HSBC Asset Management

HSBC OpenFunds

Global Strategy Sustainable Conservative Portfolio

Monthly report 31 January 2024 | Share class Acc C

Investment objective

The Fund aims to provide growth in line with its risk profile in the long term, which is a period of five years or more. The Fund's risk profile is rated as 2 where 1 is a lower level of risk and 5 is a higher level of risk. The Fund aims to invest in assets that form part of a sustainable investment strategy but may also invest in assets that do not form part of a sustainable investment strategy in order to meet the Fund's aim of providing growth in line with its risk profile. Please see the Prospectus for an explanation of the HSBC risk levels and sustainable investment strategies.

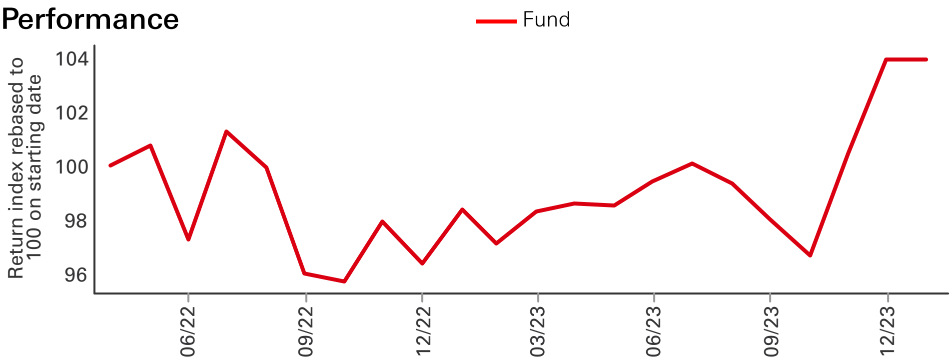
Investment strategy

This is one of a range of actively managed Global Strategy Sustainable Portfolios offered at different risk levels. The asset allocation of each fund in the range reflects the risk level. The Fund is managed with the aim of maximising returns in line with its agreed long term risk profile therefore any potential returns are likely to be limited by the risk profile of the Fund. The exposure to each asset class may be achieved by investing in collective investment schemes, investing directly in asset classes and investing in derivatives. The potential for the Fund to invest in assets that form part of a sustainable investment strategy, together with a focus on lower ongoing charges, is taken into consideration when deciding which asset classes the Fund will invest in and how the Fund achieves exposure to those asset classes. The Fund is not managed with reference to a benchmark.

Main risks

- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- 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.

Performance



Share class details

Key metrics	
NAV per share	**GBP 1.04**
Performance 1 month	**0.05%**
Fund facts	
UCITS V compliant	**No**
UK reporting fund status (UKRS)	**No**
ISA eligible	**Yes**
Dividend treatment	**Accumulating**
Dealing frequency	**Daily**
Valuation time	**12:00 United Kingdom**
Share class base currency	**GBP**
Domicile	**United Kingdom**
Inception date	**27 April 2022**
Fund size	**GBP 7,688,657**
Managers	**Kate Morrissey**
Fees and expenses	
Minimum initial investment[1]	**GBP 1,000,000**
Ongoing charge figure[2]	**0.300%**
Codes	
ISIN	**GB00BP95B855**
Bloomberg ticker	**GLSCPCG LN**
SEDOL	**BP95B85**

[1]Please note that initial minimum subscription may vary across different distributors
[2]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.

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions.
For definition of terms, please refer to the Glossary QR code and Prospectus.
Source: HSBC Asset Management, data as at 31 January 2024

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
Acc C	**0.05**	**0.05**	**7.54**	**3.92**	**5.68**	**--**	**--**	**2.22**

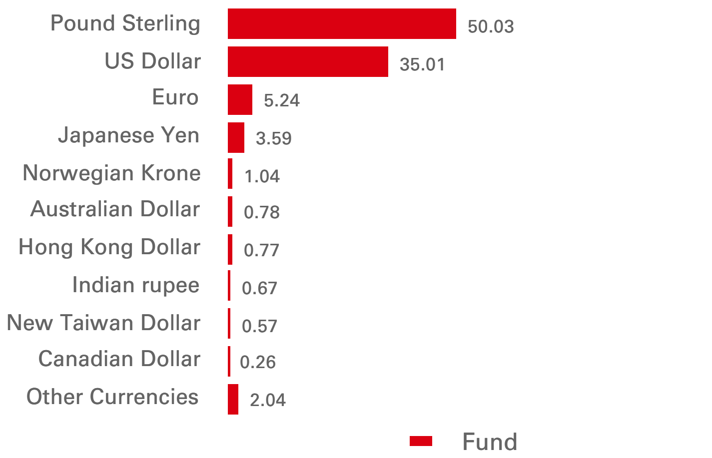
Rolling performance (%)	31/01/23-31/01/24	31/01/22-31/01/23	31/01/21-31/01/22	31/01/20-31/01/21	31/01/19-31/01/20
Acc C	**5.68**	**--**	**--**	**--**	**--**

Carbon footprint	Fund	Broad market index
Carbon intensity emissions	145.83	207.19

Carbon Intensity measures the quantity of carbon emission of a company (tonnes $CO^{2}e$/USD million revenue)
Source: S&P Global Trucost

MSCI ESG Score	ESG score	E	S	G
Fund	6.9	6.0	6.3	6.4
Broad market index	6.3	5.7	6.1	6.0

Currency Allocation (%)



Sustainable investment style (%)	Fund
Equities - Positive Screening	33.81
Bonds - Positive Screening	68.64
Cash	-6.05
Bonds - Traditional Passsive	0.05
Property - Positive Screening	3.55

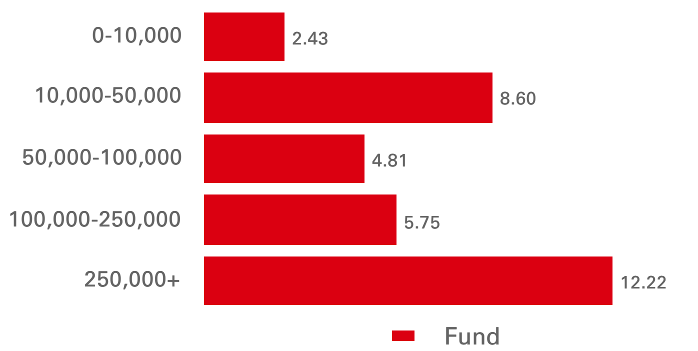
Top 10 holdings	Weight (%)
HSBC GFI-GSGB UCS ETF-ZQHUSD	39.43
HSBC USA Sustainable Equity ETF	21.98
Amundi US Corp SRI - DR	13.30
UBS ETF GL GOV ESG LIQ HGBPD	10.22
Amundi Euro Corporate SRI - DR	5.70
HSBC Japan Sustainable Equity ETF	3.99
HSBC FTSE EPRA/NAREIT Developed ETF	3.55
HSBC Emerging Market Sustainable Eq ETF	3.06
HSBC EUROPE EX UK SUS EQUITY	2.76
HSBC UK Sustainable Equity ETF	1.10

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
For details of the broad market index, please refer to the prospectus.
Source: HSBC Asset Management, data as at 31 January 2024

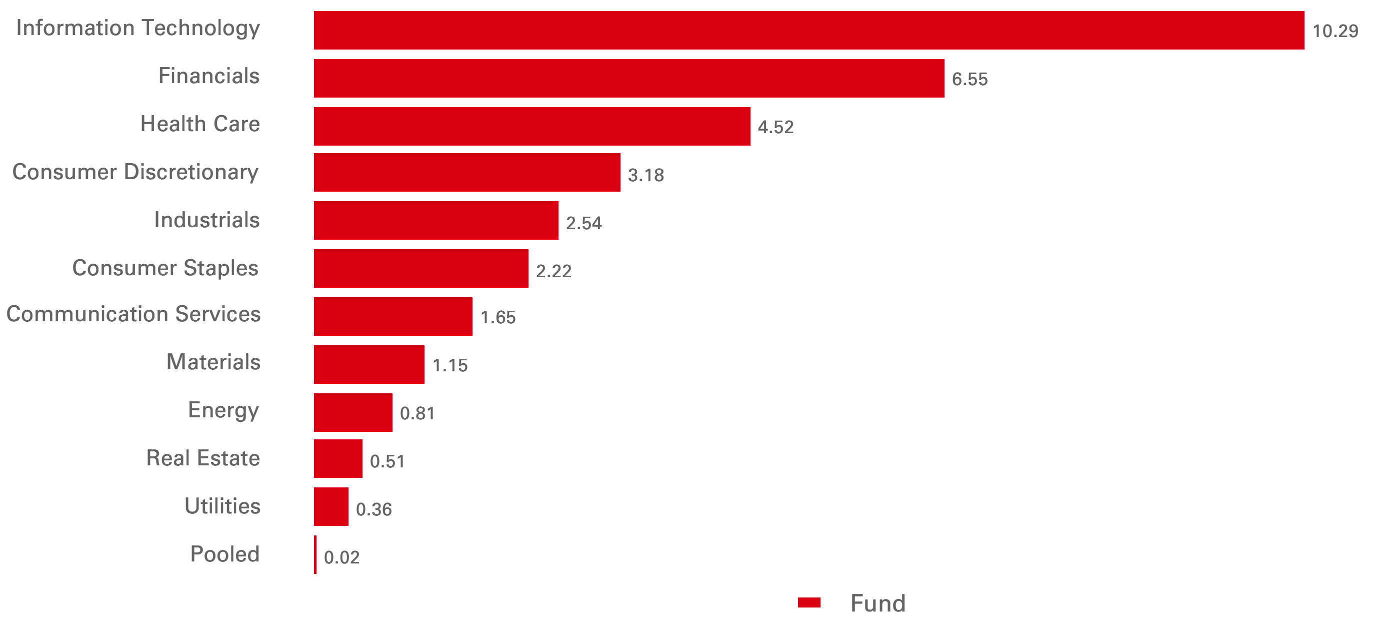
Equity top 10 holdings	Location	Sector	Weight (%)
Microsoft Corp	United States	Information Technology	2.46
Apple Inc	United States	Information Technology	2.01
Johnson & Johnson	United States	Health Care	1.97
Visa Inc	United States	Financials	1.81
Cisco Systems Inc	United States	Information Technology	0.93
NVIDIA Corp	United States	Information Technology	0.71
Amazon.com Inc	United States	Consumer Discretionary	0.54
Toyota Motor Corp	Japan	Consumer Discretionary	0.40
Intel Corp	United States	Information Technology	0.38
Salesforce Inc	United States	Information Technology	0.36

Equity characteristics	Fund	Reference Benchmark
Average market cap (GBP Mil)	465,909	--
Price/earning ratio	16.59	--
Portfolio yield	2.04%	--

Market cap allocation (GBP Mil %)

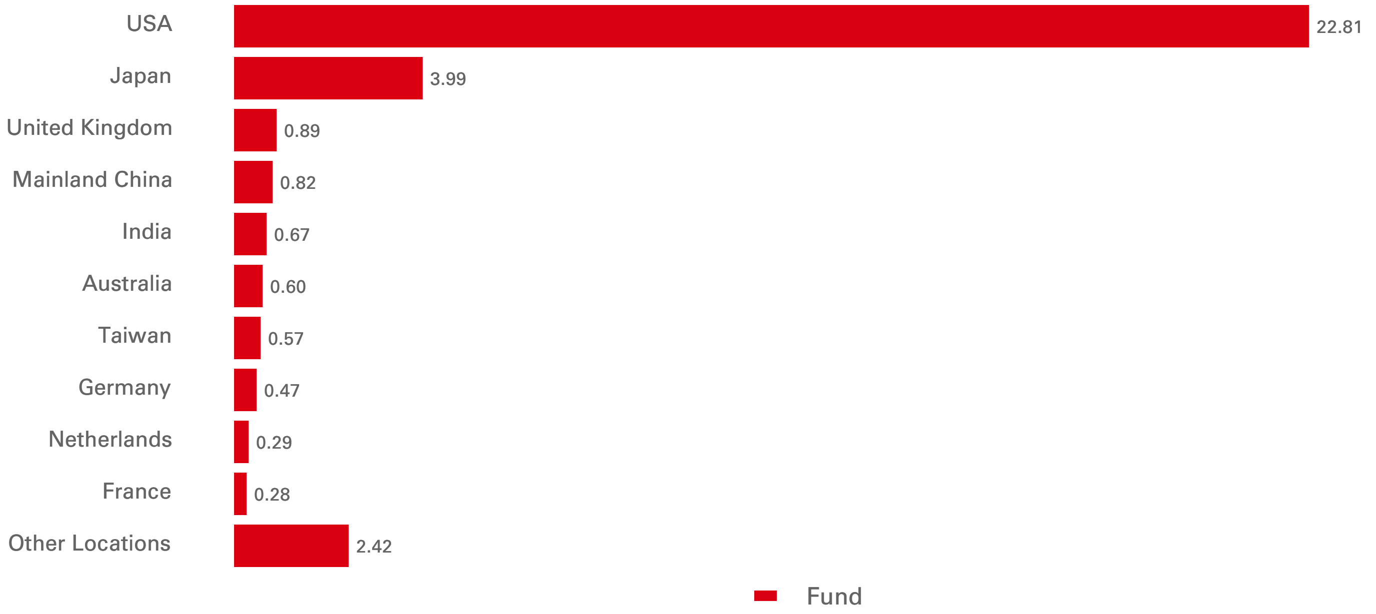


Equity sector allocation (%)



Source: HSBC Asset Management, data as at 31 January 2024

Equity geographical allocation (%)



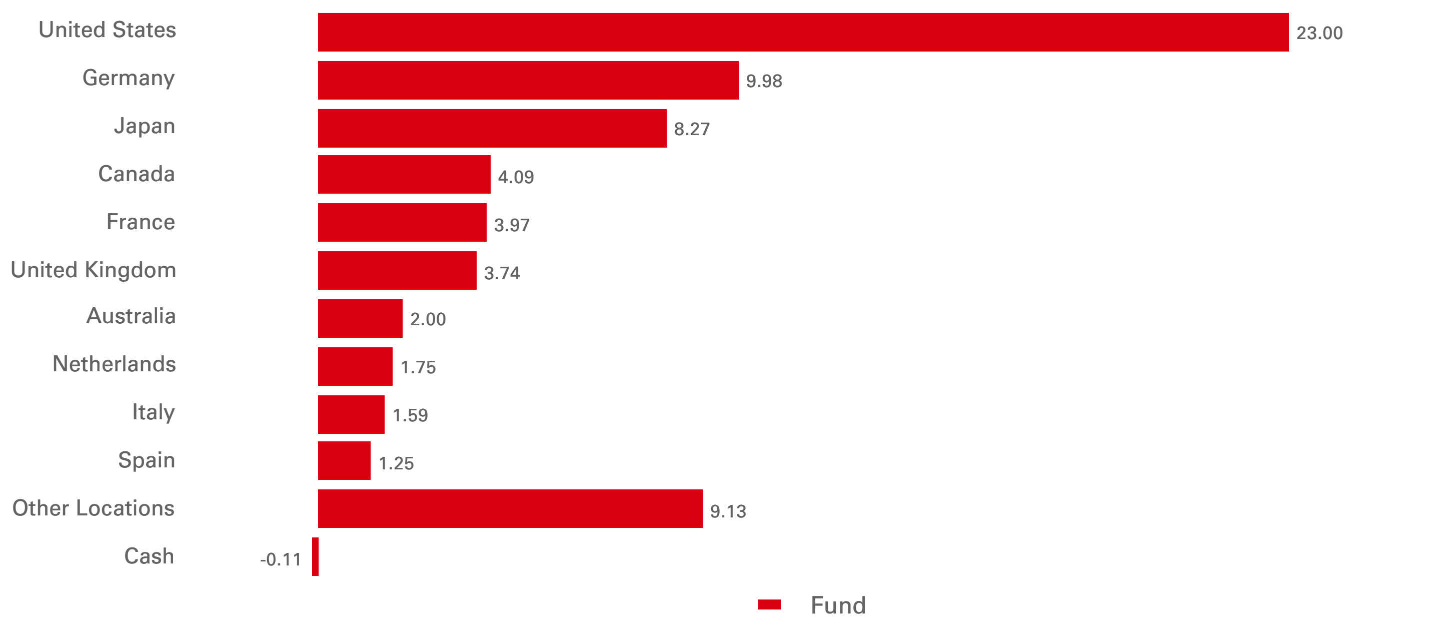
Source: HSBC Asset Management, data as at 31 January 2024

Fixed Income Characteristics	Fund	Reference Benchmark	Relative
Yield to worst	4.30%	--	--
Yield to maturity	4.30%	--	--
Option adjusted duration	7.08	--	--
Rating average	AA/AA-	--	--

Credit rating (%)	Fund	Reference Benchmark	Relative
AAA	19.05	--	--
AA	21.20	--	--
A	18.55	--	--
BBB	9.99	--	--
BB	0.01	--	--
NR	--	--	--
Cash	-0.11	--	--

Fixed income top 10 holdings	Location	Instrument type	Weight (%)
BUNDESREPUB. DEUTSCHLAND 2.300 15/02/2033 EUR	Germany	Government Bond	0.32
BUNDESSCHATZANWEISUNGEN 2.800 12/06/2025 EUR	Germany	Government Bond	0.29
BUNDESOBLIGATION 2.200 13/04/2028 EUR	Germany	Government Bond	0.28
BUNDESREPUB. DEUTSCHLAND 0.250 15/02/2027 EUR	Germany	Government Bond	0.28
US TREASURY N/B 3.875 30/04/2025 USD	United States	Treasury Note	0.28
FRANCE (GOVT OF) 3.500 25/04/2026 EUR	France	Government Bond	0.26
BUNDESREPUB. DEUTSCHLAND 0.500 15/08/2027 EUR	Germany	Government Bond	0.26
BUNDESREPUB. DEUTSCHLAND 2.500 15/08/2046 EUR	Germany	Government Bond	0.25
BUNDESREPUB. DEUTSCHLAND 2.100 15/11/2029 EUR	Germany	Government Bond	0.25
CANADIAN GOVERNMENT 2.250 01/12/2029 CAD	Canada	Government Bond	0.25

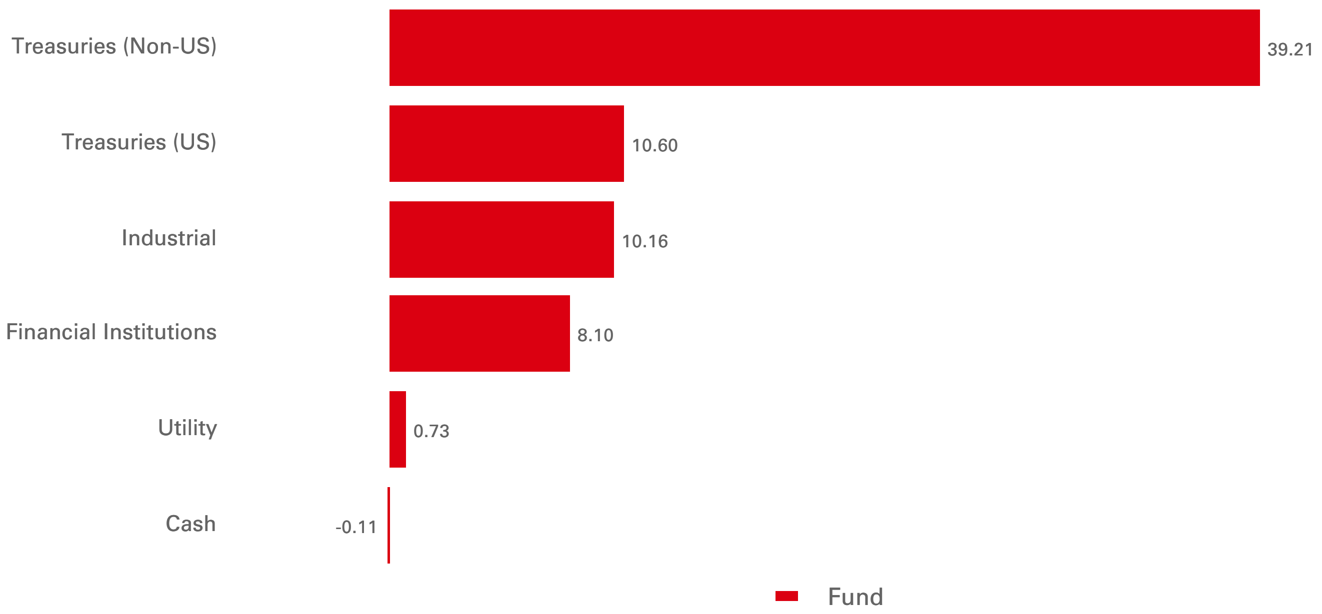
Fixed income geographical allocation (%)



Source: HSBC Asset Management, data as at 31 January 2024

Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	2.18	--	--
Japan	1.11	--	--
Germany	1.03	--	--
United Kingdom	0.44	--	--
Canada	0.38	--	--
France	0.37	--	--
Netherlands	0.19	--	--
Australia	0.17	--	--
S.Korea	0.16	--	--
Austria	0.14	--	--
Other Locations	0.95	--	--
Cash	0.00	--	--

Fixed income sector allocation (%)



Source: HSBC Asset Management, data as at 31 January 2024

Monthly performance commentary

Market Review

After strong returns in 2023, global equities had a more modest start to 2024, as all major equity markets delivered modest positive returns. Japan was the best performing equity market over the month, on the back of a weakening Japanese Yen, followed by the US, which was mostly driven by technology companies. Europe ex-UK performance was more tempered, with hot manufacturing PMIs and the central bank signalled caution on rate cuts. The UK market was held back on persistent worries of sticky inflation given wage growth remains high. By contrast, emerging market equity delivered negative returns over the month. Despite announcement of a rate cut from the People's Bank of China, Chinese equities continued their negative performance, while Brazil and South Korea also fell. Global Government Bonds were modestly negative in January as strong economic data caused markets to lose optimism about potential rate cuts this quarter. Gilts underperformed, with markets pricing a lower likelihood of near-term rate cuts from the Bank of England as UK inflation remains higher than in other developed markets. The US dollar climbed over the month on another wave of resilient labour market and economic growth data. The Euro fell against the US dollar given more hawkish comments from the Fed, while several ECB speakers left options open for earlier rate cuts. Sterling ended the month slightly lower on mixed data releases, with labour market reports weaker than expected whilst inflation numbers came in hotter. In the commodity markets, oil was up, influenced by geopolitical conflicts in the Middle East and US supply shortages. Gold ended the month lower, driven by hawkish Fed members' comments and a stronger US dollar.

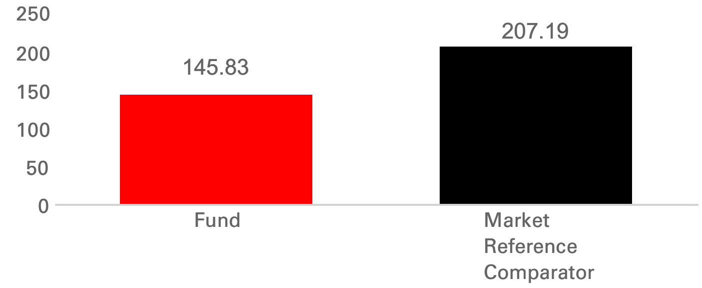
During January, equities posted more muted positive whilst bonds fell, resulting in mixed returns across the Global Strategy Sustainable range. More adventurous risk profiles posted positive returns and outperformed the lower risk portfolios. The Global Strategy Sustainable portfolios, which are actively positioned against a long-term strategic asset allocation, experienced negative contribution from the defensive positioning. The primary detractors were the tilt away from equity and the overweight to global government bonds. Conversely, our active positioning still added value over the month. Favouring Japan equity and shifting away from Emerging markets equity contributed positively.

There are three key themes in markets that we are positioned to capture within the Global Strategy Sustainable portfolios:

1. Slowing Growth in Developed Markets - We maintain a cautious investment stance, conscious of the fragility of the global economy due to the elevated interest rates and tight financial conditions. As a result, we positioned away from assets heavily dependent on economic growth, such as Global equity and Property. We anticipate property markets to underperform given the negative impact of higher interest rates on financing costs. We favour government bonds as they tend to outperform during periods of economic slowdown, whilst their yields are currently at very appealing levels. We also maintain an underweight to Corporate Bonds, given recent credit spreads compression and potential impact from peak borrowing costs. On the equity side, we lean towards UK equity given attractive valuations, strong return on equity and robust relative performance. We hold an underweight to emerging market equity exposure, in anticipation of slowing export demand as the developed world growth slows.
2. Declining inflation - We anticipate that the trend of gradually decreasing inflation will persist in the Western economies for the next 6 months, even though some prices may not drop as easily, and economic growth is expected to slow. We believe this is a good time to invest in bonds and are therefore overweight global government bonds. Their yields remain at appealing levels and are likely to decline further as inflation continues to move closer to the 2.0% target. We remain selective within our bond holdings, with a current preference for Treasuries, given the US' positive progress towards controlling inflation and in anticipation of the Fed cutting rates in from Q2 this year. We also continue to hold a separate position in UK Gilts, given the highly attractive returns available from these bonds now. Throughout the month, we updated our currency positioning, moving from underweight to neutral position in the US dollar. The currency is a safe haven currency, and we aim to be better positioned against in an economic deceleration. Additionally, we shifted some of the currency positioning away from Swiss Franc, in favour of the Japanese Yen instead, driven by the currency's undervaluation, Japan's stronger inflationary pressure and potential for interest rate policy shift. We continue to also favour the Euro and the British Pound, given their attractive valuation and momentum. We hold an overweight to the Krone versus Euro, as inflation in Norway is proving to be more persistent than in Europe and the Norges Bank maintains a more hawkish policy rate approach.
3. Outperformance in the East - While Western economies face slowing GDP growth and sticky inflation, the economic backdrop in Eastern markets such as Japan is stronger. Additionally, more accommodative monetary policy settings and room for fiscal support in the East, make these markets appealing. Portfolios are tilted towards Japan versus developed market equity given attractive valuations, strong flows from foreign investors, improved corporate governance, and weakening Yen supporting exports.

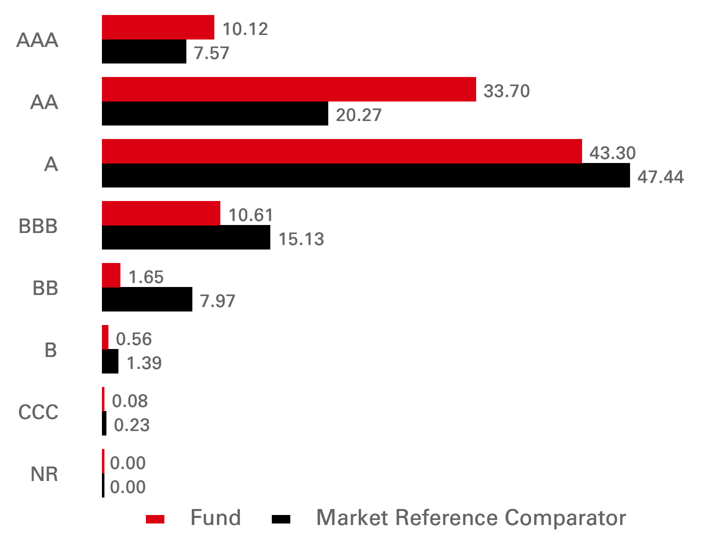
The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.
Source: HSBC Asset Management, data as at 31 January 2024

Carbon intensity emissions (%)



Over the month, the average carbon intensity of the market benchmark was measured at 207.2 tCO2e. Our investment approach resulted in a reduction of 30%, meaning the carbon intensity of the portfolio was measured at 145.6 tCO2e.

ESG score distribution (%)



87% of the underlying issuers held by the fund are rated AAA-A, compared to 75% of those in the reference benchmark. The average ESG score for the underlying issuers held by the fund is 6.88, while that of the reference benchmark securities was 6.33.

Fund vs reference comparator (%)

Fund	Weight	ESG score	Carbon intensity emissions	Index	Weight	ESG score	Carbon intensity emissions
Developed Equity	0.00%	0.00	0.00	JPM EMBI Global Diversified	0.00%	0.00	0.00
GEM Debt - Hard Currency	0.00%	0.00	0.00	JPM GBI-EM Global Diversified	0.00%	0.00	0.00
Global High Yield	0.00%	0.00	0.00	MSCI World	0.00%	0.00	0.00
Emerging Market Equity	0.00%	0.00	0.00	Bloomberg Barclays Global Agg Corporates	0.00%	0.00	0.00
GEM Debt - Local Currency	0.00%	0.00	0.00	Bloomberg Global Agg Treasuries	0.00%	0.00	0.00
Global Corporate Bond	0.00%	0.00	0.00	BoAML Global High Yield BB-B	0.00%	0.00	0.00
Global Government Bond	0.00%	0.00	0.00	FTSE EPRA NAREIT	0.00%	0.00	0.00
Global Property	0.00%	0.00	0.00	MSCI Emerging Markets	0.00%	0.00	0.00

Stewardship

Stewardship in Action – Engagement with a Multinational Technology company based in Asia
Background - The company was downgraded to non-compliance with UN Global Compact Principle 2 by one of our third party ESG data providers for its involvement in “censorship and surveillance of its users on behalf of the local government.”. We were also cognizant that the company was obligated to comply with all local laws and regulations for the markets that it operated it.
Desired Action - Social & Governance - provide more transparency and details on their content censorship procedures and criteria. Social & Governance - publish data on user and content removal/ blocking/ filtering, such as the volume of content restricted, accounts blocked or closed for violating company rules, or at the request of law enforcement authorities. Engagement process - We engaged with the ESG data provider to ensure we fully understood their assessment and rationale for downgrading the company. We conducted further in-depth research on the company’s own policies and procedures and human rights benchmarks for the internet / technology sector. We engaged with the company to discuss in detail the implementation of its products/services, how it protects user privacy whilst complying with local laws and regulations, and its engagement with ESG data providers. We shared our recommendations to the company, ensuring these were achievable, practical, and relevant in the context of improving their transparency and management of human rights issues within their legal and regulatory obligations.

Outcome & Next Steps - The company was receptive to our engagement and acknowledged our concerns. As a follow-up, they provided further information on their work on user privacy and data security, as well as related disclosures. The company has committed to maintaining dialogue with investors and ESG data providers to enhance communication and transparency. We expect it will take some time for the company to consider and adopt our recommendations and will continue to monitor both the UNGC non-compliance assessment and more broadly the company’s progress in managing human rights issues.

Risk disclosures

- 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.
- Risk that the financial situation of the issuer of a bond or debt security deteriorates, with extreme risk that the issuer will default.

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For more information please contact us at E-mail: Wholesale.clientservices@hsbc.com. www.assetmanagement.hsbc.com/uk To help improve our service and in the interests of security we may record and/ or monitor your communication with us.

Glossary

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www.assetmanagement.hsbc.co.uk

Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at www.assetmanagement.hsbc.co.uk
Source: HSBC Asset Management, data as at 31 January 2024