Asset Management

Invest in your dreams

HSBC Portfolios - World Selection

This is a marketing communication. Please refer to the prospectus, and to the KIID of the HSBC Portfolios - World Selection before making any final investment decisions.

HSBC | Opening up a world of opportunity

Invest in your dreams

For many of us, tucking money away in the bank seems like the safest way to protect and grow our savings. However, that approach may or may not help you make your dreams come true.

One thing you can count on is that the value of your cash is unlikely to grow at the same rate as inflation, so your money actually buys you less over time.

Investing is a way to help your money work harder than it does sitting in a savings account. You can seek higher growth than inflation, by investing over the long term using a mix of different methods and strategies.

That leads a lot of people to wonder about how to get started… asking themselves:

- How and when do I start?
- How do I choose my investments?
- Is it difficult to manage them from day to day?

These are all valid concerns, and exactly why we created the HSBC Portfolios - World Selection – to take some of the worry away, helping you invest confidently, to get you closer to realising your dreams.

It is important to note that investment products are not guaranteed and are subject to investment risk, including the possible loss of the amount originally invested

Historically, cash does not keep pace with the cost of living

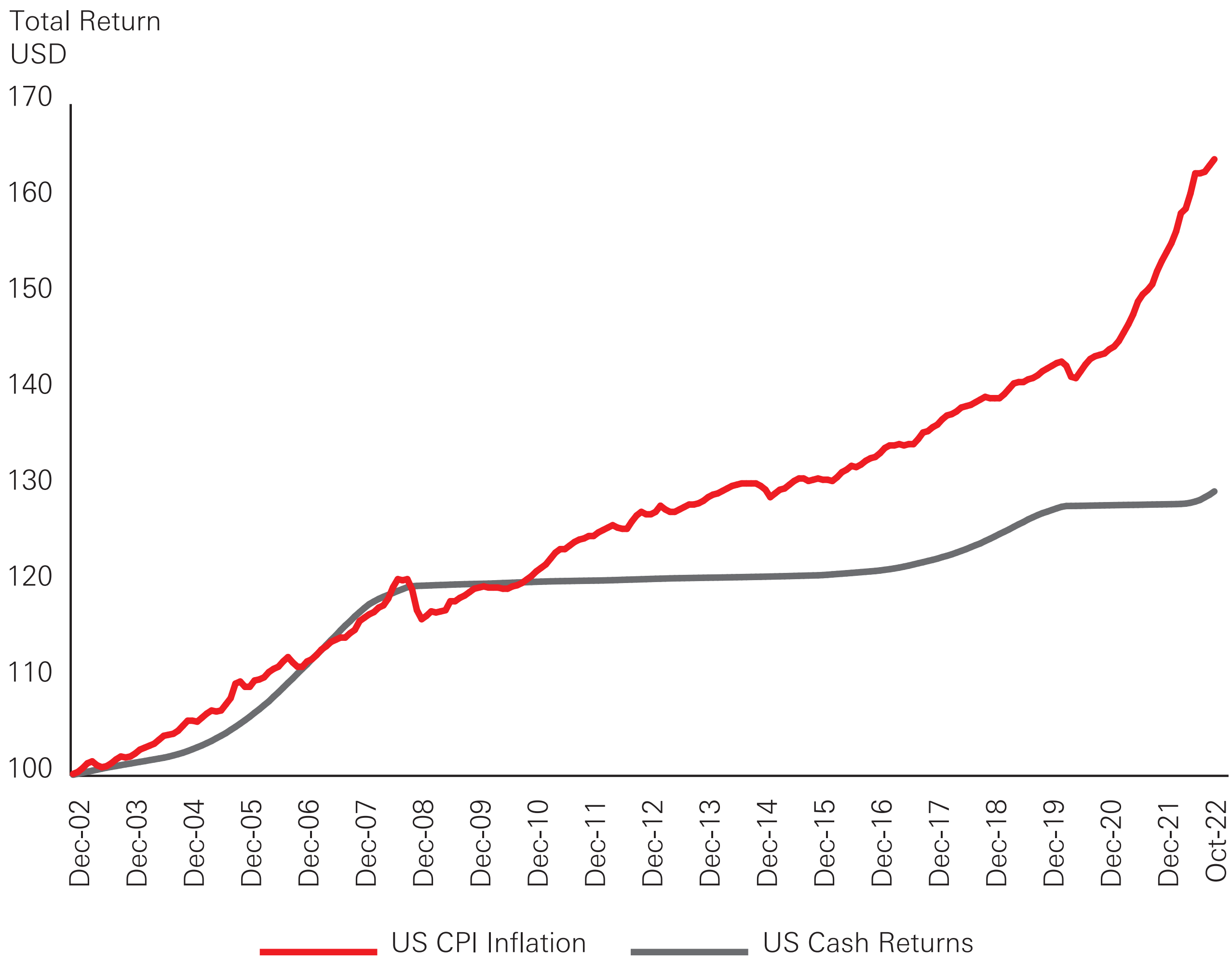
With prices rising, over time the money in your savings account is likely to buy you less

The average price paid for a home in the UK, for instance, grew by 176% between 2001 and 2021, whilst median incomes only rose by 59%.[1]

That means you probably wouldn't be able to afford the same house today that you could in 2001, unless you were also able to grow your savings in other ways.

Keeping your savings in cash would have eroded their value, as prices have been steadily increasing, while interest rates have remained low.

US cash rates and US inflation as measured by the Consumer Price Index (CPI)



Past performance is not an indication of future returns.

Source: Bloomberg Barclays Benchmark Overnight USD Cash Index, US CPI YoY Inflation Index.

1 Source: Bloomberg, October 2022.

Watching the news may have you questioning if now is the right time to invest

Investing over the long term may help you realise your dreams.

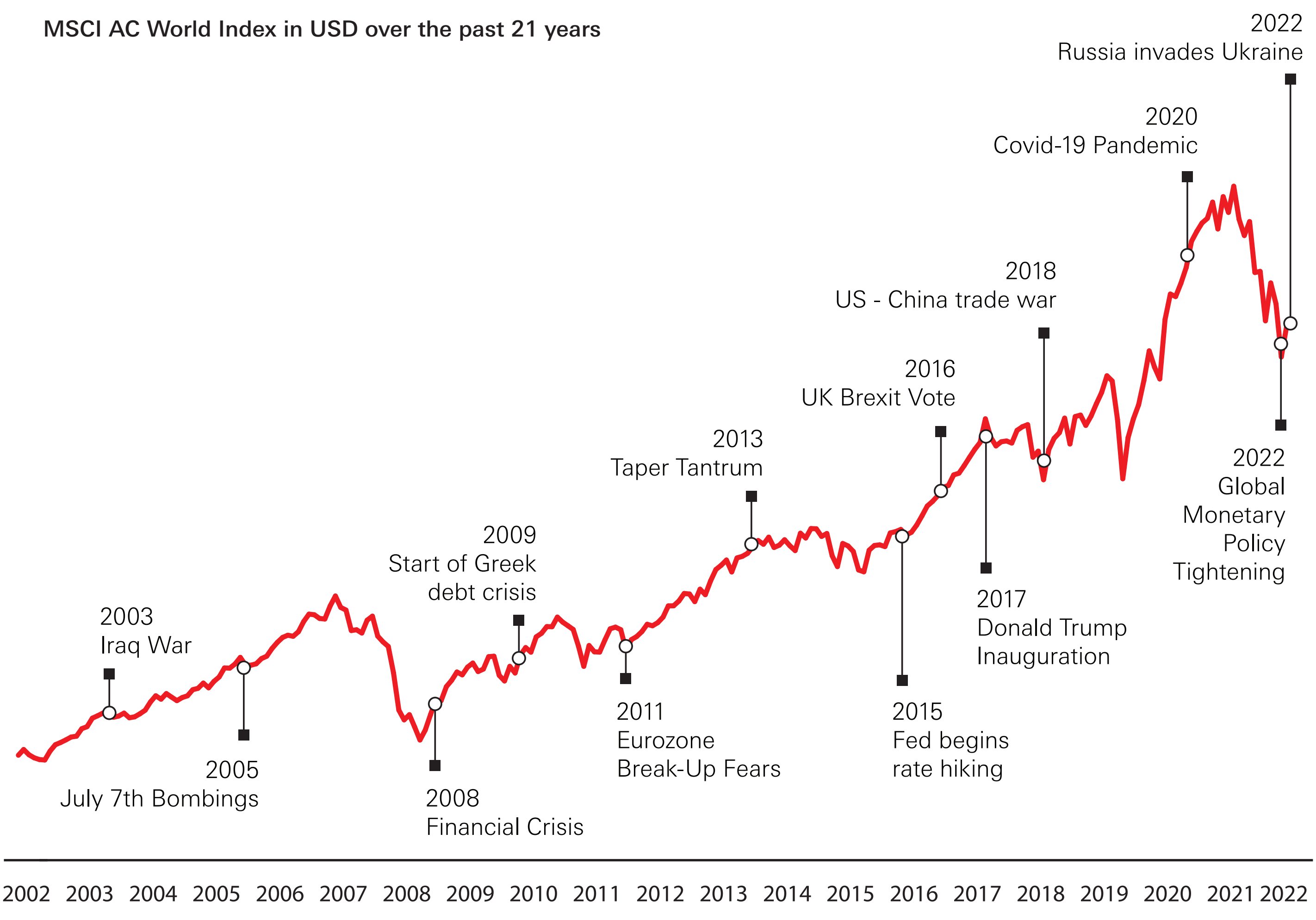
Changes in the political and economic climate around the world happen all the time, and history has shown that financial markets eventually recover from even the biggest turmoil.

There have been setbacks over the years – the dot-com bubble, 2008 credit crisis, and 2020 COVID market drawdown – but these were always followed by periods of significant recovery.

The sooner you start investing, the sooner you'll start working towards realising your dreams. And once you invest, it’s important to continue to invest regularly as it could help you to achieve your goals.

While unexpected events may still happen, history shows* that stock markets have eventually recovered.

MSCI AC World Index in USD over the past 21 years



Past performance is not an indication of future returns.

* Source: Bloomberg. MSCI All Country World Index in USD, October 2002 to October 2022. For illustrative purposes only

Staying invested for the long term is only part of the story

What you invest in is just as important.

Using a mix of different types of investments or 'asset classes' in a single portfolio – known as a multi-asset strategy – can be an effective way to help you grow your savings towards long-term goals.

The trick is picking just the right blend of investments to create an effective portfolio, one that over the long term delivers the returns you need to reach your goals, for the level of risk you are comfortable with. That is what the HSBC Portfolios - World Selection aim to do.

The portfolios offer access to global equity and bond markets, as well as alternative asset classes, such as listed property, all at a level of risk that suits you.

Diversification is at the core of our portfolios.

We look at all the options available and select those that will complement one another to get the most out of your investment. That means instead of your investment going into one asset, it will be spread across many.

Because we know that everyone has a different comfort level when it comes to investing, we offer five growth portfolios and two income portfolios. Each is managed to a risk level, so you can choose the portfolio that can help you reach your objectives at a level of risk that makes you comfortable.

Each portfolio invests in a diverse collection of assets, including shares in some 4,000 companies, along with government bonds, corporate bonds, property and cash, across different currencies and geographies. The assets in our portfolios are monitored daily by our team of investment professionals, who consider them based on long-term market conditions as well as short-term opportunities and make adjustments as necessary. Performance is also reviewed regularly to make sure our portfolios deliver effective returns in line with their risk level.

It is important to remember that stock market investments should be viewed as a medium to long-term investment and should typically be held for at least five years. The value of investments (and any income received from them) can fall as well as rise and you may not get back what you initially invested.

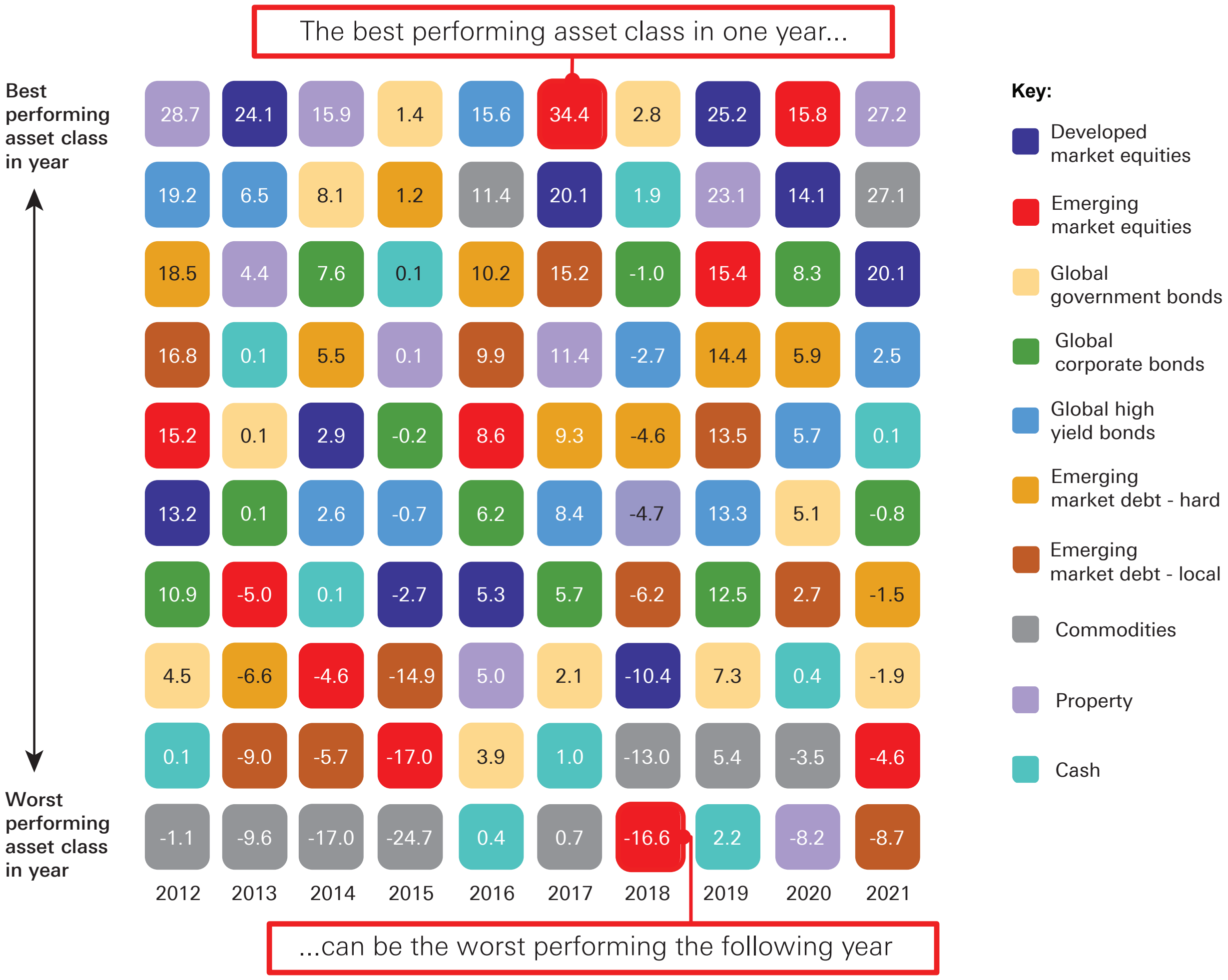
Using a mix of different types of investments can give you steadier returns over time.

Selecting the right blend of investments...

...to create effective portfolios.

The chart below shows the variation in returns across investment markets from year to year.

Monitoring so many asset classes and understanding which are poised for better performance takes time and skill. The knowledge and resources of the investment teams behind the HSBC Portfolios - World Selection are constantly at work on this so you don't have to.



Past performance should not be seen as an indication of future returns. For illustrative purposes only.

Source: Bloomberg, HSBC Asset Management, data as at 31 December 2021. All returns in USD, total return. Indices used: DM Equity: MSCI World Index; EM Equity: MSCI Emerging Market Equity; EMD Local: JPMorgan GBI-EM Global Diversified; Global Corporate: Bloomberg Barclays Global Aggregate Corporate Bond Index; EMD Hard currency: JP Morgan Emerging Market Bond Index; Global High Yield: JP Morgan Global High Yield, Global Government: Citi World Government Bond Index; Commodities: Bloomberg commodity index; Property: FTSE EPPRA/NAREIT Developed Index, Cash: Bloomberg Overnight USD Cash Index. Bond indices are hedged, ex EMD local currency (i.e. global government, global corporate, global high yield, EMD hard currency). Equities are unhedged.

Global resources and expertise

HSBC Portfolios - World Selection are supported by a team of over 600 investment specialists and more than 80 specific multi-asset investment professionals at HSBC Asset Management[1]. As one of the largest asset managers in the world[2], with an on-the-ground presence across the Americas, Europe, the Middle East and Asia, you can benefit from global resources and local insights across investment markets.

A global network of local experts

1 Source: HSBC Asset Management, as at 31.12.2021.
2 The Top 500 Asset Managers 2021 Special Report, Investment & Pensions Europe – HSBC Asset Management ranked 43rd.
3 Asia-Pacific includes employees and assets of Hang Seng Bank, in which HSBC has a majority holding.
4 HSBC Jintrust Fund Management company is a joint venture between HSBC Asset Management and Shanxi Trust Corporation Limited.

HSBC Portfolios - World Selection invest in a wide range of asset classes

Portfolios include:

- Global Equities
- Global Government Bonds
- Global Corporate Bonds
- Global High Yield Bonds
- Emerging Market Debt
- Asset Backed Securities
- Property
- Liquid Alternatives
- Cash

Through such a diverse blend of asset classes globally, the portfolios aim to deliver steady, long-term returns across market conditions.

Key takeaways

- The investment outcome can often be improved by holding more than one asset class in a blended, multi-asset portfolio. Diversification can:
  - Reduce risk for the same level of return, or
  - Increase return for the same level of risk
- You should aim to understand the risks involved and then choose a portfolio aligned with your overall attitude to risk
- Whether you are accumulating wealth or supplementing your income we have a range of portfolios to chose from

A global portfolio to match your risk appetite

Our strategy aims to maximise returns relative to the level of risk in each portfolio.

A well diversified portfolio can provide you with access to asset classes, currencies and geographies that together aim to deliver the best possible return for your risk level.

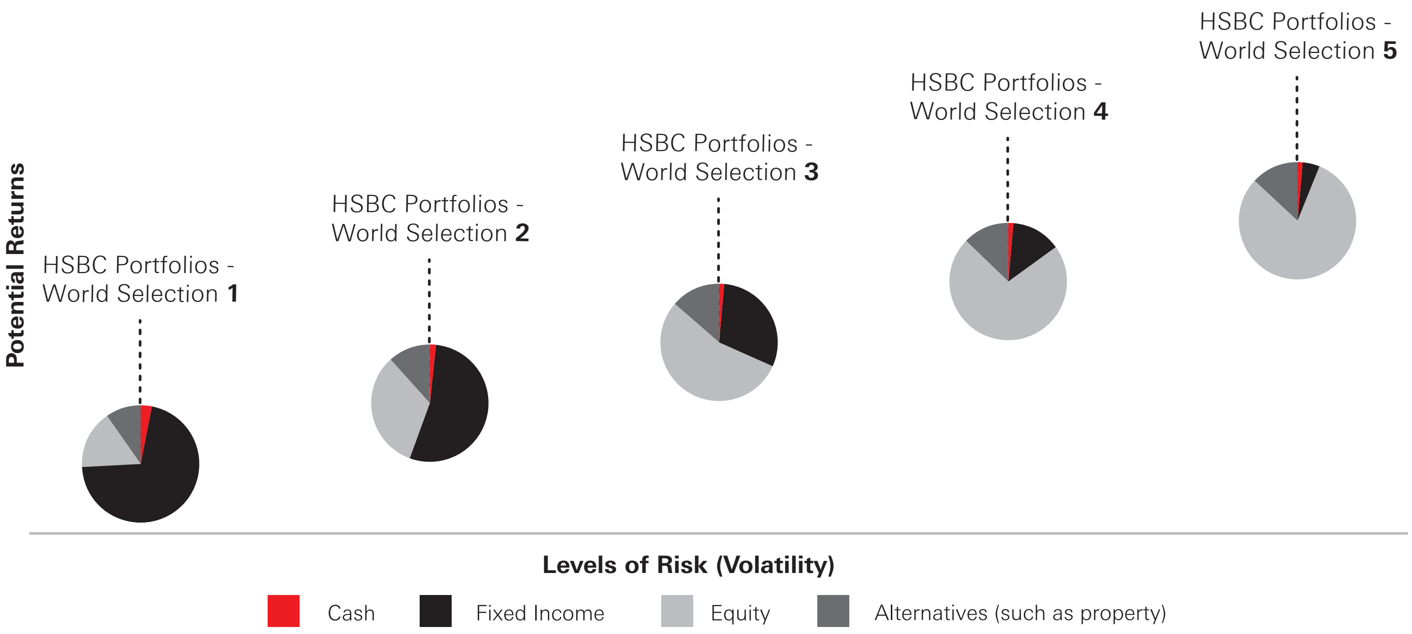
Diversification is at the core of the HSBC Portfolios - World Selection. What this means is that a variety of assets, which complement each other by reacting in different ways to market movements, are combined. As a result, your exposure to market fluctuations can be smoothed over time because falls in the value of one asset can be offset by increases in the value of another in the portfolio.

We use volatility – how the investment fluctuates – as a measure of risk.

The more that returns fluctuate (up and down) over time, the more volatile (risky) the investment. Each of the portfolios targets a specific level of volatility, so you can choose the level of risk appropriate for you.

A higher return generally involves higher risk. It's important that you understand your risk tolerance level in order to choose a portfolio that best suits your financial goals and risk appetite.

HSBC Portfolios - World Selection - Five different risk profiles*



* Source: HSBC Asset Management, as at 31 March 2022. For illustrative purposes only. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Global Asset Management (UK) Limited accepts no liability for any failure to meet such forecast, projection or target.

Robust investment process

Financial markets can be inefficient; meaning sometimes, assets can be mispriced. This is why the HSBC Portfolios - World Selection are regularly monitored to ensure timely adjustments that consider current market opportunities and risks.

Three-stage investment process:

1 Strategic Asset Allocation (SAA)	Constructing the optimal long-term blend of assets for each risk profile
2 Tactical Asset Allocation (TAA)	Adjustments to the portfolios to reflect our shorter-term market views
3 Portfolio Implementation	Implementing the desired asset allocation in a cost-efficient manner

1 Strategic Asset Allocation

The starting point for the portfolios is the Strategic Asset Allocation (SAA). This is the long-term blend of assets for each risk level; in other words, the blend that is expected to produce the highest return for a given level of portfolio risk. The SAA provides the reference point around which the portfolios can then be managed, and is the main driver of portfolio performance.

2 Tactical Asset Allocation

Tactical Asset Allocation (TAA) is another layer in the investment process. It aims to provide timely adjustments to the portfolios’ asset mix to reflect the team’s views on the current market environment.

TAA enables the portfolios to navigate shorter-term market conditions more effectively.

3 Portfolio Implementation

This is the final stage in the investment process, where we decide which holdings to include in each portfolio. Implementation aims to capture asset class returns on a cost-efficient basis.

We aim to increase transparency and cost-efficiency of the portfolios by using primarily HSBC Asset Management's in-house funds. This provides the added benefit of full line-of-sight into the holdings and strategies of the investment funds within the portfolios.

A focus is maintained on cost efficiency without compromising the investment outcome. In practice this means using a range of funds, ETFs (exchange-traded funds), direct security investments and derivatives.

Choosing the right Portfolio for you

- An HSBC Relationship Manager can walk you through the process of selecting the portfolio that fits both your investment goals and the level of risk you're most comfortable with

Charges

The total manufacturing cost or Ongoing Charges Figure (OCF) of the HSBC Portfolios - World Selection is made up of three main components:

Annual Management Charge (AMC): This is the fee levied by the Authorised Corporate Director (ACD) for carrying out its duties and responsibilities. As well as covering investment management costs and associated costs such as analysis and research, it also covers the product management costs.

External Costs: These costs will cover transaction costs, depositary fees, licence fees etc., of the underlying vehicles held in the HSBC World Selection Portfolios, as well as the AMC of any fulfilment vehicles where applicable. External costs will change dependent on portfolio weightings and positions.

Additional Expenses: Additional expenses for the HSBC World Selection Portfolios at fund level. These will include World Selection's transaction costs, depositary fees, audit fees and safe custody.

For details on the portfolios' OCFs please check the latest Key Investor Information Document (KIID).

Next steps

Contact an HSBC Relationship Manager today. The sooner you start investing – the closer you'll be to realising your dreams.

Key Risks

The HSBC Portfolios - World Selection are monitored continuously by our investment managers to ensure the funds deliver as per the aim of the funds, as these are set out in the fund prospectus. The key types of risk associated with the HSBC Portfolios - World Selection asset allocations are as follows (please refer to the KIID for the full list):

Counterparty Risk
The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.

Credit Risk
A bond or money market security could lose value if the issuer's financial health deteriorates.

Default Risk
The issuers of certain bonds could become unwilling or unable to make payments on their bonds.

Derivatives Risk
Derivatives 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.

Emerging Markets Risk
Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks. .

Exchange Rate Risk
Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.

Interest Rate Risk
When interest rates rise, bond values generally fall. This risk of this happening is generally greater the longer the maturity of a bond investment and the higher its credit quality.

Investment Fund Risk
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.

Investment Leverage Risk
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 Risk
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.

Operational Risk
Operational errors may affect transactions, valuation, accounting, financial reporting and other processes relating to the Fund

Further information on the potential risks can be found in the Key Investor Information Document (KIID) and/or the Prospectus.

Jargon Buster

A

Alternative asset classes
Alternative investments are assets that do not fall into the traditional asset class categories such as shares, bonds and cash; and can include property, liquid alternative strategies, and commodities such as gold.

Asset Backed Securities
Asset-backed securities are a type of debt instrument backed by a pool of assets, such as mortgages or other financial products. These assets are typically pooled in this manner because they can be illiquid and difficult to buy or sell individually.

C

Commodities
Commodities are raw materials such as food, grains, and metals, which a fund manager is able to buy or sell, usually through futures contracts which are agreements to buy or sell at an agreed upon price on a specific date. The price of a commodity is subject to supply and demand.

Corporate Bonds
A bond issued by a company to raise money. In return for lending the company money the investor will receive interest payments (coupon) plus the return of the original investment when the bond matures.

D

Debt securities
Debt securities are issued by governments or corporates to raise funding.

Examples of debt securities include corporate bonds and Gilts, which are loans to the UK government.

Default Risk
Default risk is the possibility that an issuer of a debt security, such as a bond, will be unable to make interest payments or repay the original investment (principal) when the bond matures.

Derivatives
Unlike stocks and bonds, a derivative is usually a contract rather than an asset. Its value is determined by fluctuations in the underlying asset. Futures and options are two commonly traded types of derivatives. An options contract gives the owner the right to buy or sell an asset at a set price on or before a given date. On the other hand, the owner of a futures contract is obligated to buy or sell the asset.

E

Emerging Market Debt
Bonds issued by emerging market governments or corporates. Hard currency debt refers to emerging market bonds denominated in a so called ‘hard currency’, typically US dollars. Local currency debt refers to emerging market bonds issued in their local market currencies.

Equities/Shares
Equities is another name for shares. A share is a stake in the company that has issued it. The value of the shares will depend on a number of factors including how well the company is performing financially.

Exchange-Traded Funds
An exchange-traded fund (ETF) is a fund that aims to replicate the performance of an index or group of assets. It is traded on a stock exchange, like shares and bonds.

G

Government Bonds or Gilts
A loan to a national government in return for which the lender receives 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.

H

High Yield Bonds
Bonds issued by companies of lower credit quality. These companies are more likely to default but provide a higher yield than investment grade (higher credit quality) bonds.

R

Real Terms

Real value removing the effects of inflation. For example, inflationary effects will mean that in real terms £1 today will be worth less, and have a lower purchasing power, in the future.

Reduced liquidity
Reduced liquidity is the limited ability or inability to buy or sell an asset easily and quickly.

V

Volatility
Volatility is a measure of how much a fund or security's price goes up or down as a percentage of its total value. For example, the price of a money market fund will typically change very little from day to day and has low volatility. A fund investing in shares is exposed to stock market variations and has a higher volatility. The higher the volatility of a fund, then generally the greater the investment risk.

Important Information

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Past performance is not an indicator of future returns. The material contained herein is for marketing purposes and is for your information only. This document is not contractually binding nor are we required to provide this to you by any legislative provision. It does not constitute legal, tax or investment advice or a recommendation to any reader of this material to buy or sell investments. You must not, therefore, rely on the content of this document when making any investment decisions.

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The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Where overseas investments are held the rate of currency exchange may also cause the value of such investments to fluctuate. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Stock market investments should be viewed as a medium to long term investment and should be held for at least five years. Any performance information shown refers to the past and should not be seen as an indication of future returns.

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