Invest in your dreams
HSBC World Selection Portfolios
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For many of us, tucking money away in the bank seems like the safest way to protect and grow our savings. 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 probably won't grow at the same rate as inflation, so your money actually buys you less overtime.

Investing is a way to help your money work harder than it does sitting in a savings account. You can seek higher growth 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 World Selection Portfolios – to take some of the worry away, helping you invest confidently, to get you closer to realising your dreams.

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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.

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Aiming for long-term steady returns
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 World Selection Portfolios 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 World Selection Portfolios.

We look at all the options available and select those that will complement one another best 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 portfolios. Each is managed to a different 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 look at 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 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 invested.
Selecting the right blend of investments

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 World Selection Portfolios are constantly at work on this so you don't have to be.

The best performing asset class in one year...

...can be the worst performing the following year

Past performance is not a guarantee of future performance.

Source: Morningstar, HSBC Global Asset Management, data as at 31 December 2018. Indices used: MSCI World Index; MSCI Emerging Market Equity; JPMorgan GBI-EM Global Diversified (EMD local currency); Bloomberg Barclays Global Aggregate Corporate Bond Index; ICE Bank of America Merrill Lynch Emerging Market Bond Index (EMD hard currency); ICE Bank of America Merrill Lynch Global High Yield, Citi World Government Bond Index, FTSE EPRRA/NAREIT Listed Property Index, ICE LIBOR 3 Month. Bond indices are hedged, ex EMD local currency (i.e. global government, global corporate, global high yield, EMD hard currency).
Global resources and expertise

HSBC World Selection Portfolios are managed by a team of more than 70 multi-asset investment professionals at HSBC Global Asset Management. As one of the largest asset managers in the world, with an on-the-ground presence across the Americas, Europe, the Middle East and Asia, you can benefit from our global resources and local insights across investment markets.

To give you an idea of how the World Selection Portfolios perform, we've mapped out what your investment of $10,000 would have given you from the date when the portfolios were introduced through to today, against how your cash would have performed. The chart shows that an investor in World Selection Portfolio 3 (the ‘balanced’ portfolio) would have seen their $10,000 grow to $15,840.

The table below shows net performance figures for the past five years. It is important to remember that past performance is not a guarantee of future performance.

<table>
<thead>
<tr>
<th>World Selection Portfolio 3</th>
<th>Annual Performance Figures* to June 2019</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>30.06.14 to 30.06.15</td>
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<tr>
<td></td>
<td>0.23%</td>
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</tbody>
</table>

$10,000 invested in World Selection Portfolio 3 since its launch^*

Past performance is not a guarantee of future performance.

4 As at March 2019.


6 Source: HSBC Global Asset Management, A share class

7 Source: Bloomberg, as at 30.06.2019.
Cash (US Treasury Bills); less inflation (CPI).
HSBC World Selection Portfolios 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
- 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
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 World Selection Portfolios. 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 HSBC World Selection 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 World Selection Portfolios - Five different risk profiles*

<table>
<thead>
<tr>
<th>Potential Returns</th>
<th>Level of risk (volatility)</th>
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<tbody>
<tr>
<td>HSBC World Selection Portfolio 1</td>
<td></td>
</tr>
<tr>
<td>HSBC World Selection Portfolio 2</td>
<td></td>
</tr>
<tr>
<td>HSBC World Selection Portfolio 3</td>
<td></td>
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<tr>
<td>HSBC World Selection Portfolio 4</td>
<td></td>
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<tr>
<td>HSBC World Selection Portfolio 5</td>
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</tbody>
</table>

Cash  Fixed Income  Equity  Alternatives (such as property)

* Source: HSBC Global Asset Management, as at June 2019. For illustrative purposes only, and subject to change at anytime.
Robust investment process

Financial markets can sometimes be inefficient; meaning assets can be mispriced. This is why decisions on asset allocation are regularly reviewed in order to take advantage of potential opportunities, rather than following a 'set and forget' strategy.

The HSBC World Selection Portfolios are continuously monitored to ensure timely adjustments that consider current market opportunities and risks.

Three-stage investment process:

1. Long term Asset Allocation
   Constructing the optimal long-term blend of assets for each risk profile

2. Adjusting the asset allocation
   Shorter-term adjustments based on current market conditions

3. Portfolio Implementation
   Investing into investment funds or other financial instruments

Portfolio optimisation

Three key data inputs are used in creating the optimal asset mix:

- Expected returns for each asset class
- Historical volatility for each asset class
- Correlation – a measure of how closely two assets move together over time—low correlation helps build a well diversified portfolio

We aim to increase transparency and cost-efficiency of the portfolios by using primarily HSBC Global 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 but without compromising the investment outcome. In practice this means using a range of funds, ETFs (exchange-traded funds), stocks, bonds and derivatives.
Ready to get started?
Here’s what you need to know.
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.

Key Risks

The HSBC World Selection Portfolios 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 World Selection Portfolios’ asset allocations are as follows (please refer to the Key Investor Information Document for the full list):

1. **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.

2. **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.

3. **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.

4. **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.

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

Government Bonds
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.

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.

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.
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. 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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