

HSBC Investment Funds

Interim Short Report

15 July 2013

Important Notes

This Interim Report covers the period 16 January 2013 to 15 July 2013.

Investments in stocks and shares can go down as well as up and investors may not get back the amount they originally invested. This can affect the price of shares within open-ended investment companies and the income from them.

Past performance should not be seen as a reliable indication of future returns.

Your holding in an open-ended investment company must be regarded as a medium to long term investment; this means for at least five years.

Where overseas securities are held the prices and income may also be affected by changes in currency exchange rates. It is possible that the value of an investment may fall below its original level.

Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. These risks include the possibility of failed or delayed settlement, registration and custody of securities and the level of investor protection offered.

Where a fund holds gilts or other fixed interest securities, the value of the underlying assets is strongly affected by interest rate fluctuations and by changes in the credit ratings of the underlying issuer of the assets. There is a risk that both the relative yield and the capital value of these may be reduced if interest rates go up.

Please note any reference to "Fund" or "Funds" means a sub fund of the Company.

The views expressed are those of HSBC Global Asset Management (UK) Limited and do not constitute investment advice. No liability can be accepted for recipients acting independently on its content.

Contact Details

Company

HSBC Investment Funds - Registered in England with Company Number IC000073

Registered Office

8 Canada Square, London E14 5HQ

Authorised Corporate Director (ACD) and Head Office

HSBC Global Asset Management (UK) Limited, 78 St James's Street, London SW1A 1EJ

HSBC Global Asset Management (UK) Limited is authorised and regulated by the Financial Conduct Authority (FCA) and is a member of the Investment Management Association.

Registrar (delegated to HSBC Bank plc)

HSBC Global Asset Management (UK) Limited, Frobisher House, Nelson Gate, Commercial Road, Southampton, SO15 9DF

Telephone

0800 181 890 (Professional Advisers)†

0800 289 505 (Direct Investors)†

0845 745 6123 (Investors)*

+44 238 024 4095 (Investors Overseas)*

0845 766 0391 (Textphone)

+44 238 072 3029 (Overseas Textphone)

†Lines are open Monday to Friday from 9am to 5pm, excluding public holidays.

*Lines are open Monday to Friday from 8am to 6pm, excluding public holidays.

Administrator (Postal address)

PO Box 6189, Coventry, CV3 9HS

Auditor

KPMG Audit Plc, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EG

Depository

State Street Trustees Limited, 525 Ferry Road, Edinburgh EH5 2AW
Authorised and regulated by the Financial Conduct Authority (FCA).

Website

www.assetmanagement.hsbc.com/uk

There are risks involved in investing in HSBC Investment Funds. Please refer to the Prospectus, Key Investor Information Document (KIID) and Supplementary Information Document (SID) for further details.

The information in this report is based on our understanding of current law and HM Revenue and Customs practice as at 15 July 2013. Both law and practice may of course change.

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Changes to the Scheme

Directors (Management and Administration)

The Director information has been amended to reflect the following:-

Appointed as a Director of Global Asset Management (UK) Limited

S. Chandrasekharan - 20 September 2012

A.S. Clark - 3 December 2012

J. Ellerby - 3 December 2012

Resigned as a Director of HSBC Global Asset Management (UK) Limited

S.T. Brown - 3 December 2012

The following changes to the Prospectus became effective on 8 August 2013

Change of Regulatory Body

The regulatory body for the financial industry, the Financial Services Authority, was replaced on 1 April 2013 by the Financial Conduct Authority and the Prudential Regulation Authority. The Company is now authorised by, and the Manager is now authorised and regulated by the Financial Conduct Authority.

New Definitions

Several new definitions have been added being: "Associate", "HSBC Group" and "US Person".

Protected Cell Company

The ACD has converted the Company to a protected cell company as required by the OEIC regulations. Conversion to a protected cell company is a mandatory requirement, the objective being that the assets of each sub fund of the Company are ring-fenced so that they are identified as belonging exclusively to that Fund and are not used to discharge directly or indirectly the liabilities of, or claims against, any other person or body, including the Company, or any other Fund of the Company. At the same time the ACD made changes to allow each sub fund ("Fund") to invest in another Fund within the same Company as permitted by the OEIC Regulations.

Dealing in Shares

Amendments have been made to allow the ACD to reject applications from residents in countries where the investor is not eligible to hold Shares under the terms of the Prospectus; where we may break a law, regulation, code, court order or other duty; or where we become aware or have reason to believe the investor is resident in or connected to a country into which we are not permitted to distribute or offer the Shares.

Where we are unable to pay money out to you, for example the proceeds from the sale of Shares for which supporting documentation is needed, the money will be held as client money in a client bank account. No interest will be paid to you in respect of any client money.

Balanced

Investment Objective

To obtain capital growth in the longer-term together with income.

Investment Policy

To invest in a diverse portfolio of equities and bonds in the UK and overseas, together with money market instruments.

Investment Strategy

The Fund's weighting are 75% equities, 20% bonds and 5% cash, which includes 40% in UK equities. Each category and sub category (eg Europe or Japan) has a range of +/-5% around the internal benchmark.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price and foreign currency. The Manager reviews policies for managing these risks in order to follow and achieve the Investment Objective and Policy as summarised above.

Fund Facts

XD dates: 16 January, 16 July
Distribution payment dates:
15 March, 15 September

Ongoing Charges Figure (OCF)

As at 15.7.13 - 1.70%
As at 15.1.13 - 1.72%

The OCFs shown above are calculated on the Retail Accumulation share class.

Portfolio Activity

Stock selection and asset allocation both contributed to relative returns.

Strong stock selection in the UK and North American equity segments contributed to performance. Meanwhile, investments in Asia Free (excluding Japan) and Europe (excluding UK) equities detracted from relative returns.

From an asset allocation perspective, the underweight positions in money markets and UK fixed interest segments proved positive. However, overweight exposures to Japan and global emerging markets equity weighed on overall performance.

During the period under review, the Fund maintained an overall preference for equities, which proved advantageous given the continued rise in this asset class over the reporting period. Within equities, the Fund maintained a preference for developed markets, namely UK, European, US and Japanese equities. These positions benefited relative performance given both the emerging markets and Asian equities struggled to keep pace with the developed market's equity returns.

Conversely, the allocations to government bonds were reduced and profits were also realised in sterling corporate bonds, which had performed exceptionally well over previous years. Elsewhere the approach to managing European equities was changed, moving away from a pure quantitative approach to a more focused fundamental approach. We believe this style should enhance performance going forward.

In terms of activity, major purchases included Spectris and Treasury 4.25% 07/12/2027. Significant sales included Virgin Media and HSBC FTSE 100 ETF.

Please note that the above information refers to the past and that past performance is not a reliable indication of future returns.

Distribution

Date paid/ payable	Distribution rate - Retail Income shares	Distribution rate - Retail Accumulation shares
15.9.13	0.970000p	1.380000p
15.9.12	1.030000p	1.440000p

Fund Prices

Share class	Net asset value per share as at 15.7.13	Net asset value per share as at 15.1.13
Retail Income	118.3p	108.5p
Retail Accumulation	167.6p	153.1p

Performance Record

Percentage Change

6 months

9.47

1 year

21.10

3 years

30.94

5 years

42.64

10 years

87.98

Please note that the above figures refer to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated to 15 July 2013.

(Source: Morningstar Direct, GBP, UK net of tax, for the Retail Accumulation share class. Returns based on the NAV, which is a single price.)

Portfolio Information

Major Holdings

The Fund's five largest holdings, or holdings above 5%, at the end of this period and the previous period are shown below.

Holding	% of Fund value as at 15.7.13
+ HSBC Japan Index Fund	5.47
+ HSBC Holdings (London listed)	3.44
+ HSBC GIF Global Emerging Markets Equity Fund	2.37
Ryanair	2.10
Signet Jewellers	1.97
+ related party	

Holding	% of Fund value as at 15.1.13
+ HSBC Japan Index Fund	4.62
+ HSBC Holdings (London listed)	3.69
+ HSBC GIF Global Emerging Markets Equity Fund	2.94
Resolution	1.99
Barclays	1.94
+ related party	

Investment Allocation

	15.7.13	15.1.13
	%	%
UK	49.68	50.23
USA	12.94	12.42
Luxembourg	6.28	6.35
France	5.13	3.27
Channel Islands	4.19	3.73
Ireland	3.04	2.64
Germany	2.48	2.70
Bermuda	2.05	1.67
Switzerland	1.98	2.23
Japan	1.41	1.24
China (including Hong Kong)	1.34	1.80
South Korea	1.04	1.17
Italy	-	1.50
Other	5.47	6.52
Net other assets	2.97	2.53

UK Growth & Income

Investment Objective

To provide long-term capital and income growth by investing predominantly within the UK.

Investment Policy

To invest predominantly in UK equities, fixed interest and other securities.

Investment Strategy

To provide long-term capital and income growth through active stock selection to create a portfolio of about 40 stocks. The stock selection process is based on quantitative and qualitative factors, with fundamental research being the most important aspect.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price and foreign currency. The Manager reviews policies for managing these risks in order to follow and achieve the Investment Objective and Policy as summarised above.

Fund Facts

XD dates: 16 January, 16 July
Distribution payment dates:
15 March, 15 September

Ongoing Charges Figure (OCF) - Retail

As at 15.7.13 - 1.65%

As at 15.1.13 - 1.65%

Ongoing Charges Figure (OCF) - Retail B

As at 15.7.13 - 1.02%

As at 15.1.13 - 1.02%

Portfolio Activity

During the period under review, the Fund outperformed the FTSE All-Share index*.

Within the portfolio, returns were driven at the stock level as a number of companies provided the market with positive corporate updates. In particular, Kingfisher's management continued to deliver on its agenda, which aims to maintain gross margins, noting that sales had increased following an improvement in weather conditions and consumer confidence. In addition, Ryanair announced full year results which were ahead of market expectations. The company's full year revenues increased 13%, driven by average fare increases, growing ancillary revenues and total passenger growth.

On the negative side, Petrofac was the main detractor from performance. Petrofac released a short-trading statement reiterating the expectation for "modest growth" for 2013.

In terms of activity, major purchases included HSBC Holdings and BG Group. Significant sales included Standard Life UK Equity Unconstrained Fund and Treasury 4.5% 7/3/2013.

*As the Fund has no official benchmark the indicative index is the FTSE All-Share index (for illustrative purposes only).

Please note that the above information refers to the past and that past performance is not a reliable indication of future returns.

Distribution - Retail

Date paid/ payable	Distribution rate - Retail Income shares	Distribution rate - Retail Accumulation shares
15.9.13	1.380000p	2.190000p
15.9.12	1.180000p	1.810000p

Distribution - Retail B

Date paid/ payable	Distribution rate - Retail B Income shares	Distribution rate - Retail B Accumulation shares
15.9.13	1.450000p	2.300000p
15.9.12	1.230000p	1.890000p

Fund Prices

Share class	Net asset value per share as at 15.7.13	Net asset value per share as at 15.1.13
Retail Income	70.99p	64.16p
Retail Accumulation	112.4p	100.4p
Retail B Income	74.24p	66.89p
Retail B Accumulation	117.6p	104.8p

Performance Record

Percentage Change

6 months

11.95

1 year

28.43

3 years

40.38

5 years

56.09

10 years

112.68

Please note that the above figures refer to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated to 15 July 2013.

(Source: Morningstar Direct, GBP, UK net of tax, for the Retail Accumulation share class. Returns based on the NAV, which is a single price.)

Portfolio Information

Major Holdings

The Fund's five largest holdings, or holdings above 5%, at the end of this period and the previous period are shown below.

Holding	% of Fund value as at 15.7.13
+ HSBC Holdings (London listed)	6.15
British Telecom Group	4.41
Resolution	4.33
Compass Group	4.26
Barclays	4.16
+ related party	

Holding	% of Fund value as at 15.1.13
Standard Life Investments UK Equity Unconstrained	7.59
BP	5.59
Treasury 4.5% 7/3/2013	4.17
+ HSBC Holdings (London listed)	3.32
Barclays	3.12
+ related party	

Investment Allocation

	15.7.13	15.1.13
	%	%
Financials	20.71	23.47
Consumer Services	16.94	11.31
Oil & Gas	13.24	12.53
Basic Materials	11.89	7.41
Consumer Goods	11.71	8.07
Telecommunications	10.47	3.79
Industrials	5.16	6.53
Healthcare	4.03	5.02
Utilities	3.97	2.05
Government Bonds	-	4.17
Technology	-	1.13
Futures	-	0.46
Corporate Bonds	-	0.03
Net other assets	1.88	14.03

Income

Investment Objective

To provide an above average yield together with capital growth by investing predominantly in the UK.

Investment Policy

To invest mainly in UK equities and a range of convertible stocks.

Investment Strategy

To provide an above average yield together with capital growth through active stock selection to create a portfolio of about 40 stocks. The stock selection process is based on quantitative and qualitative factors, with fundamental research being the most important aspect.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price and foreign currency. The Manager reviews policies for managing these risks in order to follow and achieve the Investment Objective and Policy as summarised above.

Fund Facts

XD dates: 16 January, 16 July

Distribution payment dates:

15 March, 15 September

Ongoing Charges Figure (OCF)

As at 15.7.13 - 1.66%

As at 15.1.13 - 1.67%

The OCFs shown above are calculated on the Retail Accumulation share class.

Portfolio Activity

During the period under review, the Fund outperformed the FTSE All-Share index*.

Within the portfolio, returns were driven at the stock level as a number of companies provided the market with positive corporate updates. In particular, Kingfisher's management continued to deliver on its agenda, which aims to maintain gross margins whilst noting that sales had increased following an improvement in weather conditions and consumer confidence. Meanwhile, Resolution's core UK business performed well over the period with the potential for an improvement in the value of their existing business and growth.

On the negative side, Petrofac was the main detractor from performance. Petrofac released a short-trading statement reiterating the expectation for "modest growth" for 2013.

In terms of activity, major purchases included Resolution and BP. Significant sales included Schroder Income Fund and Royal Dutch Shell.

*As the Fund has no official benchmark the indicative index is the FTSE All-Share index (for illustrative purposes only).

Please note that the above information refers to the past and that past performance is not a reliable indication of future returns.

Distribution

Date paid/ payable	Distribution rate - Retail Income shares	Distribution rate - Retail Accumulation shares
15.9.13	7.670000p	12.540000p
15.9.12	6.550000p	10.290000p

Fund Prices

Share class	Net asset value per share as at 15.7.13	Net asset value per share as at 15.1.13
Retail Income	332.1p	300.7p
Retail Accumulation	542.8p	483.5p

Performance Record

Percentage Change

6 months

12.26

1 year

21.79

3 years

40.55

5 years

63.20

10 years

104.44

Please note that the above figures refer to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated to 15 July 2013.

(Source: Morningstar Direct, GBP, UK net of tax, for the Retail Accumulation share class. Returns based on the NAV, which is a single price.)

Portfolio Information

Major Holdings

The Fund's five largest holdings, or holdings above 5%, at the end of this period and the previous period are shown below.

Holding	% of Fund value as at 15.7.13
GlaxoSmithKline	6.36
+ HSBC Holdings (London listed)	6.22
Vodafone Group	6.21
BP	6.13
Royal Dutch Shell A	5.98
+ related party	

Holding	% of Fund value as at 15.1.13
Schroder Income	8.89
Royal Dutch Shell B	4.22
AstraZeneca	4.16
Vodafone Group	3.84
GlaxoSmithKline	3.76

Investment Allocation

	15.7.13	15.1.13
	%	%
Financials	20.80	25.40
Oil & Gas	13.86	10.83
Consumer Services	13.80	9.56
Consumer Goods	12.14	14.59
Telecommunications	10.73	6.10
Healthcare	10.50	12.70
Basic Materials	7.97	7.03
Utilities	4.05	4.00
Industrials	3.57	8.36
Technology	1.97	1.10
Corporate Preference	-	0.08
Net other assets	0.61	0.25

Monthly Income

Investment Objective

To provide a monthly income rising over time together with capital growth.

Investment Policy

To invest predominantly in a combination of UK equities and fixed income securities.

Investment Strategy

The long-term allocation target is 70% equities and 30% fixed income. The Fund invests in many of the higher-yielding equities in the UK market.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price and foreign currency. The Manager reviews policies for managing these risks in order to follow and achieve the Investment Objective and Policy as summarised above.

Fund Facts

XD dates: Monthly on the 16th
Distribution payment dates: Monthly on the 15th

Ongoing Charges Figure (OCF)

As at 15.7.13 - 1.40%
As at 15.1.13 - 1.40%

The OCFs shown above are calculated on the Retail Accumulation share class.

Portfolio Activity

During the reporting period, the Fund underperformed the FTSE All-Share index*. Stock selection and asset allocation both contributed to relative performance.

At an asset allocation level, the overall overweight exposure to UK equities provided some contribution towards performance. Within the UK equities segment, an underweight position in the mining stocks proved positive whilst an overweight allocation to industrial metals and minerals detracted from relative returns.

Stock selection in both corporate bonds and equities added value over the reporting period. Within equities, selection in life insurance stocks proved beneficial whilst investments in aerospace and defence stocks had a negative impact on returns.

At the beginning of the reporting period the holdings in UK gilts were reduced in the fixed income portion of the Fund. This conservative position had a negative impact on performance as UK gilts yields rose sharply over the period. The Fund maintained a largely neutral duration position over the period. The Fund remained largely underweight in the financials and utilities sectors and underweight to a lesser degree in the healthcare and industrials sectors. Parallel to this, the Fund maintained an overweight position in basic materials and held an exposure to asset-backed securities (a type of financial asset collateralised by a specified pool of underlying assets). In addition, the Fund invested in supranational bonds, the debt of international organisations, through European Investment Bank bonds in May 2013.

In terms of activity, major purchases included Electricite de France 6% variable rate perpetual and AT&T 4.25% 1/6/2043. Significant sales included Treasury 4.75% 7/12/2038 and European Investment Bank 3.25% 7/12/2016.

*As the Fund has no official benchmark the indicative index is the FTSE All-Share index (for illustrative purposes only).

Please note that the above information refers to the past and that past performance is not a reliable indication of future returns.

Distribution

Date paid/ payable	Distribution rate - Retail Income shares	Distribution rate - Retail Accumulation shares
15.8.13	0.450000p	0.750000p
15.8.12	0.420000p	0.690000p
15.7.13	0.430000p	0.740000p
15.7.12	0.440000p	0.710000p
15.6.13	0.430000p	0.730000p
15.6.12	0.430000p	0.690000p
15.5.13	0.400000p	0.720000p
15.5.12	0.390000p	0.620000p
15.4.13	0.420000p	0.710000p
15.4.12	0.420000p	0.670000p
15.3.13	0.400000p	0.660000p
15.3.12	0.400000p	0.640000p

Fund Prices

Share class	Net asset value per share as at 15.7.13	Net asset value per share as at 15.1.13
Retail Income	143.0p	136.2p
Retail Accumulation	240.6p	223.8p

Performance Record

Percentage Change

6 months

7.51

1 year

17.37

3 years

33.89

5 years

44.68

10 years

88.41

Please note that the above figures refer to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated to 15 July 2013.

(Source: Morningstar Direct, GBP, UK net of tax, for the Retail Accumulation share class. Returns based on the NAV, which is a single price.)

Portfolio Information

Major Holdings

The Fund's five largest holdings, or holdings above 5%, at the end of this period and the previous period are shown below.

Holding	% of Fund value as at 15.7.13
+ HSBC Holdings (London listed)	5.38
BP	3.57
GlaxoSmithKline	3.47
Vodafone Group	3.46
Royal Dutch Shell A	3.24
+ related party	

Holding	% of Fund value as at 15.1.13
+ HSBC Holdings (London listed)	5.40
BP	4.00
Royal Dutch Shell A	3.32
GlaxoSmithKline	3.09
Vodafone Group	2.94
+ related party	

Investment Allocation

	15.7.13	15.1.13
	%	%
Corporate Bonds	22.62	21.71
Financials	15.19	15.22
Oil & Gas	11.54	12.22
Consumer Goods	11.15	10.06
Consumer Services	8.11	7.31
Industrials	7.52	6.03
Healthcare	5.63	5.26
Basic Materials	5.26	7.89
Telecommunications	4.70	4.30
Utilities	2.90	3.01
Government Bonds	1.68	3.80
Technology	1.20	1.03
Other	0.51	1.34
Net other assets	1.99	0.82

Gilt & Fixed Interest

Investment Objective

To provide a regular and competitive level of income from an underlying portfolio of gilts and other highly-rated fixed interest securities.

Investment Policy

To invest predominantly in British government stocks and other fixed interest stock whether issued in Great Britain or any other country in the world.

Investment Strategy

The Gilt & Fixed Interest Fund invests in UK government securities and interest rate derivatives in order to achieve a better return than the market. This is achieved by changing the overall duration of the Fund and its yield curve positioning relative to the benchmark*. It can also gain exposure to investment grade or high-yield credit through the use of credit default swaps.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price and foreign currency. The Manager reviews policies for managing these risks in order to follow and achieve the Investment Objective and Policy as summarised above.

Fund Facts

XD dates: 16 January, 16 April, 16 July, 16 October
Distribution payment dates: 15 March, 15 June, 15 September, 15 December

Ongoing Charges Figure (OCF)

As at 15.7.13 - 0.90%
As at 15.1.13 - 0.90%

The OCFs shown above are calculated on the Retail Accumulation share class.

Portfolio Activity

The Fund held a short-duration position at the beginning of the reporting period until late February 2013, where the Fund moved to a neutral duration position as the likelihood of further monetary stimulus by the Bank of England increased. The Fund then moved back to a short-duration position in early March to take advantage of the low gilt yields resulting from the fall in investor confidence, which was triggered by the decisions around the recapitalisation of the Cypriot banking sector. The short-duration position was held until end of May. In early June 2013, the neutral-duration position was re-established after the sharp rise in yields of UK government bonds in May. In respect to the strategy, a flattening positioning has maintained over the first quarter of 2013 by holding longer-dated UK sovereign bonds relative to 10-year gilts. However, the strategy was removed after the Monetary Policy Committee (MPC) indicated its increased tolerance towards inflation which suggested that the MPC would not support a decline in long-dated bonds relative to short-dated bonds. In early June 2013, following the negative outlook in government yields, the Fund was positioned accordingly.

In terms of activity, major purchases included Treasury 4.25% 7/12/2027 and Treasury 1.25% Index-Linked Gilt 22/11/2017. Significant sales included Treasury 5% 7/3/2018 and Treasury 4.75% 7/12/2030.

*As the Fund has no official benchmark the indicative index is the FTSE All-Stocks index (for illustrative purposes only).

Please note that the above information refers to the past and that past performance is not a reliable indication of future returns.

Distribution

Date paid/ payable	Distribution rate - Retail Income shares	Distribution rate - Retail Accumulation shares
15.9.13	0.320000p	1.870000p
15.9.12	0.350000p	2.000000p
15.6.13	0.320000p	1.900000p
15.6.12	0.360000p	2.070000p

Fund Prices

Share class	Net asset value per share as at 15.7.13	Net asset value per share as at 15.1.13
Retail Income	67.54p	69.15p
Retail Accumulation	393.6p	399.2p

Performance Record

Percentage Change

6 months

(1.40)

1 year

(3.86)

3 years

12.52

5 years

27.46

10 years

43.39

The figures in brackets denote negative figures.

Please note that the above figures refer to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated to 15 July 2013.

(Source: Morningstar Direct, GBP, UK net of tax, for the Retail Accumulation share class. Returns based on the NAV, which is a single price.)

Portfolio Information

Major Holdings

The Fund's five largest holdings, or holdings above 5%, at the end of this period and the previous period are shown below.

Holding	% of Fund value as at 15.7.13
Treasury 4% 7/9/2016	9.13
Treasury 4.25% 7/12/2027	8.46
Treasury 2.75% 22/1/2015	8.25
Treasury 1.25% Index-Linked 22/11/2017	7.63
Treasury 4.25% 7/6/2032	6.93
Treasury 1.25% 22/7/2018	6.32
Treasury 4.75% 7/3/2020	6.22
Treasury 4.25% 7/3/2036	5.54
Treasury 4.25% 7/12/2055	5.30

Holding	% of Fund value as at 15.1.13
Treasury 5% 7/3/2018	10.23
Treasury 4% 7/9/2016	8.36
Treasury 2.75% 22/1/2015	7.53
Treasury 4.75% 7/12/2030	7.30
Treasury 1.75% 22/1/2017	6.06
*+ HSBC Sterling Liquidity Fund	5.99
Treasury 4.75% 7/3/2020	5.76
Treasury 4.75% 7/12/2038	5.49
Treasury 4.25% 7/3/2036	5.19
Treasury 4.5% 7/3/2013	5.01

* offshore fund

+ related party

Investment Allocation

	15.7.13	15.1.13
	%	%
Government Bonds	88.28	92.95
Government Index-Linked	7.63	-
Money Market	3.30	5.99
Net other assets	0.79	1.06

Corporate Bond

Investment Objective

To provide a regular and competitive level of income from an underlying portfolio of predominantly sterling corporate bonds.

Investment Policy

To invest predominantly in corporate bonds and other fixed interest securities.

Investment Strategy

The Corporate Bond Fund invests primarily in investment grade corporate bonds (but also can take exposure in sub investment grade bonds) in order to achieve a better return than the market. The Fund invests in a variety of fixed income securities including, but not limited to, fixed and floating rate securities, senior and subordinated securities, bullet, callable and perpetual securities denominated or hedged back into sterling. In addition, the Fund uses derivatives, both interest rate and credit, to achieve its aim.

The Investment Objective is achieved by changing the overall position of the Fund against its benchmark in respect to duration, yield curve and credit exposure.

Risk Profile

The Fund has little exposure to credit or cash flow risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk. The main risks it faces from its financial instruments are market price and foreign currency. The Manager reviews policies for managing these risks in order to follow and achieve the Investment Objective and Policy as summarised above.

Fund Facts

XD dates: 16 January, 16 April, 16 July, 16 October
Distribution payment dates: 15 March, 15 June, 15 September, 15 December

Ongoing Charges Figure (OCF)

As at 15.7.13 - 1.15%

As at 15.1.13 - 1.15%

The OCFs shown above are calculated on the Retail Accumulation share class.

Portfolio Activity

During the reporting period, the Fund held slightly defensive positions. At the beginning of 2013, the Fund had positive contributions from positions held in securitised bonds, asset-backed securities (a type of financial asset collateralised by a specified pool of underlying assets) and supranationals (the debt of international organisations), whereas the underweight positions in the financials and utilities sectors proved negative. During the first quarter of 2013, stock selection was the main source of underperformance as the result of negative effects from a position in a European Investment Bank bond and from particular bonds within the telecommunications, banks and insurance sectors. In the second quarter of 2013, the Fund had a negative contribution from sector allocation, which was responsible for much of the underperformance in April 2013. In May and June 2013, the results from sector allocation and security selection largely offset each other, resulting in a small outperformance in the second quarter of 2013. The Fund remains invested in non-corporate high-quality securities and maintained overweight positions in AAA and AA-rated securities and BB and B-rated securities versus an underweight allocation to A-rated bonds. The Fund maintained the overweight positions in five to 10-year maturities against underweight positions in maturities over 10 years.

In terms of activity, major purchases included Treasury 4.25% 7/6/2032 and Treasury 4.25% 7/3/2036. Significant sales included EIB 5.625% 7/6/2032 and Lloyds Network Rail 4.75% 29/11/2035.

Please note that the above information refers to the past and that past performance is not a reliable indication of future returns.

Distribution

Date paid/ payable	Distribution rate - Retail Income shares	Distribution rate - Retail Accumulation shares
15.9.13	0.860000p	1.710000p
15.9.12	0.900000p	1.740000p
15.6.13	0.840000p	1.670000p
15.6.12	0.890000p	1.700000p

Fund Prices

Share class	Net asset value per share as at 15.7.13	Net asset value per share as at 15.1.13
Retail Income	110.8p	113.9p
Retail Accumulation	220.2p	223.0p

Performance Record

Percentage Change

6 months

(1.26)

1 year

4.71

3 years

18.64

5 years

27.80

10 years

35.84

Figures in brackets denote negative figures.

Please note that the above figures refer to the past and that past performance is not a reliable indication of future returns.

Performance is cumulative over the period indicated to 15 July 2013.

(Source: Morningstar Direct, GBP, UK net of tax, for the Retail Accumulation share class. Returns based on the NAV, which is a single price.)

Portfolio Information

Major Holdings

The Fund's five largest holdings, or holdings above 5%, at the end of this period and the previous period are shown below.

Holding	% of Fund value as at 15.7.13
+ HSBC 6.375% 18/10/2022 step perpetual	2.80
Treasury 4.25% 7/6/2032	2.73
Annington Repack 5.3236% 10/1/2023	1.96
Treasury 4.25% 7/3/2036	1.70
BHP Billiton Finance 3.25% 25/9/2024	1.64
+ related party	

Holding	% of Fund value as at 15.1.13
European Investment Bank 5.625% 7/6/2032	2.75
+ HSBC 6.375% 18/10/2022 step perpetual	2.57
Network Rail 4.75% 29/11/2035	2.42
Annington Repack 5.3236% 10/1/2023	1.83
BHP Billiton Finance 3.25% 25/9/2024	1.54
+ related party	

Investment Allocation

	15.7.13	15.1.13
	%	%
Corporate Bonds	92.31	94.04
Government Bonds	4.43	0.97
Supranational Bonds	1.55	4.24
Financials	-	0.81
Forward Foreign Exchange Contracts	(0.03)	(0.03)
Net other assets/(liabilities)	1.74	(0.03)

Corporate Shareholders

A corporate shareholder will receive the distribution shown below on their annual consolidated tax voucher as follows:

Fund	Date payable/paid	Share class	Investment income	
			Franked	Unfranked
Corporate Bond	15.9.13	Retail Income	0.00%	100.00%
	15.9.13	Retail Accumulation	0.00%	100.00%
	15.9.13	Institutional Accumulation	0.00%	100.00%
	15.9.13	Institutional Income	0.00%	100.00%
	15.9.13	Income C	0.00%	100.00%
	15.9.13	Accumulation C	0.00%	100.00%
	15.6.13	Retail Income	0.00%	100.00%
	15.6.13	Retail Accumulation	0.00%	100.00%
	15.6.13	Institutional Accumulation	0.00%	100.00%
	15.6.13	Institutional Income	0.00%	100.00%
	15.6.13	Income C	0.00%	100.00%
	15.6.13	Accumulation C	0.00%	100.00%
Gilt & Fixed Interest	15.9.13	Retail Income	0.00%	100.00%
	15.9.13	Retail Accumulation	0.00%	100.00%
	15.9.13	Institutional Income	0.00%	100.00%
	15.9.13	Income C	0.00%	100.00%
	15.9.13	Accumulation C	0.00%	100.00%
	15.6.13	Retail Income	0.00%	100.00%
	15.6.13	Retail Accumulation	0.00%	100.00%
	15.6.13	Institutional Income	0.00%	100.00%
	15.6.13	Income C	0.00%	100.00%
	15.6.13	Accumulation C	0.00%	100.00%

All other Funds in this OEIC have a 100% franked distribution shown on their annual consolidated tax voucher.

Risk and Reward Profile

Fund	SRRI*
Balanced	5
UK Growth & Income	6
Income	6
Monthly Income	5
Gilt & Fixed Interest	4
Corporate Bond	4

Lower Risk **Higher Risk**

←—————→

Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
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*More About this Rating

The rating is based on price volatility over the last five years, and is an indicator of absolute risk. Historical data may not be a reliable indication for the future. The rating is not guaranteed to remain unchanged and the categorisation may shift over time. The lowest rating does not mean a risk-free investment.

For further information on the specific risks applicable to each Fund please visit www.assetmanagement.hsbc.com/uk.

General Information

Published Prices

The prices of shares are updated daily on the following websites:

www.assetmanagement.hsbc.com/uk and www.investingin funds.org/ways-to-buy-and-sell-funds.html.

Alternatively you can call our Investments Helpline on 0845 745 6123* (Textphone 0845 766 0391).

*To help us continually improve our service, and in the interests of security, we may monitor and/or record your communications with us. Lines are open Monday to Friday from 8am to 6pm, excluding public holidays.

Report and Accounts

The Authorised Corporate Director (ACD) is HSBC Global Asset Management (UK) Limited which is the sole director. HSBC Global Asset Management (UK) Limited is authorised and regulated by the Financial Conduct Authority.

HSBC Global Asset Management (UK) Limited - Directors

S.T. Brown (resigned 3 December 2012)

S. Chandrasekharan (appointed 20 September 2012)

C.S. Cheetham

A.S. Clark (appointed 3 December 2012)

A.C. Corfield

J. Ellerby (appointed 3 December 2012)

E.R. Stokes

Quick Reference Guide to HSBC Investment Funds

Name of OEIC Fund	Balanced	UK Growth & Income	Income	Monthly Income	Gilt & Fixed Interest	Corporate Bond
Number of distributions per year	2	2	2	12	4	4
Distribution dates	15 Mar 15 Sep	15 Mar 15 Sep	15 Mar 15 Sep	Each month	15 Mar, Jun, Sep, Dec	15 Mar, Jun, Sep, Dec
Lump sum minimum investment level	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000
Regular saver minimum investment level	£50	£50	£50	£50	£50	£50
Authorised Corporate Director charge % †	1.50	1.50	1.50	1.25	0.75	1.00
Available as an ISA	Yes	Yes	Yes	Yes	Yes	Yes
In ISA can income be paid	Yes	Yes	Yes	Yes	Yes	Yes
Income shares available	Yes	Yes	Yes	Yes	Yes	Yes
Accumulation shares available	Yes	Yes	Yes	Yes	Yes	Yes
Historic research of files*	£25 per hour including VAT - all Funds					
Duplicate tax voucher*	£25 per voucher including VAT - all Funds					
Duplicate tax vouchers* (more than one)	£25 per voucher including VAT - all Funds					
European Savings Directive in scope for distributions/redemptions	Yes/No	No/No	No/No	Yes/Yes	Yes/Yes	Yes/Yes

* Charges for additional services. The ACD reserves the right to apply these charges and amend them subject to the annual rate of the Retail Price Index.

† The above information relates only to retail share classes. Other share classes may differ.

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Authorised and regulated by the Financial Conduct Authority.

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banking and financial services organisations with around
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www.assetmanagement.hsbc.com/uk

HSBC Global Asset Management (UK) Limited
Frobisher House
Nelson Gate
Commercial Road
Southampton SO15 9DF
United Kingdom
