HSBC World Selection Portfolios
Broad diversification through one single investment
Introduction

At HSBC we believe a multi-asset approach is important when creating a sound financial strategy.

HSBC World Selection is a multi asset product, designed for investors seeking portfolio diversification through one single investment.

HSBC World Selection gives you access to equity and bond markets as well as alternative markets when your risk profile and our asset allocation views allow. Also, by offsetting falls in the value of one asset with rises in that of another, your exposure to market fluctuations should be smoothed.

Therefore, compared with a single asset investment, the range of funds aims to provide improved risk-adjusted returns through broad diversification across many different asset classes, regions and currencies.

International presence in the world’s financial markets enables us to offer the HSBC World Selection Portfolios.

Our experienced investment teams work in diverse geographic locations to take advantage of opportunities in the financial markets across the globe.

Who manages the HSBC World Selection Portfolios?

World Selection is currently managed by the Multi-Asset team at HSBC Global Asset Management (UK) Limited, which forms part of HSBC Global Asset Management. The global reach of this team adds value through expert insight and allows them to leverage their market knowledge when building robust globally diversified solutions for customers.

How are the HSBC World Selection Portfolios structured?

The HSBC World Selection Portfolios are structured as sub-funds of HSBC Portfolios, a Luxembourg based SICAV (Société d’Investissement à Capital Variable).

The HSBC World Selection Portfolios fund range consists of 5 funds. Each fund has a different risk level designed to match investors’ different appetites to risk, ranging from cautious investors to those who are prepared to accept more risk. World Selection Portfolios have a recommended minimum investment period of five years, except World Selection 1 which has a recommended minimum investment period of three years. The HSBC World Selection Portfolios each hold a mix of various different asset classes aiming to provide, over the long term, improved risk-adjusted returns relative to a single asset class investment.

Please refer to the Key Investor Information Document and full prospectus before making an investment decision.

As with any investment where the underlying investments are stocks and shares, the price of shares in HSBC Portfolios and any income from them can go down as well as up, is not guaranteed, and you may not get back the amount of your original investment.

<table>
<thead>
<tr>
<th>Asset allocation</th>
<th>Recommended minimum investment period</th>
<th>Risk and reward profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC Portfolios World Selection 1</td>
<td>3 Years</td>
<td>Lower Risk</td>
</tr>
<tr>
<td>HSBC Portfolios World Selection 2</td>
<td>5 Years</td>
<td>Typically lower long term rewards</td>
</tr>
<tr>
<td>HSBC Portfolios World Selection 3</td>
<td>5 Years</td>
<td>Typically higher long term rewards</td>
</tr>
<tr>
<td>HSBC Portfolios World Selection 4</td>
<td>5 Years</td>
<td></td>
</tr>
<tr>
<td>HSBC Portfolios World Selection 5</td>
<td>5 Years</td>
<td></td>
</tr>
</tbody>
</table>

Source: HSBC Global Asset Management, data as at 31/12/2016
## Multiple markets, multiple assets

### Why a multi-asset approach is important

It is impossible to predict asset class performance in the short term. The table below shows that a single asset class can be both the best and worst performer within a very short period of time.

In other words, if an investment is made in only one asset class the investment outcome is more unpredictable. The unpredictable nature of a single asset class investment also makes it difficult to time the correct entry point into an asset class.

A diversified investment approach is less reliant on the point of entry or timing of the investment. Furthermore, it also smoothes the overall investment journey, as different asset classes usually do not display the exact same return behaviour. Through HSBC World Selection, we offer you a range of broadly diversified funds with varying risk profiles.

### Past performance is not a reliable indicator of future performance.

#### The figures in the grid are:

Source: Bloomberg, Datastream, data as at 31/12/2016. All returns in index base currency, total return.

Indices to represent each asset class shown are: 3 month USD LIBOR (Cash), BofA Merrill Lynch Global Corporate Index Hedged USD (Global Investment Grade Credit), MSCI World USD (Developed Market Equities), MSCI EM USD (Emerging Market Equities), Citigroup WGBI All Mat Hedged USD (Global Government Bonds), Bloomberg/EFFAS US Government All>1 Year (US Government Bonds), FTSE EPRA NAREIT Dev USD (Property), BofA Merrill Lynch Global High Yield Index Hedged USD (Global High Yield Credit), BofA Merrill Lynch US Dollar Emerging Markets Sovereign Plus Index Hedged USD (Hard Currency EMD), JPM GB-EM Global Diversified Composite USD (Local Currency EMD).

### The table below shows that a single asset class can be both the best and worst performing asset class in a year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Asset Class</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>'06</td>
<td>EFFAS US Government All Mat Hedged USD</td>
<td>9.99</td>
</tr>
<tr>
<td>'07</td>
<td>MSCI World USD</td>
<td>11.38</td>
</tr>
<tr>
<td>'08</td>
<td>MSCI EM USD</td>
<td>16.57</td>
</tr>
<tr>
<td>'09</td>
<td>MSCI World USD</td>
<td>12.07</td>
</tr>
<tr>
<td>'10</td>
<td>MSCI EM USD</td>
<td>15.57</td>
</tr>
<tr>
<td>'11</td>
<td>MSCI World USD</td>
<td>18.75</td>
</tr>
<tr>
<td>'12</td>
<td>MSCI EM USD</td>
<td>22.84</td>
</tr>
<tr>
<td>'13</td>
<td>MSCI World USD</td>
<td>23.22</td>
</tr>
<tr>
<td>'14</td>
<td>MSCI EM USD</td>
<td>25.00</td>
</tr>
<tr>
<td>'15</td>
<td>MSCI World USD</td>
<td>28.88</td>
</tr>
<tr>
<td>'16</td>
<td>MSCI EM USD</td>
<td>33.12</td>
</tr>
</tbody>
</table>

#### Key:

- Emerging market equities
- Developed market equities
- Local currency EMD
- Property
- Global high yield credit
- UK government bonds
- Hard currency EMD
- Global investment grade credit
- Global government bonds
- Cash

### Why a multi-asset approach is important

It is impossible to predict asset class performance in the short term. The table below shows that a single asset class can be both the best and worst performer within a very short period of time.

In other words, if an investment is made in only one asset class the investment outcome is more unpredictable. The unpredictable nature of a single asset class investment also makes it difficult to time the correct entry point into an asset class.

A diversified investment approach is less reliant on the point of entry or timing of the investment. Furthermore, it also smoothes the overall investment journey, as different asset classes usually do not display the exact same return behaviour. Through HSBC World Selection, we offer you a range of broadly diversified funds with varying risk profiles.
How will the portfolio objective be met?

To achieve its objective, the HSBC World Selection Portfolios fund range currently uses a structured investment process designed for long-term investment aims. It also has the ability to take advantage of short-term market opportunities.

1 **Strategic Asset Allocation** - a blend of different asset classes, geographies and currencies that form the foundation of a portfolio designed for long-term investment. World Selection’s Strategic Asset Allocation is reviewed periodically to ensure each of the Portfolios remains in line with its long-term risk profile and your risk appetite is not compromised.

2 **Tactical Asset Allocation** - shorter term adjustments to the Strategic Asset Allocation to reflect our shorter term market views. Through these deviations from the long-term target weights we aim to take advantage of opportunities in the financial markets. We are also able to reduce exposure to asset classes should they not be in our favour. World Selection’s Tactical Asset Allocation is formally reviewed on at least a monthly basis under normal market conditions. In exceptional circumstances, such as economic or political crises, more frequent reviews are conducted.

3 **Implementation of Asset Allocation** - assessment of the most appropriate methods to fulfill the asset allocation. These may include passively managed funds, such as ETFs and index trackers, as well as actively managed funds. There may also be direct securities holdings. Our primary focus when identifying the appropriate fulfilment vehicle is on delivering the most cost efficient approach to implementing World Selection’s investment objective.

Benefits of World Selection

1 A range of investment products tailored to match different risk appetites. World Selection is a one-stop solution to meet your investment needs. Each fund has a different risk level designed to match customers’ different appetite ranging from cautious to higher risk.

2 Aiming for improved risk-adjusted returns, relative to a single asset class investment. World Selection Portfolios aim to provide improved returns relative to an investment in a single asset class, but also aim to smooth the investment journey by avoiding the higher chance of volatility associated with investment in a single asset class.

3 Diversification across different asset classes, currencies and geographies. Through investment in World Selection you can gain access to global equity, bond markets and also alternative markets when our asset allocation views allow, in different currencies and geographies.

4 Following a highly robust three-step investment process of SAA, TAA and Implementation. World Selection’s investment process ensures each portfolio remains in line with its long term risk budget. Shorter term market opportunities are exploited through Tactical Asset Allocation, and for Asset Allocation Implementation we use the most appropriate and cost efficient fulfilment method.

5 A cost-efficient implementation approach. World Selection Portfolios’ fulfilment strategy has a strong focus on cost efficient investment options which has a direct impact on your net investment outcome.
Dealing times and charges

Shares are allocated at the Offer Price per share calculated on the Business Day following the Dealing Day using the latest available prices of assets.

Applications received after the 10:00 am Jersey time on any Dealing Day will normally be dealt on the next Dealing Day. Shares are normally dealt on each Business Day (other than days during a period of suspension of dealing in shares and other than a Business Day immediately following the end of a period of such suspension) and which is also for the Portfolio, a day where stock exchanges and regulated markets in countries where the Portfolio is materially invested are open for normal trading.

For fee-based advised business written in the United Kingdom since 1st January 2013, and in Jersey from 1st January 2014 onwards, financial advice is required to be paid for by an explicit charge. Your financial advisor will supply details of these charges.

For other sales, charges will be payable as follows:

**Initial charge**

This is up to 4.17% and is included in the purchase price of your shares in each fund. The initial charge is a one off fee and therefore will not be refunded if you decide to cash in your investment. We do not make a charge when you sell your shares.

**Annual management charge**

An annual charge is levied on each of the funds within HSBC World Selection Portfolios and will be between 0.5% and 1.30% (please see the prospectus for full details). This varies according to the complexity and costs involved in managing the underlying investments of each fund.

**Switching fee**

If you switch to another fund in the Freedom Plus range that has a higher initial charge, the difference will be deducted from your investment.

Tax

The tax treatment of your holding in the HSBC Portfolios World Selection will depend on your country of residence, local regulations and your personal circumstances.

As with any investment you should ensure that the fund is appropriate not only to your tax position but also to your personal investment needs. Any tax information in this brochure is based on our understanding of current and proposed legislation and practice. The accuracy of this information or its completeness cannot be guaranteed. The legislation and practice may be subject to change. If you require specific details in respect of this legislation we strongly recommend that you consult with your tax or legal adviser, as we cannot provide individual guidance on personal tax matters.
Key risks

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

Equity risks

Market fluctuations can affect the performance of an investment fund both upwards and downwards. You may not get back the full amount invested.

Emerging markets risk

Emerging economies typically exhibit higher levels of investment risk. Markets are not always well regulated or efficient and investments can be affected by reduced liquidity.

Exchange rate risk

Investing in assets denominated in a currency other than that of your own currency, exposes the value of the investment to exchange rate fluctuations.

Fixed income risk

As interest rates rise debt securities will fall in value. Issuers of debt securities may fail to meet their regular interest and/or capital repayment obligations. All credit instruments therefore have potential for default. Higher yielding securities are more likely to default.

Real estate risk

Cost of acquisition and disposal, taxation, planning, legal, compliance and other factors can materially impact real estate valuation.

The above is not a full list of all the risks that apply to the funds within HSBC Portfolios. Investors and potential investors should read the relevant Key Investor Information Document or full prospectus for a full list of risk warnings prior to making an investment in a fund.
Important notes

Please see relevant Key Investor Information Document and Prospectus for more information.

Any decision to invest in HSBC Portfolios should be based on the content of the Prospectus, Application Terms and Conditions and Nominee Service Agreement.

We are required to advise you that if you undertake investment Business with any non UK members of the HSBC Group, including our office in Jersey you will not be protected from the benefit of the rules and regulations made under the UK’s Financial Service & Markets Act 2000, including the UK Financial Services Compensation Scheme and the UK’s Financial Ombudsman Service.

For further details on these sub-funds and past performance or charges please visit the web site at: www.expat.hsbc.com/1/2/jerseyfundinvestments or call +44 1534 606389 (Monday to Friday exc. UK and Jersey Bank Holidays, 9am to 5pm UK time).

To help us continually improve our services and in the interests of security we may monitor and/or record your communications with us.

This offer is not available to residents of Australia, Canada, Malaysia, United States of America or New Zealand.

This is an integral part of the HSBC Freedom Plus brochure and should be read in conjunction with it. Before investing in any of the sub-funds in the HSBC Portfolios, please read the full Prospectus and the sub-funds relevant Key Investor Information Document for more information and a detailed explanation of the risks involved.