HSBC Global Strategy Portfolios

A world of opportunities made affordable

FE ALPHA MANAGER 2017
JANE DAVIES

For Professional Clients only

*The HSBC Global Strategy Balanced Portfolio - Retail X Acc – and HSBC Global Strategy Dynamic Portfolio - Retail X Acc – are both rated 5 Stars as at 30 September 2017

HSBC
Global Asset Management

A balancing act

In many ways, playing a game of chess is similar to multi-asset investing: winning strategies are rooted in a robust decision-making framework and a forward-looking approach.

The chess master has their Queen, Bishops, and Knights ready to attack. While the absolute value of every chess piece is important, so is its relative value based on how it can move, and also its current position on the board.

Similarly, our multi-asset investment team works to identify the optimal combination of assets in today's investment markets, to benefit from global opportunities and balance risks in each portfolio. We do this by effectively employing our investment resources and leveraging the expertise of our multi-asset specialists based in different markets around the world.

Our multi-asset capability

HSBC Global Asset Management is one of the leading multi-asset managers globally

Dedicated global team of over 60 investment professionals

Providing multi-asset solutions for over 20 years

Out of the USD461.5 billion we manage, USD84.0 billion follow a multi-asset approach

Source: HSBC Global Asset Management as at 30 September 2017.

HSBC Global Strategy Portfolios

A world of opportunities made affordable

Globally diversified multi-asset portfolios

Active asset allocation

Five portfolios with different risk profiles

Strong focus on cost-efficiency (OCF from 0.17%)[1]

A trusted, reliable brand

1. HSBC Global Asset Management as at 30 September 2017.

Get a broad view of the game

A global investment universe

The diagram below shows that asset class performance varies substantially from one year to the next.

As can be seen from the diagram, property was the best performer in 2006, gaining over 25%. However, the very next year it declined by 8.17% and became the worst performer among the main asset classes. Emerging market equities, historically displaying a high degree of volatility, feature among the best, as well as the worst performers over the period, with returns ranging from 59.39% to -35.18% per year. Their high return potential comes at a price of significant losses in some of the years.

Therefore, focussing on only one asset class may result in high and potentially un-rewarded risk. Counterintuitively, even staying invested exclusively in UK government bonds, widely considered a 'safety' asset class, could have exposed investor to periods of underperformance against other asset classes or even losses, as was the case in 2013.

Diversifying the portfolio among multiple asset classes, as well as multiple geographies, is a way of mitigating some of the risks inherent to investing in a single asset class.

Combining different asset classes generally improves the overall risk/return profile of a portfolio. As some of the asset classes deliver strong returns at a particular point in the economic cycle, others may be experiencing declines. Consequently, an investor may benefit from a 'smoother' trajectory of returns. The investment universe of our multi-asset portfolios covers key global economies (developed and/or emerging), across the main asset classes.

The best performing asset class in one year...

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Best performing asset class in a year	25.03	37.43	12.81	59.39	24.71	15.57	22.84	25.00	23.22	5.81	33.12
	16.30	7.72	11.52	24.79	22.94	5.96	13.42	2.35	13.86	5.45	29.01
	5.83	6.14	6.10	16.45	15.87	5.13	11.42	0.51	12.07	1.70	25.30
	4.84	6.08	-3.15	15.81	7.46	0.84	10.93	0.39	8.70	0.57	10.10
	3.29	5.27	-17.39	1.47	7.20	-4.31	4.74	0.19	8.02	0.57	5.72
	2.73	3.79	-28.88	1.33	3.62	-5.32	2.70	3.94	4.29	0.12	3.53
Worst performing asset class in a year	0.69	-8.17	-35.18	-1.16	0.69	-17.57	0.89	-4.08	0.54	-9.65	0.53

...can be the worst performing the following year.

Key:

- Emerging market equities
- Developed market equities
- Property
- UK government bonds
- Global investment grade credit
- Global government bonds
- Cash

Past performance is not an indication of future returns.

Source: 3 month GBP LIBOR (Cash), BofA Merrill Lynch Global Corporate Index Hedged GBP (Global Investment Grade Credit), MSCI World GBP (Developed Market Equities), MSCI EM GBP (Emerging Market Equities), Citigroup WGBI All Mat Hedged GBP (Global Government Bonds), FTSE Government UK Gilts All Stocks (UK Government Bonds), FTSE EPRA NAREIT Dev GBP (Property). As at 31 December 2016.

Our investment process illustrated

Strategic Asset Allocation (SAA)

- Blending of asset classes, regions and currencies to identify the optimal long-term portfolio positioning for the specific risk profile
- Reviewed at least annually

Decide a strategy

Chess players and multi-asset investors alike know that a forward-looking view is key. Rather than relying on past performance and hoping that history will repeat itself, a portfolio manager needs to build their strategy based on expectations of risk, return and correlations[2] between asset classes. This forward-looking strategy is what differentiates a robust asset allocation from a traditional 'set and forget' approach.

Our portfolio construction starts with SAA. In order to identify the optimal SAA for each different risk profile, we employ a disciplined, structured and transparent optimisation process which includes quantitative and qualitative components. Our SAA is reviewed at least annually to ensure portfolios remain in line with their long-term risk profiles.

[2]Correlation measures the degree to which two securities move in relation to each other.

Tactical Asset Allocation (TAA)

- Reflecting shorter-term views and asset class preferences in the portfolios
- Rationale for TAA positioning is reviewed at least weekly

Be responsive to opportunities

Shorter-term tactics are key to the overall strategy. As in chess, the investment landscape can shift dramatically in a short period of time. The asset allocation of a multi-asset portfolio should be flexible enough to respond to changing asset class valuations, macro-economic conditions, market sentiment, momentum and other factors.

In the Global Strategy Portfolios, we use TAA to reflect our shorter-term views, for example preferences for asset classes or regions. The rationale for TAA positioning is reviewed at least weekly.

Portfolio Implementation

- Capturing the desired asset allocation in a cost-efficient manner
- Portfolio positioning monitored daily

Execute your strategy effectively

Once you define your strategy and asset allocation, they will need to be implemented. Asset allocation is the main driver of multi-asset portfolios' performance. That is why it is so important to get asset allocation right, arguably more so than trying to add value by outperforming in each asset class. We also believe that cost efficiency is paramount.

To ensure we can deliver all of this to the end investor in a cost-efficient manner, passive investment vehicles are typically the best way to achieve this. Therefore, the HSBC Global Strategy Portfolios primarily use index tracking funds and ETFs to implement portfolio asset allocation. This allows us to keep the overall costs to the end investor as low as possible.

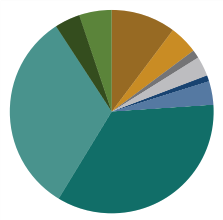
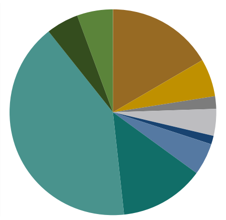
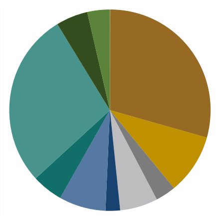
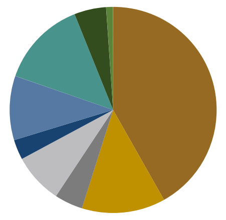
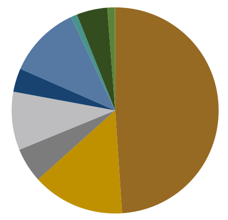
Look after your assets: Risk Management

Managing risk is as important as generating performance. Investors expect the multi-asset solution to stay aligned to the risk profiles that were presented to them before they initially invested. This is achieved through regular reviews of our asset allocations by our investment team, as well as ongoing risk monitoring run by our risk control teams.

Check mate?

In contrast to a chess player, for a multi-asset investor the game is not over at check mate; for us the board continually resets. As in chess, there is no single winning strategy and even the best players cannot win every game. However, adopting a rigorous, active and forward-looking approach, we can keep the board continually tilted in our favour.

Our risk-profiled range

Portfolio	HSBC Global Strategy Cautious Portfolio	HSBC Global Strategy Conservative Portfolio	HSBC Global Strategy Balanced Portfolio	HSBC Global Strategy Dynamic Portfolio	HSBC Global Strategy Adventurous Portfolio
Distribution Technology rating	Dynamic Planner 3	Not currently rated - Launched 23 August 2017	Dynamic Planner 5	Dynamic Planner 7	Not currently rated - Launched 23 August 2017
OCF*	**0.17%**	**0.18%****	**0.19%**	**0.21%**	**0.20%****
Target allocations as at September 2017:					

Key

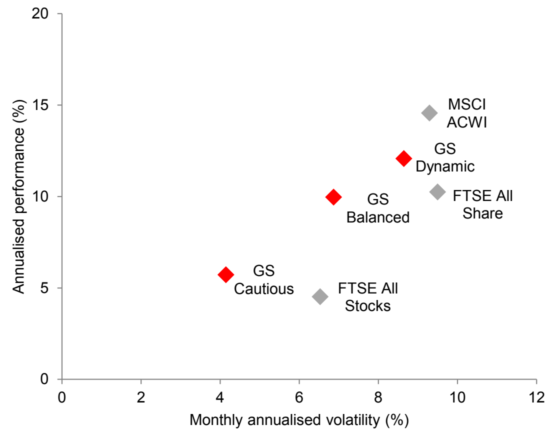
- US Equity
- Europe Equity
- UK Equity
- Japan Equity
- Pacific ex Japan Equity
- Emerging Markets Equity
- Global Government Bond
- Corporate Bond
- Property
- Cash

Source: HSBC Global Asset Management, September 2017. Pie charts for illustrative purposes only. *OCFs as at 30 September 2017, sourced from factsheet of 'C acc share class' of the relevant fund.
**The ongoing charges figure is an estimate as the Fund has not existed for 12 months.

Investors expect their portfolio to be managed in line with their individual appetite for risk. The HSBC Global Strategy Portfolios aim to provide long-term risk adjusted returns - rewarding investors for the risk taken. The range consists of five portfolios, with each aligned to an individual risk profile.

Each portfolio is globally invested, across developed and emerging markets, and holds exposure to global equities, global bonds and global property securities. Asset allocations are reviewed and adjusted on a regular basis to ensure that portfolios do not drift

Performance and volatility since inception



Performance gross of annual management charge (AMC), net of underlying manager expenses. Source: HSBC Global Asset Management as at 30 September 2017.

The HSBC Global Strategy Conservative and Adventurous Portfolios have not been included in this chart due to insufficient past performance record as they were launched in August 2017.

Returns are calculated from inception to 30 September 2017, gross of annual management charge (AMC), net of underlying manager expenses, then annualised.

Performance information above refers to the past and should not be seen as a guide to the future.

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Key risks

The value of an investment in the portfolios and any income from them can go down as well as up and as with any investment you may not receive back the amount originally invested. The global nature of the portfolios means that fluctuations in currency exchange rates will also affect the value of the investment. It also means that portfolios will have a portion of assets invested within emerging market regions where investments are by their nature higher risk and potentially more volatile than those inherent in some established markets.

Investors and potential investors should read the relevant key investor information document and full prospectus for full details of the risks involved before making an investment decision. The HSBC Global Strategy portfolios are sub-funds of HSBC Open Funds, 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.

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Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in established markets. Stock market investments should be viewed as a medium to long term investment and should be held for at least five years.

Where charges are taken from capital, although this will enhance the income distributed, it may constrain the capital growth of your investment. If charges are taken from income, and there is insufficient income to meet such charges, any deficit will be taken from the capital. This could result in an erosion of the capital value of the investment. The level of yields are not guaranteed and may rise or fall in the future.

The information in this presentation is based on HSBC's interpretation of current legislation and HM Revenue & Customs practice.

While we believe that this interpretation is correct, we cannot guarantee it. Legislation and tax practice may change in the future. Tax treatment is based upon individual client circumstances.