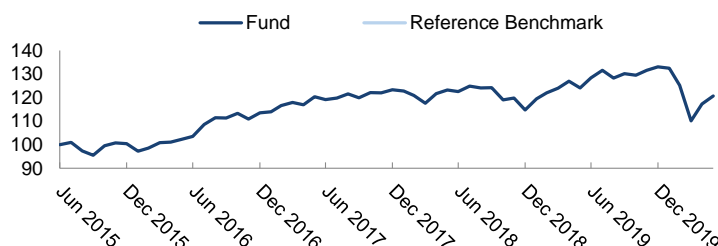
### Investment Objective

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 <sup>1</sup>	5Y <sup>1</sup>	Vol <sup>2</sup>	S.R. <sup>3</sup>
Accumulation C	-9.28	2.94	-3.63	-2.70	0.11	2.86	9.29	0.42
Reference Benchmark	-5.91	3.63	-0.95	1.24	1.96	4.14	-	-

Rolling Performance (%)	31 May 2019-31 May 2020	31 May 2018-31 May 2019	31 May 2017-31 May 2018	31 May 2016-31 May 2017	31 May 2015-31 May 2016
Accumulation C	-2.70	0.67	2.44	17.64	-2.47
Reference Benchmark	1.24	0.43	4.54	19.74	-3.10

### 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>4</sup>	0.770%
Share Class Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00BG0R5293
Share Class Inception Date	10 Dec 2013
NAV per Share	GBP 2.22
Fund Size	GBP 323,537,139
Bloomberg Ticker	HSBBACA LN
SEDOL	BG0R529
Reference Benchmark	Investment Association Mixed Investment 40-85% Shares sector
Manager	Justin Turner 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 31 May 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.

<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>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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### Fund Review

As markets continued to post strong gains in May the Balanced fund was able to capture this upside while controlling risk. The fund's tactical positioning to be slightly underweight risk was a minor drag on performance over the period, as risk markets rallied.

During May the portfolio managers updated the fund's strategic allocation. As a result, the fund's allocation to developed market government bonds was reduced, while the allocation to credit was increased.

The fund maintains a modest defensive position: underweight equity and emerging market bonds with near neutral allocations to developed market bonds and investment grade credit.

### Outlook

Uncertainty remains highly elevated, in terms of COVID-19 developments, the business cycle, oil prices, and policy. There are now "multiple equilibria" for the economic system. Our most likely scenario is a "swoosh" type recovery for the global economy – this entails a sharp rebound once lockdowns are lifted, and then a gradual pickup to pre-crisis levels of activity.

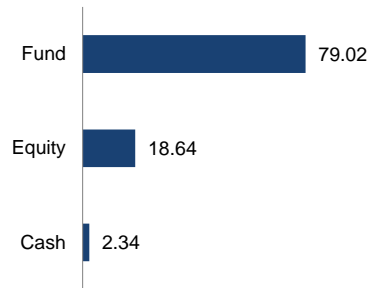
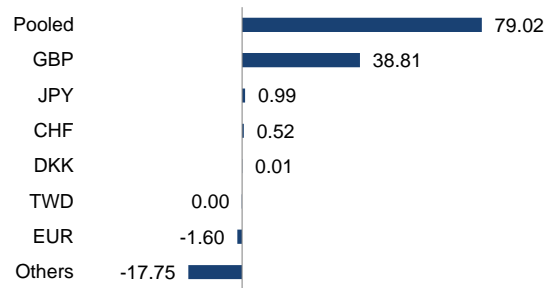
Following the initial shock, we are already witnessing the emergence of cyclical winners (China, industrialised Asia) and relative losers (emerging markets ex Asia, smaller oil exporters, frontier economies, and the eurozone).

The global economy needs ongoing support, with little risk of inflation in the near term. The biggest downside risk to this "swoosh" scenario is a policy mistake. "Stimulus fatigue" could set in over the second half of 2020.

The fastest bear market of all time has given way to the fastest recovery, driven by a reduction in downside tail risks following a "whatever it takes" approach by policymakers and a decline in new COVID-19 cases.

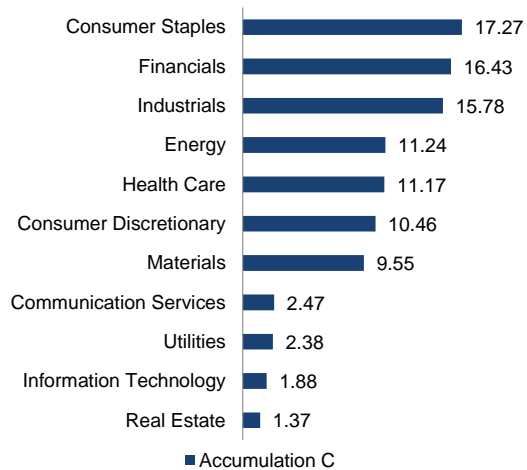
We think expected returns for risky assets are attractive - investors are rewarded to absorb volatility in the medium to long-term. We measure very poor prospective returns for developed market government bonds. The shift in policy away from rate cuts and asset purchases towards fiscal stimulus means that the diversification properties of global bonds could deteriorate.

We have diversified our defensive allocations, whilst not wanting to be too underweight equities, and continue to review our asset allocations. Our aim is to protect our investors from the worst of any ongoing volatility while retaining the potential to benefit from future recoveries in asset prices.

**Portfolio Asset Allocation (%)**

**Currency Exposure at Portfolio Level (%)**

**Top 10 Holdings (%)**

HSBC FTSE All-World Index Inst Inc	8.81
HSBC American Index Institutional Inc	7.81
HSBC Multi-Factor Worldwide Eq ZQ Inc	6.63
HSBC GIF Global EM Local Dbt ZQ1	6.29
HSBC US Multi-Factor Eq Instl Inc	5.54
HSBC FTSE All Share Index Inst Inc	4.83
HSBC GIF GlnGd Sctsd Crdt Bd ZQ1	3.90
HSBC European Index Institutional Income	3.54
HSBC GIF Global EM Bd ZQ1	2.64
HSBC GIF Global Hi Yld Bd ZQ1	2.64

Source: HSBC Global Asset Management, data as at 31 May 2020

**Equity Sector Allocation (%)**


■ Accumulation C

## **Important Information**

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## **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

**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