

## HSBC OpenFunds

# Global Strategy Cautious Portfolio

Monthly report 30 November 2021 | Share class Inc C

## Investment objective

The Fund aims to provide growth 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 1 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.

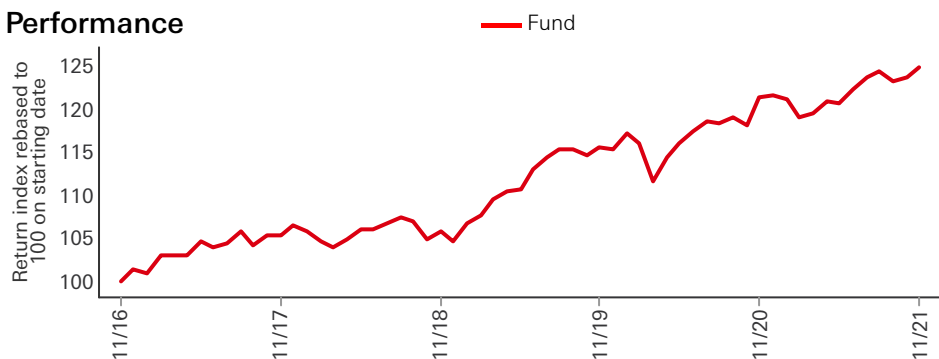
## Investment strategy

This is one of a range of actively managed Global Strategy 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 maximising returns 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 aims to meet its objective with a focus on lower ongoing charges. This is taken into consideration when deciding which asset classes the Fund will invest in and how the Fund achieves exposure to those asset classes. 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 typically 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.

## Performance



## Share class details

### Key metrics

NAV per share	<b>GBP 1.41</b>
Performance 1 month	<b>1.01%</b>
Sharpe ratio 3 years	<b>1.19</b>

### Fund facts

UCITS V compliant	<b>No</b>
ISA eligible	<b>Yes</b>
Dividend treatment	<b>Distributing</b>
Distribution frequency	<b>Semi-Annually</b>
Dividend ex-date	<b>18 October 2021</b>
Dividend yield <sup>1</sup>	<b>0.85%</b>
Last paid dividend	<b>0.006100</b>
Dealing frequency	<b>Daily</b>
Valuation time	<b>12:00 United Kingdom</b>

Share class base currency	<b>GBP</b>
Domicile	<b>United Kingdom</b>
Inception date	<b>1 November 2012</b>
Fund size	<b>GBP 456,820,712</b>
Managers	<b>Kate Morrissey</b>

### Fees and expenses

Minimum initial investment <sup>2</sup>	<b>GBP 1,000,000</b>
Ongoing charge figure <sup>3</sup>	<b>0.180%</b>

### Codes

ISIN	<b>GB00B84L8664</b>
Bloomberg ticker	<b>HSWIBCI LN</b>
SEDOL	<b>B84L866</b>

<sup>1</sup>Dividend Yield: represents the ratio of distributed income over the last 12 months to the fund's current Net Asset Value.

<sup>2</sup>Please note that initial minimum subscription may vary across different distributors

<sup>3</sup>Ongoing Charges Figure, is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
Inc C	2.67	1.01	0.35	3.47	2.94	5.68	4.54
Rolling performance (%)		30/11/2020- 30/11/2021	30/11/2019- 30/11/2020	30/11/2018- 30/11/2019	30/11/2017- 30/11/2018	30/11/2016- 30/11/2017	
Inc C		2.94	5.05	9.14	0.36	5.42	

#### Currency Allocation (%)

Pound Sterling	78.68
US Dollar	15.05
Euro	1.70
Yen	1.01
Hong Kong Dollar	0.61
Swiss Franc	0.49
Australian Dollar	0.43
New Taiwan Dollar	0.39
Indian rupee	0.26
Yuan Renminbi	0.26
Other Currencies	1.13

■ Fund

#### Asset allocation (%)

Asset allocation (%)	Fund
<b>Global Equity</b>	<b>19.99</b>
<b>US Equity</b>	<b>12.26</b>
Europe Equity	2.54
UK Equity	0.28
Japan Equity	1.33
Asia Pac ex Japan Equity	0.68
Emerging Market Equity	2.90
<b>Global Fixed Income</b>	<b>78.24</b>
Global Government Bond	54.84
Global Corporate Bond	23.39
<b>Property</b>	<b>1.50</b>
<b>Cash</b>	<b>0.27</b>

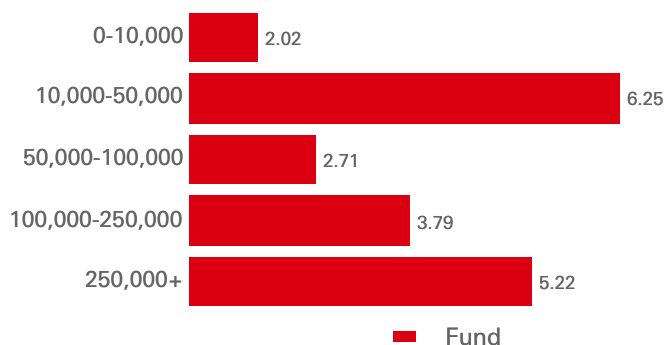
#### Top 10 holdings

Top 10 holdings	Weight (%)
HSBC Global Government Bond Index ZQHUSD	34.42
HSBC Global Corporate Bond Index ZQHUSD	23.39
HSBC American Index Institutional Acc	11.95
US TREASURY N/B 1.250 31/08/2024 USD	3.12
iShares EmergMkts Idx Instl Acc USD	2.90
US TREASURY N/B 3.000 15/05/2045 USD	2.77
JAPAN 1.100 20/03/2033 JPY	2.60
US TREASURY N/B 2.000 15/02/2023 USD	2.55
FRANCE 2.500 25/05/2030 EUR	2.51
HSBC European Index Institutional Acc	2.45

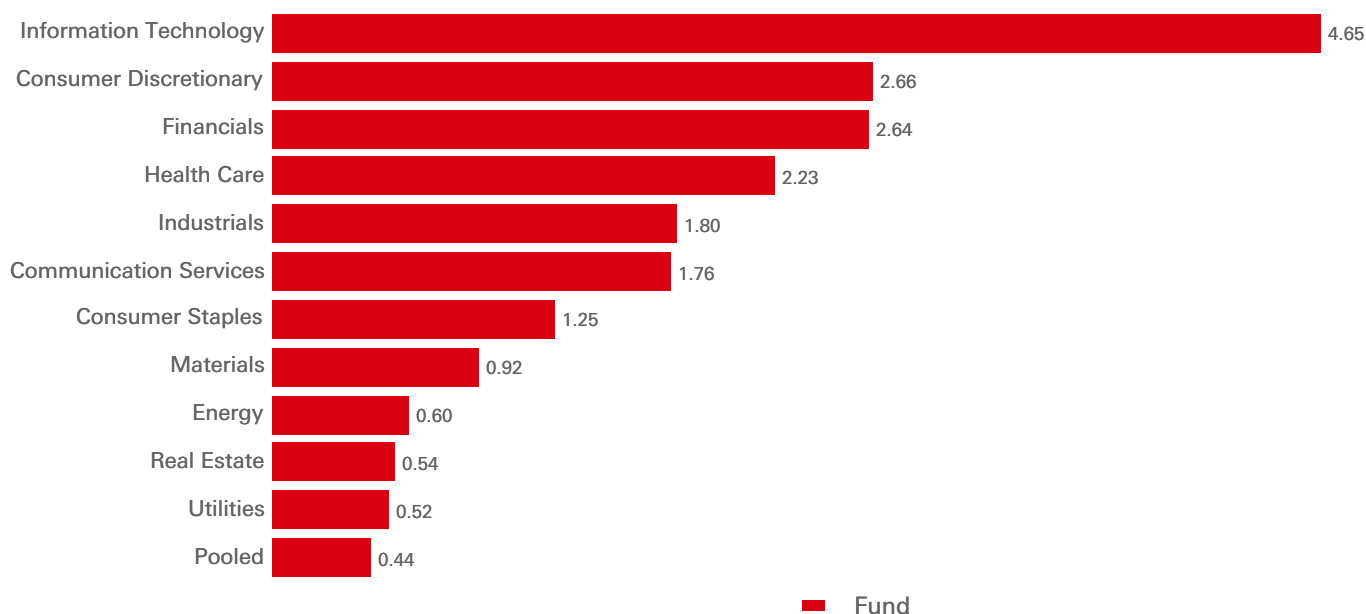
Equity top 10 holdings	Location	Sector	Weight (%)
APPLE INC	United States	Information Technology	0.82
MICROSOFT CORP	United States	Information Technology	0.79
ALPHABET INC-CL A	United States	Communication Services	0.52
AMAZON.COM INC	United States	Consumer Discretionary	0.48
TESLA INC	United States	Consumer Discretionary	0.29
NVIDIA CORP	United States	Information Technology	0.25
META PLATFORMS INC-CLASS A	United States	Communication Services	0.24
TAIWAN SEMICONDUCTOR CO LTD	Taiwan	Information Technology	0.18
BERKSHIRE HATHAWAY INC-CL B	United States	Financials	0.16
JPMORGAN CHASE & CO	United States	Financials	0.15

Equity characteristics	Fund	Reference Benchmark
Average market cap (GBP Mil)	319,141	--
Price/earning ratio	22.58	--
Portfolio yield	1.64%	--

#### Market cap allocation (GBP Mil %)

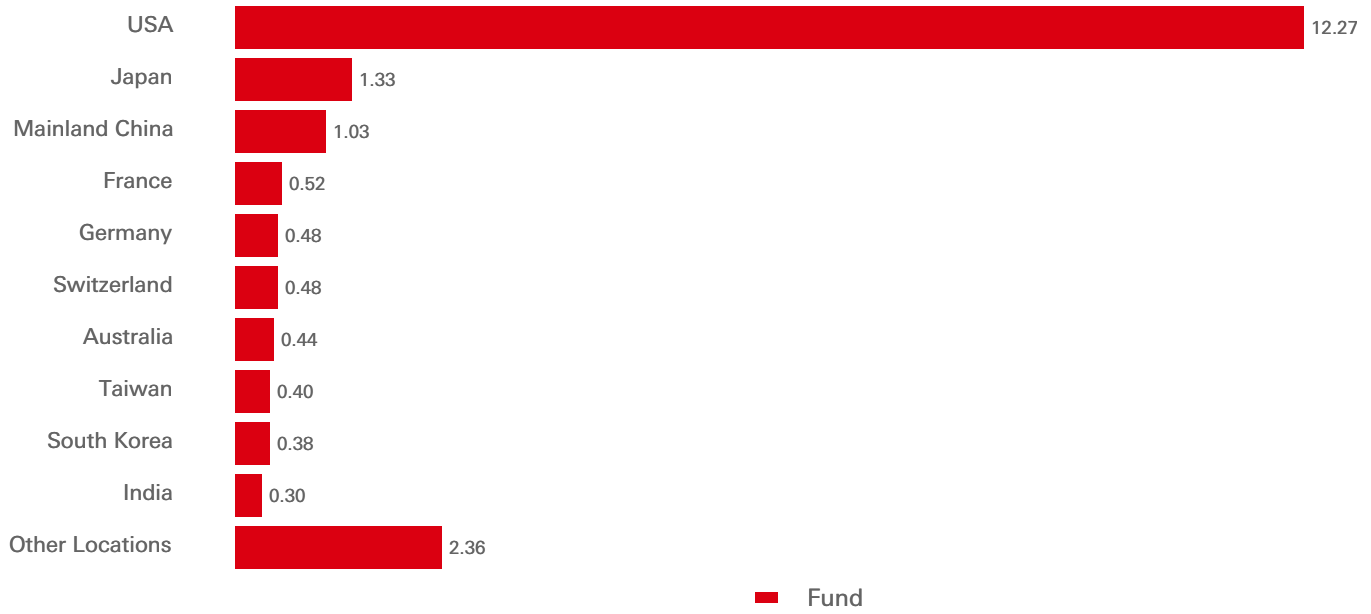


#### Equity sector allocation (%)



**Equity geographical allocation (%)**

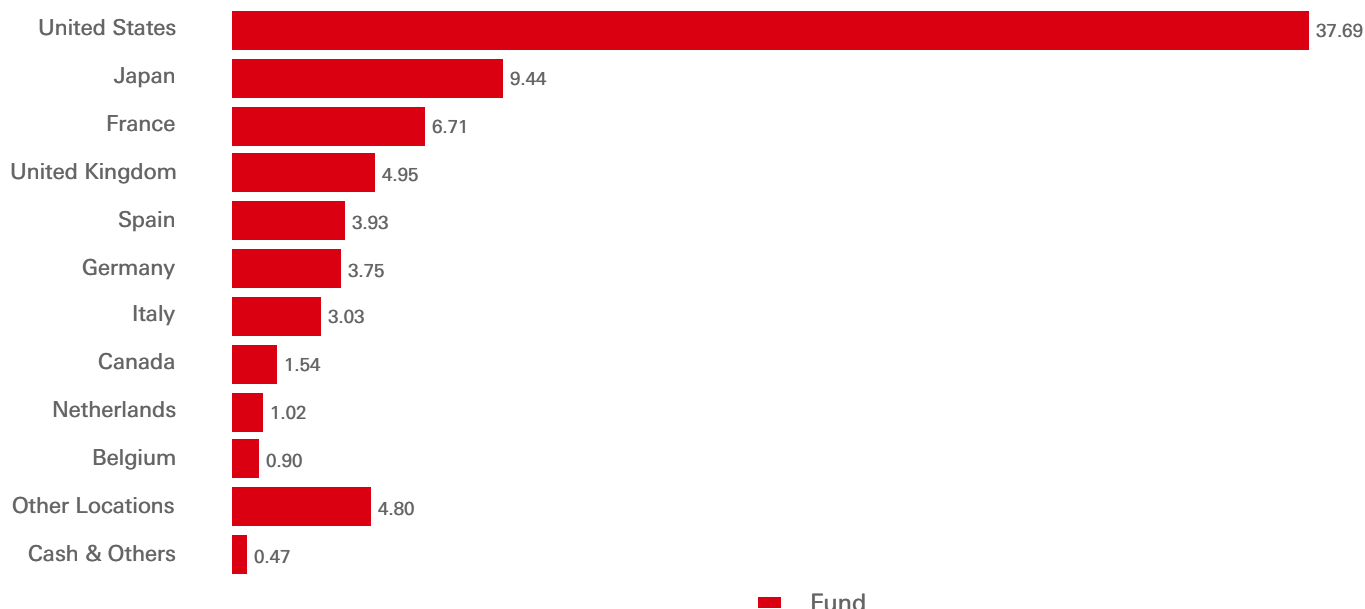
---



Fixed Income Characteristics	Fund	Reference Benchmark	Relative	Credit rating (%)	Fund	Reference Benchmark	Relative
Yield to worst	1.40%	--	--	AAA	28.87	--	--
Yield to maturity	1.42%	--	--	AA	11.50	--	--
Option adjusted duration	8.08	--	--	A	22.33	--	--
Rating average	AA-/A+	--	--	BBB	15.05	--	--
				BB	0.02	--	--
				B	0.00	--	--
				CCC	0.00	--	--
				CC	0.00	--	--
				NR	0.00	--	--
				Cash & Others	0.47	--	--

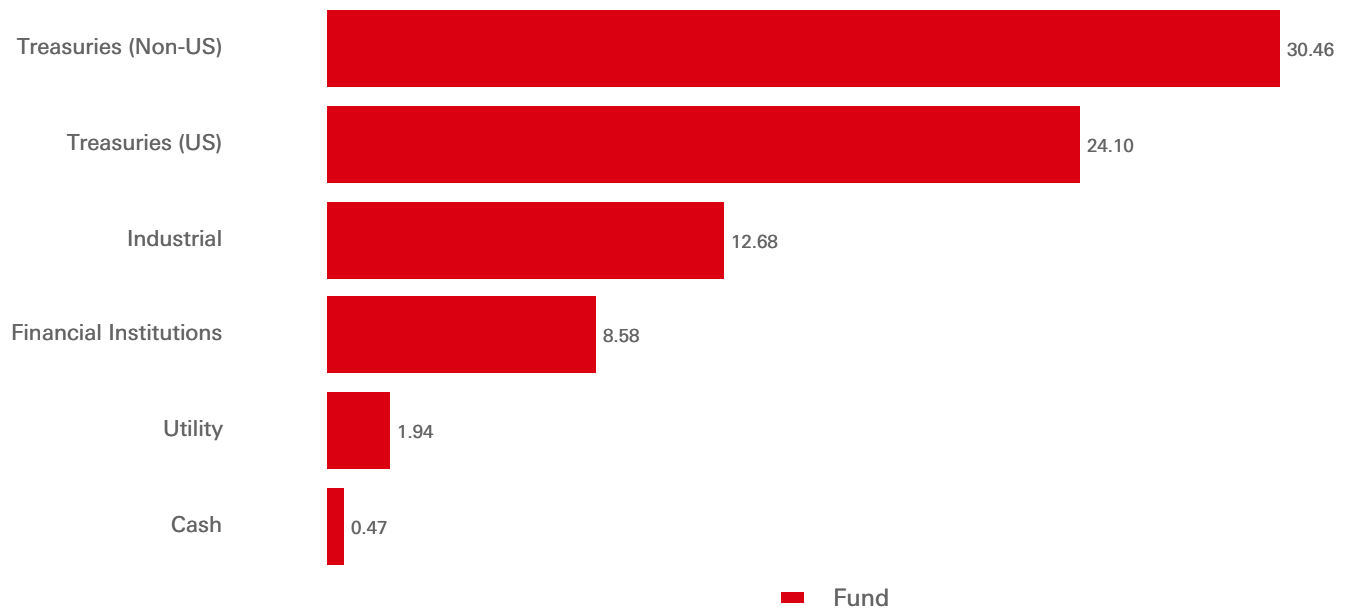
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B 1.250 31/08/2024	United States	Treasury Note	3.12
US TREASURY N/B 3.000 15/05/2045	United States	Government Bond	2.80
JAPAN (30 YEAR ISSUE) 1.100 20/03/2033	Japan	Government Bond	2.60
US TREASURY N/B 2.000 15/02/2023	United States	Treasury Note	2.60
FRANCE (GOVT OF) 2.500 25/05/2030	France	Government Bond	2.54
BONOS Y OBLIG DEL ESTADO 2.150 31/10/2025	Spain	Government Bond	1.90
UK GILT 4.250% 07/12/2049 GBP	United Kingdom	Government Bond	1.18
JAPAN (10 YEAR ISSUE) 0.900 20/03/2022	Japan	Government Bond	0.88
BUNDESREPUB. DEUTSCHLAND 4.750 04/07/2034	Germany	Government Bond	0.44
US TREASURY N/B 2.750 15/11/2023	United States	Treasury Note	0.29

#### Fixed income geographical allocation (%)



Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	3.63	--	--
Japan	1.28	--	--
United Kingdom	0.77	--	--
France	0.69	--	--
Germany	0.35	--	--
Spain	0.29	--	--
Italy	0.27	--	--
Canada	0.15	--	--
Belgium	0.12	--	--
Netherlands	0.11	--	--
Other Locations	0.42	--	--

**Fixed income sector allocation (%)**



	3 year total return (%)	Amount based on GBP 1000 invested	3 Year Volatility (%)
<b>Global Strategy Cautious Portfolio Accumulation C</b>	<b>5.67</b>	<b>1,179.79</b>	<b>4.39</b>
Peer Group Average - EAA Fund GBP Cautious Allocation	4.46	1,139.74	5.69
Lowest Returning Fund in Peer Group	2.82	1,087.15	3.44
Highest Returning Fund in Peer Group	6.56	1,210.15	10.05
Cash	0.43	1,012.82	0.10

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

### Monthly Market Commentary

Global equity markets started the month strongly, but the emergence of the Omicron COVID variant in the last week of November resulted in equities retracing their gains. As a result, Global equities fell 2.41% in dollar terms, however sterling weakness resulted in a positive return of 1.11% in GBP terms. North America and Asia Pacific ex-Japan were the strongest performers, although both still posted negative returns. Taiwan led Asia's outperformance, while Canada and the US contributed to North America's. Europe underperformed on the back of weakening sentiment indicators, rising inflation concerns, and the worsening COVID-19 crisis as rapidly rising cases led Austria to impose a nationwide lockdown on 19 November. Emerging markets lagged developed. Among sectors, Technology and Utilities were the strongest performers while most cyclical sectors lagged. Global Government Bonds delivered positive returns over the period. At the start of the month US Treasuries had come under some selling pressure as a result of the 6.2% US CPI print on 10 November, as well as Biden's decision to re-nominate Powell for a second term as Fed Chair. However, the discovery of the new Omicron reversed this. Long term Bund yields ended the month in negative territory for the first time since August 2021. In the UK, Gilts were supported by the BoE's surprise decision to hold rates constant. China government bonds rallied over the period. In currency markets, the greenback outperformed most G10 currencies in as strong US economic data and hawkish FOMC commentary ramped up expectations for the Fed to hike rates earlier. The dollar received additional support towards the end of the month as markets became more cautious and "risk-on" currencies like the NOK and AUD posted hefty falls. The EUR was weak in November largely driven by widening policy divergence between the ECB and the Fed. Cable also weakened as a result of the BoE holding rates steady. Oil prices dropped significantly in November, moving below \$70 per barrel. The fall was due to a combination of Omicron, pressure on OPEC+ to raise supply, and a larger-than-expected rise in US crude inventories.

### Portfolio performance

Despite the market volatility experience towards the end of November, all Global Strategy portfolios delivered positive returns over the month, as our global equity exposure and diversified asset allocation helped to cushion the drawdown seen in some asset classes. Broadly our active positioning was negative during month: global government bonds outperformed global equities over the period, resulting in our 'risk-on' portfolio positioning detracting. Our intra-equity positions were mixed, with the underweight to UK adding value and the overweight to emerging markets detracting.

### Current Positioning

At a headline level we remain risk-on within the portfolios. We are overweight global equities and underweight global property and global fixed income. Within equities we hold an underweight to the UK in anticipation of an end to the market's outperformance given deteriorating valuations and profitability, and an overweight to emerging markets given increasingly attractive valuations. Within fixed income we are underweight investment grade credit given tight credit spreads and overweight government bonds. Within our government bond allocation, we hold a preference for 2 and 10-year Treasuries, resulting in a duration underweight in recognition of the upward direction of interest rates over the medium term

### Monthly Market Outlook

With many economies such as the US and China now in the expansion phase of the economic cycle, global growth will slow in the coming quarters amid policy normalisation. The combination of slower growth and higher inflation is a challenge for central banks. But monetary policy is likely to remain supportive as they prioritise economic recovery. Governments continue to have headroom to increase fiscal support to counter growth risks if required. Inflation volatility continues in the near-term. But medium-term inflation is likely to remain contained. Upside risks are more apparent in the UK, US and some Emerging markets. Going forward we expect stocks to outperform bonds. Within equities Value and Cyclical factors have some space to perform, but given further upside growth surprises are less likely at this stage of the economic cycle it also makes sense to hold exposure to some more defensive equity styles (e.g. Quality). Valuations within Government bonds have recently improved amid a repricing of inflation and interest rate risks. However, we believe risks to yields remain tilted to the upside. Within credit markets low spreads and some uncertainties on the default outlook mean that risks of capital losses in the short term remain. For us, Asia bonds are preferable despite some risks related to deleveraging efforts in China. The key downside risks to markets are more persistent inflationary pressure triggering asset market sell-offs, the pandemic lasting longer than expected amid the impact of variants and slow vaccine rollout in some parts of the world and vaccine complacency or stimulus fatigue could mean premature policy withdrawal.



## 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 Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

## Important information

The material contained herein is for information only and 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 material when making any investment decisions.

This material is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. This material is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe to any investment.

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.

This fund is a sub-fund of HSBC OpenFunds, an Open Ended Investment Company that is authorised in the UK by the Financial Conduct Authority. The Authorised Corporate Director and Investment Manager is HSBC Global Asset Management (UK) Limited. All applications are made on the basis of the HSBC OpenFunds prospectus, Key Investor Information Document (KIID), Supplementary Information Document (SID) and most recent annual and semi annual report, which can be obtained upon request free of charge from HSBC Global Asset Management (UK) Limited, 8, Canada Square, Canary Wharf, London, E14 5HQ, UK, or the local distributors. Investors and potential investors should read and note the risk warnings in the prospectus and relevant KIID and additionally, in the case of retail clients, the information contained in the supporting SID.

To help improve our service and in the interests of security we may record and/or monitor your communication with us. HSBC Global Asset Management (UK) Limited provides information to Institutions, Professional Advisers and their clients on the investment products and services of the HSBC Group.

Approved for issue in the UK by HSBC Global Asset Management (UK) Limited, who are authorised and regulated by the Financial Conduct Authority.

[www.assetmanagement.hsbc.co.uk](http://www.assetmanagement.hsbc.co.uk)

Copyright © HSBC Global Asset Management (UK) Limited 2021. All rights reserved.

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](http://www.assetmanagement.hsbc.co.uk)

**Source: HSBC Asset Management, data as at 30 November 2021**

Follow us on:



For more information please contact us at Tel: 0800 358 3011 ^.

[www.assetmanagement.hsbc.com/uk](http://www.assetmanagement.hsbc.com/uk)

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

### Glossary

