

HSBC OpenFunds

World Selection - Dividend Distribution Portfolio

Monthly report 31 March 2024 | Share class Acc C



Investment objective

The Fund aims to provide a high level of income in line with its risk profile in the long term, which is a period of five years or more. The Fund's risk profile is rated as 3 where 1 is a lower level of risk and 5 is a higher level of risk. Please see the Prospectus for an explanation of the HSBC risk levels.



Investment strategy

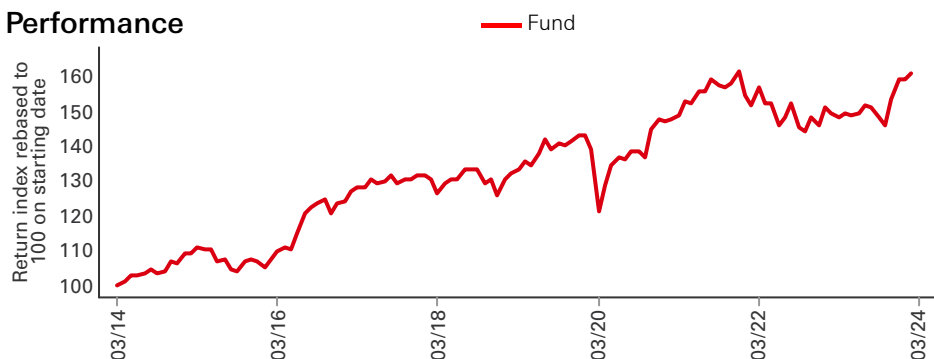
This is one of a range of actively managed World Selection Portfolios offered at different risk levels. The asset allocation of each fund in the range reflects the risk level. The Fund is managed with the aim of providing income in line with its agreed long term risk profile therefore any potential returns are likely to be limited by the risk profile of the Fund. The exposure to each asset class may be achieved by investing in collective investment schemes, investing directly in asset classes and investing in derivatives. The Fund is not managed with reference to a benchmark.



Main risks

- The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- The Fund invests in bonds whose value generally falls when interest rates rise. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality. The issuers of certain bonds, could become unwilling or unable to make payments on their bonds and default. Bonds that are in default may become hard to sell or worthless. The value of investible securities can change over time due to a wide variety of factors, including but not limited to: political and economic news, government policy, changes in demographics, cultures and populations, natural or human-caused disasters etc.

Performance



Share class details

Key metrics

| | |
|----------------------|-----------------|
| NAV per share | GBP 2.33 |
| Performance 1 month | 2.15% |
| Sharpe ratio 3 years | 0.07 |

Fund facts

| | |
|---------------------------------|-----------------------------|
| UCITS V compliant | No |
| UK reporting fund status (UKRS) | No |
| ISA eligible | Yes |
| Dividend treatment | Accumulating |
| Dividend ex-date | 16 January 2020 |
| Dealing frequency | Daily |
| Valuation time | 12:00 United Kingdom |

| | |
|---------------------------|----------------------------|
| Share class base currency | GBP |
| Domicile | United Kingdom |
| Inception date | 3 September 2012 |
| Fund size | GBP 350,401,154 |
| Managers | Nicholas McLoughlin |

Fees and expenses

| | |
|---|----------------------|
| Minimum initial investment ¹ | GBP 1,000,000 |
| Ongoing charge figure ² | 0.810% |

Codes

| | |
|------------------|---------------------|
| ISIN | GB00B7JK0545 |
| Bloomberg ticker | HSOGDCA LN |
| SEDOL | B7JK054 |

¹Please note that initial minimum subscription may vary across different distributors

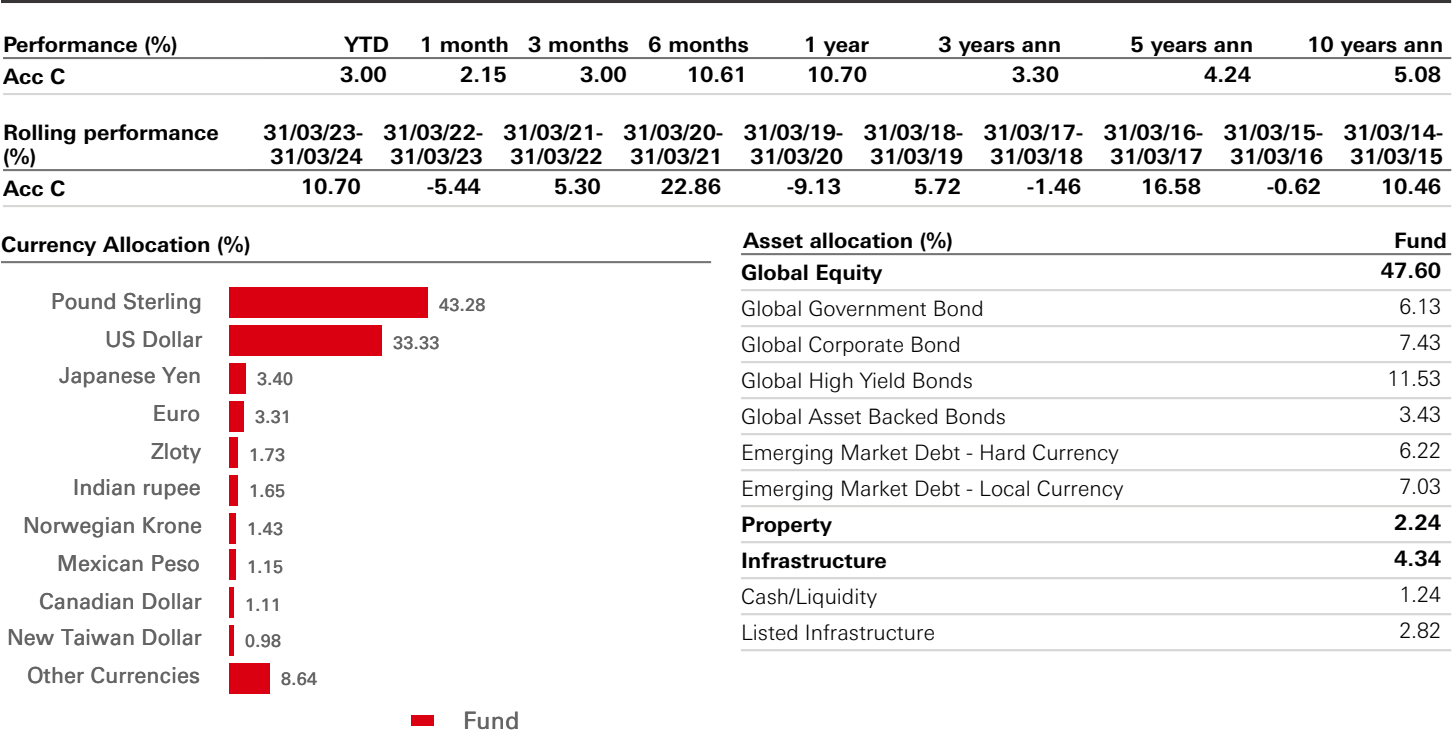
²Ongoing Charges Figure is an estimate due to a change of fee structure.

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions.

For definition of terms, please refer to the Glossary QR code and Prospectus.

Source: HSBC Asset Management, data as at 31 March 2024

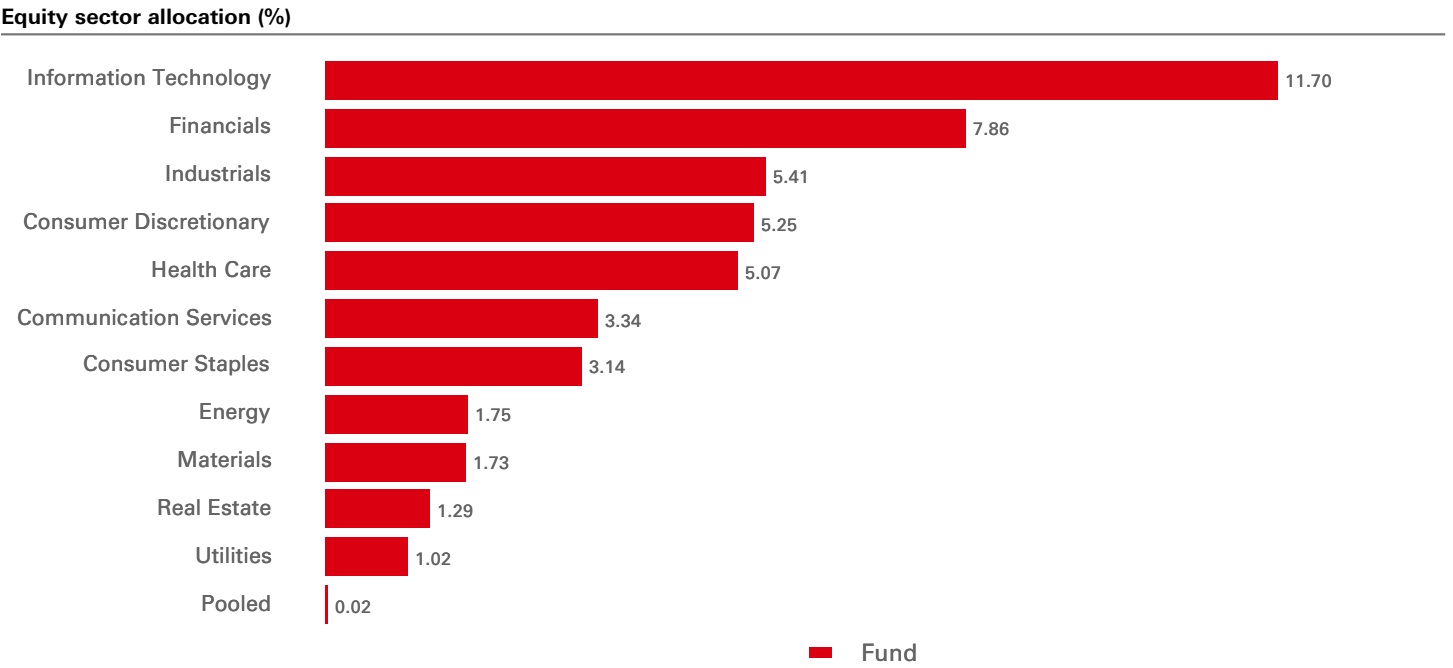
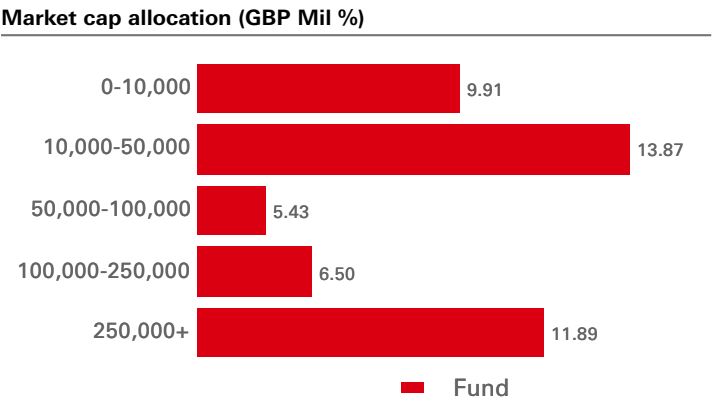


| Top 10 holdings | Weight (%) |
|---|------------|
| HSBC UCITS Cn Cntl Dev Wld Eq Inc FacA1\$ | 22.01 |
| HSBC GIF Global Sustainable Eq Inc ZQ1 | 13.26 |
| HSBC GIF Global Hi Yld Bd ZQ1 | 7.50 |
| HSBC GIF Global Corp Bd ZQ1 | 7.27 |
| GS GLBL ENH EQ INC-E DIS USD | 6.86 |
| HSBC GIF Global EM Local Dbt ZQ1 | 6.41 |
| HSBC GIF Global EM Bd ZQ1 | 6.09 |
| Fidelity Emerg Mkts Qual Inc ETF USD Inc | 4.03 |
| HSBC GIF Global Govt Bd ZQ1 | 3.90 |
| HSBC GIF Asia High Yield Bond ZQ1 | 3.79 |

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 The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.
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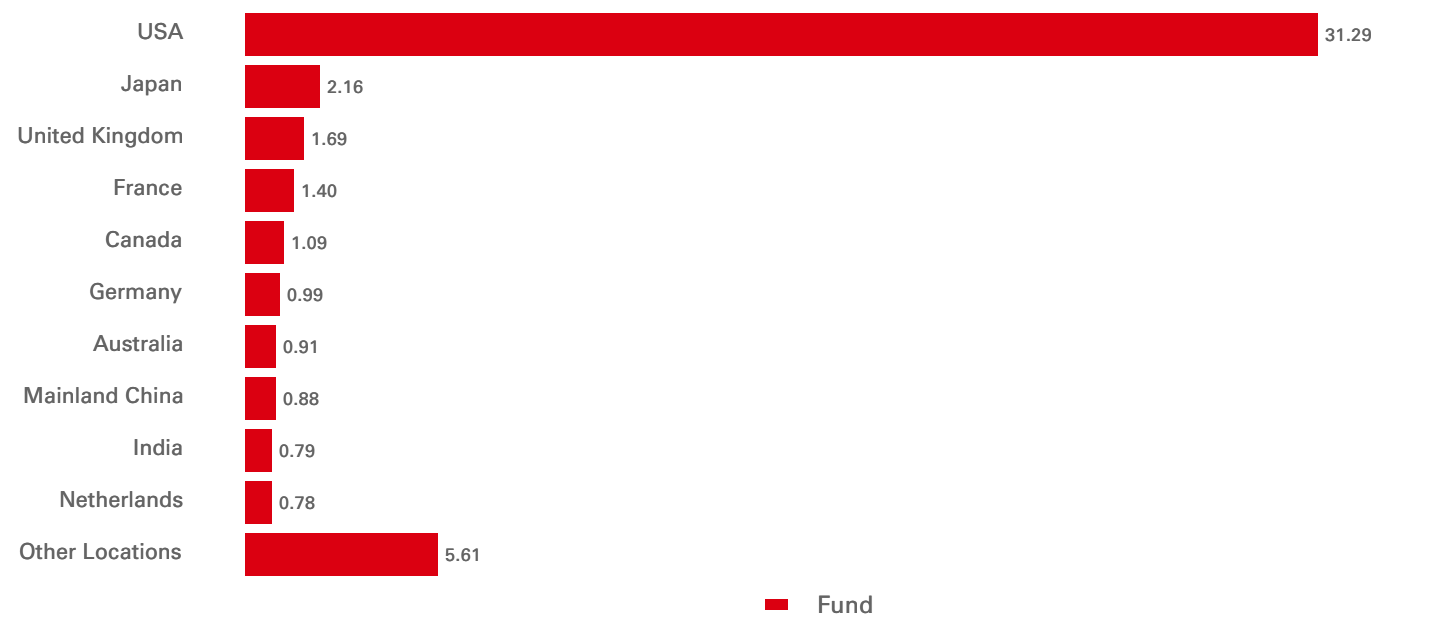
| Equity top 10 holdings | Location | Sector | Weight (%) |
|------------------------|---------------|------------------------|------------|
| Microsoft Corp | United States | Information Technology | 2.26 |
| Apple Inc | United States | Information Technology | 1.72 |
| NVIDIA Corp | United States | Information Technology | 1.54 |
| Alphabet Inc | United States | Communication Services | 0.95 |
| Amazon.com Inc | United States | Consumer Discretionary | 0.93 |
| Meta Platforms Inc | United States | Communication Services | 0.58 |
| Eli Lilly & Co | United States | Health Care | 0.47 |
| ASML Holding NV | Netherlands | Information Technology | 0.46 |
| Home Depot Inc/The | United States | Consumer Discretionary | 0.45 |
| Novo Nordisk A/S | Denmark | Health Care | 0.43 |

| Equity characteristics | Fund | Reference Benchmark |
|------------------------------|---------|---------------------|
| Average market cap (GBP Mil) | 366,432 | -- |
| Price/earning ratio | 14.92 | -- |
| Portfolio yield | 2.81% | -- |



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Equity geographical allocation (%)

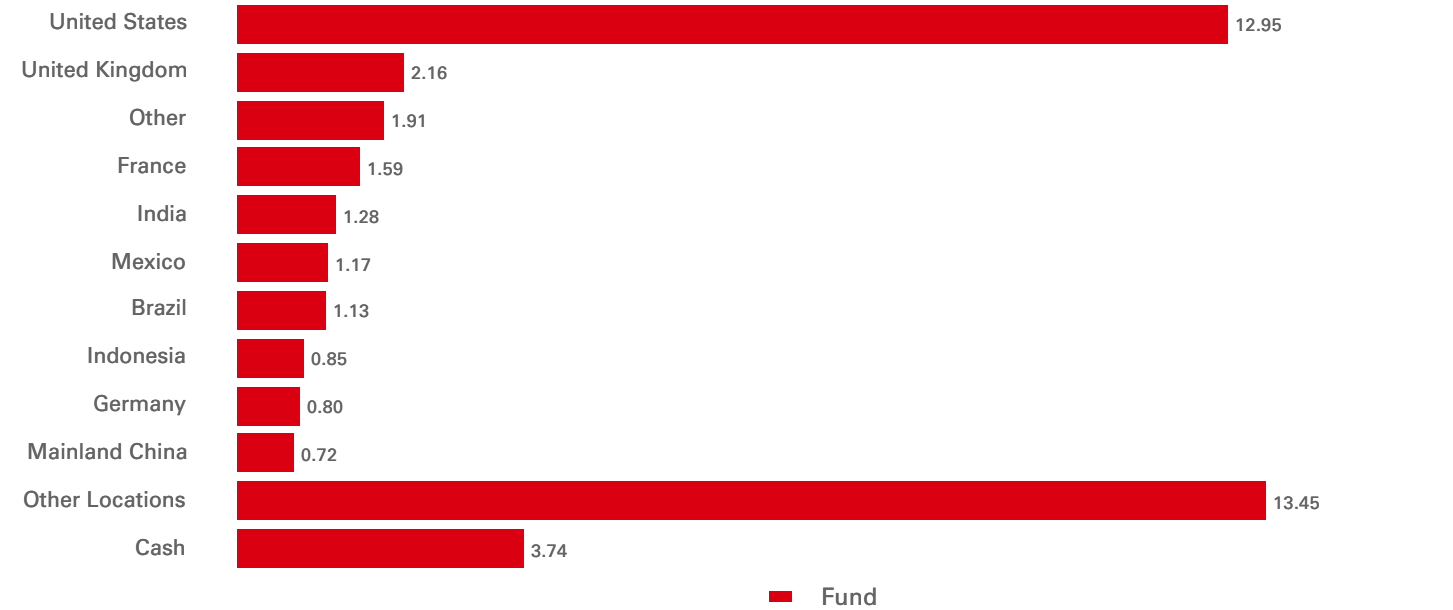


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Source: HSBC Asset Management, data as at 31 March 2024

| Fixed Income Characteristics | Fund | Reference Benchmark | Relative | Credit rating (%) | Fund | Reference Benchmark | Relative |
|------------------------------|----------|---------------------|----------|-------------------|------|---------------------|----------|
| Yield to worst | 7.26% | -- | -- | AAA | 3.59 | -- | -- |
| Yield to maturity | 7.32% | -- | -- | AA | 4.35 | -- | -- |
| Option adjusted duration | 4.84 | -- | -- | A | 5.12 | -- | -- |
| Rating average | BBB/BBB- | -- | -- | BBB | 9.12 | -- | -- |
| | | | | BB | 8.96 | -- | -- |
| | | | | B | 4.87 | -- | -- |
| | | | | CCC | 0.95 | -- | -- |
| | | | | CC | 0.09 | -- | -- |
| | | | | C | 0.02 | -- | -- |
| | | | | D | 0.24 | -- | -- |
| | | | | NR | 0.71 | -- | -- |
| | | | | Cash | 3.74 | -- | -- |

| Fixed income top 10 holdings | Location | Instrument type | Weight (%) |
|---|----------------|-----------------------|------------|
| TREASURY BILL 0.000 04/04/2024 USD | United States | Treasury Bill | 0.65 |
| TREASURY BILL 0.000 11/07/2024 USD | United States | Treasury Bill | 0.61 |
| TREASURY BILL 0.000 16/05/2024 USD | United States | Treasury Bill | 0.57 |
| TREASURY BILL 0.000 13/06/2024 USD | United States | Treasury Bill | 0.48 |
| TREASURY BILL 0.000 15/08/2024 USD | United States | Treasury Bill | 0.30 |
| KASIKORNBANK PCL HK CCB 5.275 14/04/2172 PERP EMTN | Thailand | Convertible bond | 0.25 |
| GLP PTE LTD 3.875 04/06/2025 USD | Singapore | Euro Medium Term Note | 0.24 |
| MGM CHINA HOLDINGS LTD 4.750 01/02/2027 USD | Macau SAR | Corporate Bond | 0.23 |
| STANDARD CHARTERED PLC CCB 7.875 08/09/2172 PERP REGS | United Kingdom | Convertible bond | 0.22 |
| LETRA TESOURO NACIONAL 0.000 01/10/2024 BRL | Brazil | Treasury Bill | 0.21 |

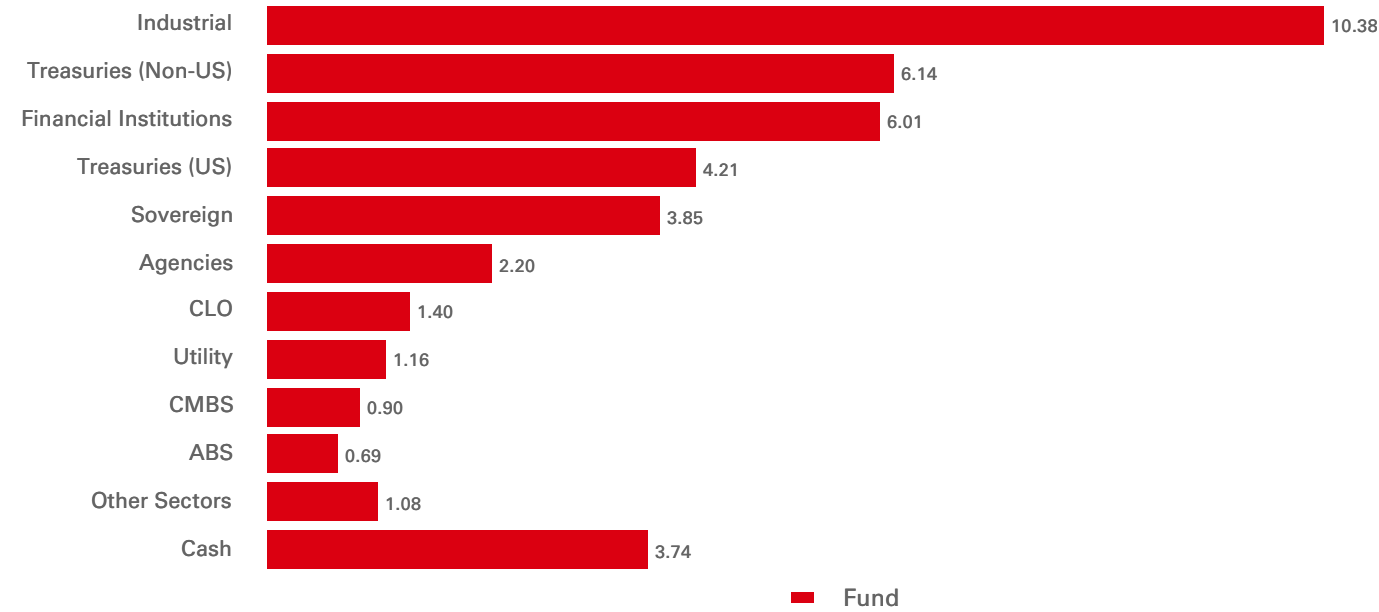
Fixed income geographical allocation (%)



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| Geographical allocation (Option adjusted duration) | Fund | Reference Benchmark | Relative |
|--|------|---------------------|----------|
| United States | 1.81 | -- | -- |
| United Kingdom | 0.24 | -- | -- |
| France | 0.18 | -- | -- |
| Mexico | 0.14 | -- | -- |
| Indonesia | 0.12 | -- | -- |
| Japan | 0.12 | -- | -- |
| India | 0.12 | -- | -- |
| Italy | 0.09 | -- | -- |
| Brazil | 0.09 | -- | -- |
| Spain | 0.08 | -- | -- |
| Other Locations | 1.50 | -- | -- |
| Cash | 0.01 | -- | -- |

Fixed income sector allocation (%)



| | 3 year total return (%) | Amount based on GBP 1000 invested | 3 Year Volatility (%) |
|--|-------------------------|--------------------------------------|-----------------------|
| World Selection - Dividend Distribution Portfolio Accumulation C | 3.30 | 1,102.20 | 7.95 |
| Peer Group Average - EAA Fund GBP Moderate Allocation | 2.11 | 1,064.49 | 7.30 |
| Lowest Returning Fund in Peer Group | -2.62 | 923.47 | 5.00 |
| Highest Returning Fund in Peer Group | 6.21 | 1,198.10 | 12.81 |
| Cash | 2.85 | 1,088.03 | 0.63 |

HSBC OpenFunds offer a choice of five different risk levels, to be selected by investors depending on factors like their financial goals, time horizon and capacity for loss. Typically, the more risk investors take, the more return they would expect to see. At HSBC Asset Management, we measure risk by volatility – how sharply a Portfolio’s share price moves in any given time period (up or down). The higher the volatility, the higher the risk. The table above shows the Portfolio’s return (for the primary share class or hedged currency share class) per year over the last three years (known as annualised) and the level of volatility over the same period. This can be compared against other funds in the peer group, as defined by an independent research company*. An example of a good outcome would be that the HSBC Portfolio return is higher than the peer group’s average return and the volatility (risk taken) is lower. However investors should consider their own priorities when it comes to returns and the risk taken to achieve them.

*Morningstar Categories are used to define the peer group comprising funds they deem similar based on fund objectives and holdings. The average is a median.

Monthly performance commentary

Market Review

Global equities delivered another month of strong returns in March; supported by encouraging economic data, sustained enthusiasm for Artificial Intelligence, and the prospect of interest rate cuts. Fixed income markets also experienced a positive month, with government bonds, corporate bonds and high yield bonds all rising in value. Within equities, developed markets outperformed emerging markets. The UK was the standout performer over the month, driven by positive GDP growth in January and the latest business sector survey in expansionary territory. European stocks also delivered strong returns, as inflation continued to fall and business confidence data remained firm. Japanese equities gained over the month as the Bank of Japan ended their negative interest rate policy after eight years. China's subdued performance acted as a drag on emerging markets returns, despite better-than-expected economic data, which investors took as a sign that any significant government stimulus may be delayed. In the bond markets, US Treasuries rose modestly, supported by dovish comments from Chairman Powell. In the UK, Gilts also experienced a modest rally following a softer than expected inflation print. Conversely, Japanese bond markets slipped marginally lower in March as the Bank of Japan removed their negative interest rate and yield curve control policies. The US dollar rallied over the month, driven by upward revisions in the US growth rate and some increase in support for interest rate cuts from other central banks. The Euro fell against the dollar given the relative strength of the US economic data and the persistent weakness in manufacturing data in the Eurozone. Sterling was flat against the dollar over the month. In the commodity markets, Gold rallied to all-time highs, driven by the prospect for rate cuts while Oil pushed higher, on elevated geopolitical tensions.

Portfolio performance

All major asset classes experienced positive returns during March, which resulted in positive absolute returns across all the World Selection portfolios, with higher risk profiles outperforming lower risk profiles. The World Selection portfolios are actively positioned against a long-term asset allocation. During March, our active positioning added value. The biggest positive contribution came from our allocation to alternative asset classes, including Trend Following Hedge Funds and Gold. In addition, our tilt towards Spanish equity and the banking sector in Europe also added value. Conversely, our tilt away from Global High Yield and our preference for Brazil and India equity lost some value, while our tilt to US Quality sector also detracted slightly.

Investment Team Views and Portfolio Positioning

There are three key themes in markets that we are positioned to capture within the World Selection portfolios.

Recession concerns easing - We are increasingly confident that Western economies can avoid a recession and are now neutrally positioned in equity. The US economy looks particularly strong, providing further support for equity markets. We are conscious that some downside risks still remain; as such, we maintain a preference for higher quality companies that are likely to remain resilient in case of persistent inflation or risks to the growth outlook. We are tilted away from High Yield bonds and Property, as we believe the full impact of higher borrowing costs has yet to be priced in for these asset classes. In March, we introduced a tilt towards the Energy sector versus the Utilities sector within the US. Energy companies will benefit if geopolitical tensions rise, while earnings will be supported by OPEC+ oil supply cuts and an increase in Shale output. We maintain our preference for Technology companies within the US, on the expectation that increased demand for Artificial Intelligence will support revenues for these companies. We prefer Spanish equity markets within Europe, as the market looks cheap, while the economy is strong. Spain's large pool of renewable energy also insulates its industry from elevated oil and gas prices. We are tilted towards the banking sector in Europe as it looks cheap, has strong profitability - benefiting from higher interest rates - and credit loss provisions are likely to be revised down on improving economic outlook.

The rate cuts are coming - We expect major central banks to start cutting interest rates in the second half of 2024 as inflation continues to ease. This encourages us back into government bonds, which are (for the first time in almost a decade) delivering an appealing stream of income for investors. We are focusing our bond exposure on the regions where we believe rate cuts are most likely, for example the US and in March we introduced an exposure to German bonds. Conversely, we have reduced our holdings in Japanese bonds where we expect monetary policy to remain tight. We are holding Gold, which has historically benefited as interest rates fall, and is a useful hedge against geopolitical risk. We are holding increased exposure to the Norwegian Krona and Polish Zloty as inflation remains elevated in these markets, and we expect to continue receiving high interest payments on these currencies as their respective central banks delay cutting interest rates.

Outperformance in Eastern and Emerging Markets - The economic backdrop in markets such as India, Japan and Brazil is very strong, monetary policy settings are accommodative and there is room for fiscal support. We maintain a number of positions to gain access to the specific opportunities we see in these markets: Japan versus developed market equity, given appealing valuations, strong flows from foreign investors, improved corporate governance, and weakening Yen supporting exports; Indian equity and government bonds: India remains one of the fastest growing economies globally, is making steady productivity improvements, has high foreign direct investments, and favourable demographics; Brazil versus emerging market equity given the country's positive momentum, strong macroeconomic backdrop, and attractive fundamentals. We trimmed this position in February; Mexican peso currency positioning, given the currency is benefitting from the strong growth story in Mexico and is attractively valued against developed markets currencies; Japanese Yen against Swiss Franc, given Japan's stronger inflationary pressure and potential for interest rate policy shift. In March, we entered a position in Chinese government bonds. We expect the central bank to continue the interest cutting cycle to boost growth, which should benefit bond prices.

Risk disclosures

- 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.
- The Fund may invest in Emerging Markets, these markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- Derivatives may be used by the Fund, and these 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.
- 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 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.
- Further information on the potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

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Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at www.assetmanagement.hsbc.co.uk

Source: HSBC Asset Management, data as at 31 March 2024

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

Glossary

