

# HSBC Investment Funds - UK Growth & Income Fund

Share Class Accumulation C

31 Dec 2019

## 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	19.06	2.05	4.70	19.06	4.80	5.02
Reference Benchmark	19.17	3.32	4.16	19.17	6.85	7.54

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	19.06	-10.95	8.58	7.27	3.48
Reference Benchmark	19.17	-9.47	13.10	16.75	0.98

3-Year Risk Measures	Accumulation C	Reference Benchmark	Characteristics	Fund	Reference Benchmark
Volatility	9.31%	9.66%	Number of Holdings ex Cash	48	632
Information Ratio	-0.75	-	Avg Market Cap (GBP mil)	53,510	41,727
Beta	0.92	-			

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 1.52
Fund Size	GBP 1,033,609,711
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 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.
- 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 Overview

The UK market finished December in positive territory as the conservative party won the general election with an outright majority, alleviating short term political uncertainty.

During the month, two Bank of England MPC members voted for a rate cut in December, however, the bulk of members will prefer to see how the political situation develops

### Fund Review

Detractors from relative performance included Unilever, which fell after the company's new CEO stated that it would revise growth targets lower and that they would likely miss targets given weaker sales in India. Furthermore, Bunzl fell after reporting weak organic growth for the year on a combination of weak volumes and the impact of pricing deflation.

Contributors included Ibstock, which gained with other domestically focused names given the election result. Additionally, Tesco gained on a combination of the positive sentiment towards UK equities and on reports that the company was considering the sale of its operations in Thailand and Malaysia, allowing it to focus on its UK business.

During the period, positions were initiated in Capita and Lloyds Banking Group, whilst Essentra was sold.

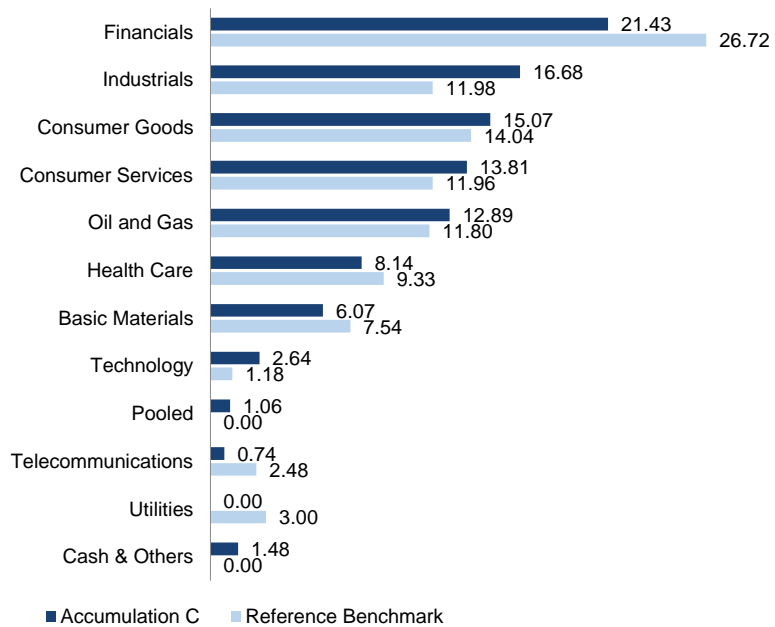
### Outlook

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 the macro outlook will be the main driver of market performance from here. Whilst we have seen a softening of some global macro data recently, the US economy, the main driver of the global economy, remains robust. This, coupled with a more dovish, presents a favourable backdrop for global equity markets.

On the UK economy, the outlook will likely be heavily influenced by Brexit, with a "soft Brexit" likely perceived as positive and a "hard Brexit" negative, at least in the short term. However, as over two-thirds of the FTSE All-Share's revenue comes from overseas, moves in sterling are often the main driver of UK equity market performance. In a soft Brexit scenario sterling would likely rally which would reduce the value of internationally generated earnings when translated back to sterling. This would weigh on overall UK equity market performance. Conversely, in a hard Brexit sterling would likely fall which would increase the value of internationally generated earnings, and hence be positive for UK equities.

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 (%)
Royal Dutch Shell PLC	Oil and Gas	7.01
BP PLC	Oil and Gas	5.88
GlaxoSmithKline PLC	Health Care	5.52
Diageo PLC	Consumer Goods	4.56
Hsbc Holdings Plc	Financials	3.92
Prudential PLC	Financials	3.88
Unilever PLC	Consumer Goods	3.68
BHP Billiton PLC	Basic Materials	3.55
Tesco PLC	Consumer Services	3.27
British American Tobacco PLC	Consumer Goods	3.22

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

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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