

**HSBC OpenFunds**

# Global Strategy Cautious Portfolio

Monthly report 29 February 2024 | Share class Acc 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 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.

## Share class details

### Key metrics

NAV per share	<b>GBP 1.51</b>
Performance 1 month	<b>-0.09%</b>
Sharpe ratio 3 years	<b>-0.57</b>

### Fund facts

UCITS V compliant	<b>No</b>
UK reporting fund status (UKRS)	<b>No</b>
ISA eligible	<b>Yes</b>
Dividend treatment	<b>Accumulating</b>
Dividend ex-date	<b>16 April 2018</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 330,133,025</b>
Managers	<b>Kate Morrissey</b>

### Fees and expenses

Minimum initial investment <sup>1</sup>	<b>GBP 1,000,000</b>
Ongoing charge figure <sup>2</sup>	<b>0.170%</b>

### Codes

ISIN	<b>GB00B84DV184</b>
Bloomberg ticker	<b>HSWIBCA LN</b>
SEDOL	<b>B84DV18</b>

<sup>1</sup>Please note that initial minimum subscription may vary across different distributors

<sup>2</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.

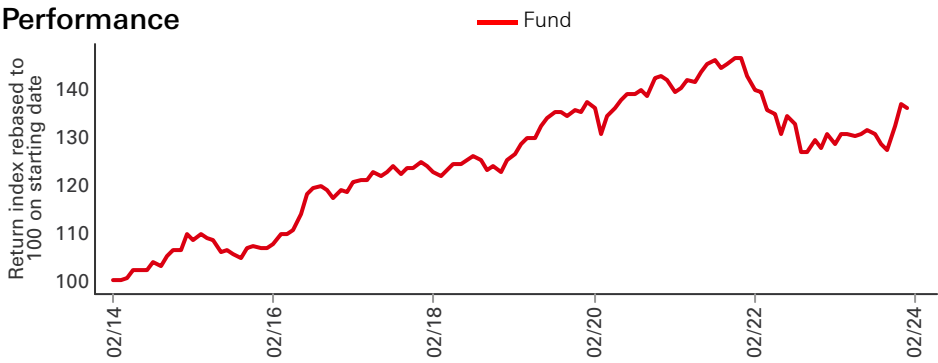
Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

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 29 February 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
Acc C	-0.66	-0.09	2.82	3.96	5.70	-0.90	1.45	3.10

Rolling performance (%)	28/02/23-29/02/24	28/02/22-28/02/23	28/02/21-28/02/22	29/02/20-28/02/21	28/02/19-29/02/20	28/02/18-28/02/19	28/02/17-28/02/18	29/02/16-28/02/17	28/02/15-29/02/16	28/02/14-28/02/15
Acc C	5.70	-7.95	0.03	2.57	7.65	3.02	1.62	12.03	-0.81	8.54

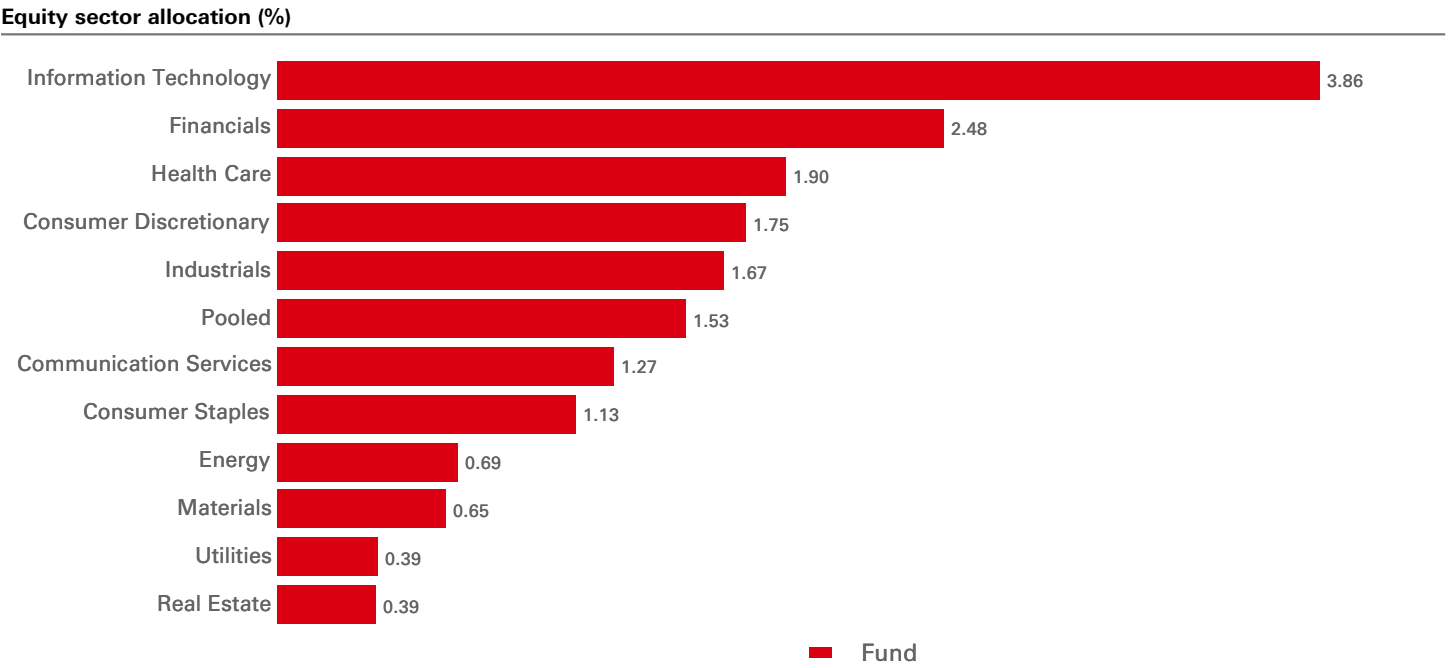
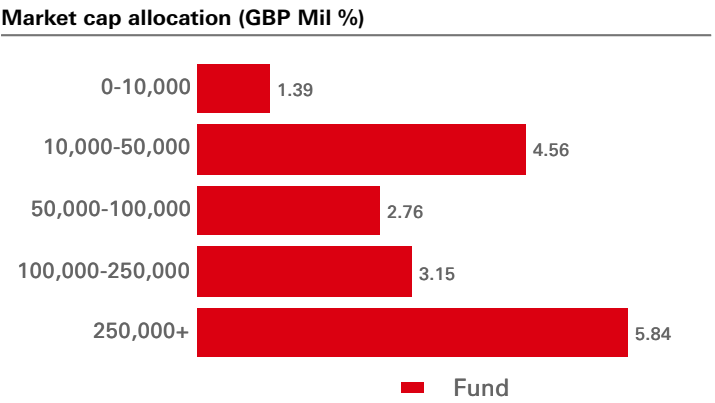
Currency Allocation (%)	Asset allocation (%)	Fund
Pound Sterling	Global Equity	17.69
US Dollar	Global Government Bond	53.42
Japanese Yen	Global Corporate Bond	26.29
Euro	Property	1.72
Norwegian Krone	Cash/Liquidity	0.88
Hong Kong Dollar		
Australian Dollar		
Indian rupee		
New Taiwan Dollar		
Korean Won		
Other Currencies		

Top 10 holdings	Weight (%)
HSBC Global Government Bond ETF ZQHUSD	29.94
HSBC Global Corporate Bond ETF ZQHUSD	26.29
HSBC American Index Institutional Acc	11.14
US TREASURY N/B 2.250 15/11/2027 USD	3.43
US TREASURY N/B 1.250 31/08/2024 USD	3.35
US TREASURY N/B 3.000 15/05/2045 USD	2.88
JAPAN 1.100 20/03/2033 JPY	2.64
HSBC FTSE EPRA/NAREIT Developed ETF	1.72
BUNDESREPUB. DEUTSCHLAND 4.750 04/07/2034 EUR	1.65
HSBC MSCI Emerg Mkts ETF	1.42

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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.  
 Source: HSBC Asset Management, data as at 29 February 2024

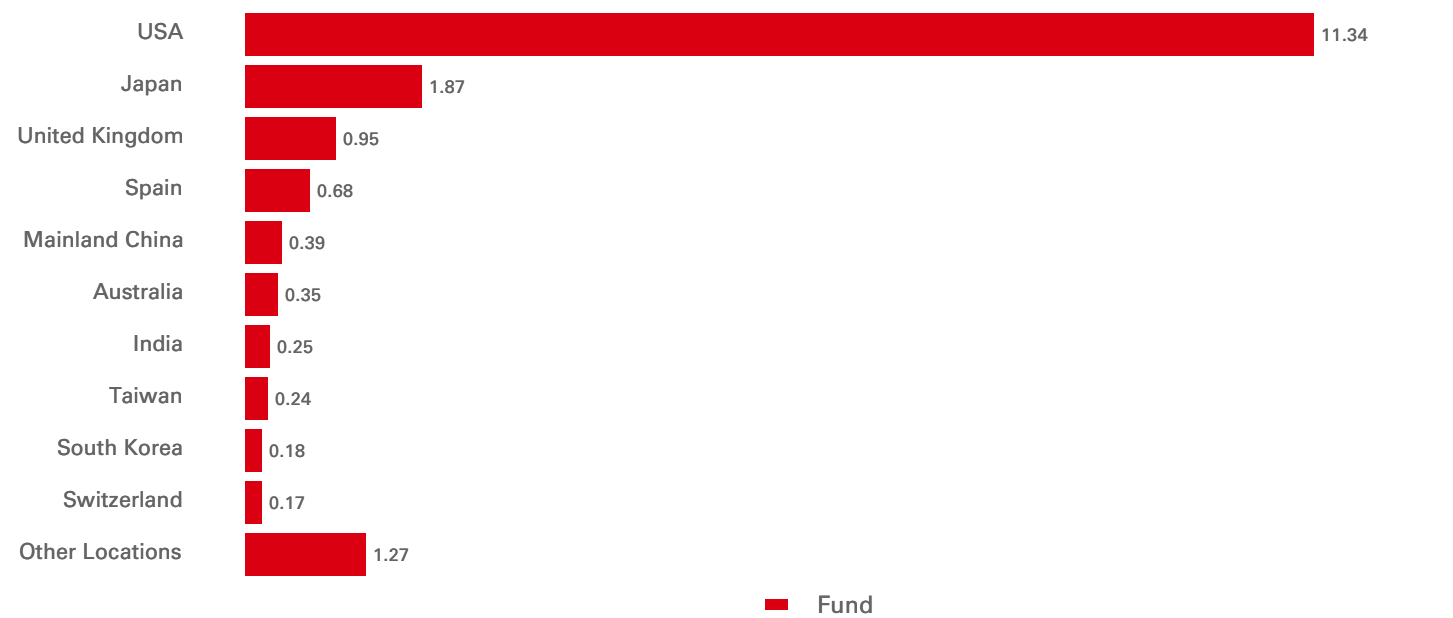
Equity top 10 holdings	Location	Sector	Weight (%)
Microsoft Corp	United States	Information Technology	0.80
Apple Inc	United States	Information Technology	0.69
NVIDIA Corp	United States	Information Technology	0.51
Amazon.com Inc	United States	Consumer Discretionary	0.42
Alphabet Inc	United States	Communication Services	0.40
Meta Platforms Inc	United States	Communication Services	0.28
Berkshire Hathaway Inc	United States	Financials	0.19
Eli Lilly & Co	United States	Health Care	0.16
Broadcom Inc	United States	Information Technology	0.15
Tesla Inc	United States	Consumer Discretionary	0.15

Equity characteristics	Fund	Reference Benchmark
Average market cap (GBP Mil)	437,136	--
Price/earning ratio	18.66	--
Portfolio yield	1.83%	--



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Equity geographical allocation (%)



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 Source: HSBC Asset Management, data as at 29 February 2024

Fixed Income Characteristics	Fund	Reference Benchmark	Relative	Credit rating (%)	Fund	Reference Benchmark	Relative
Yield to worst	4.67%	--	--	AAA	10.39	--	--
Yield to maturity	4.69%	--	--	AA	31.35	--	--
Option adjusted duration	6.60	--	--	A	22.46	--	--
Rating average	AA-/A+	--	--	BBB	15.29	--	--
				BB	0.03	--	--
				NR	0.03	--	--
				Cash	0.17	--	--

Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B 2.250 15/11/2027 USD	United States	Treasury Note	3.49
US TREASURY N/B 1.250 31/08/2024 USD	United States	Treasury Note	3.35
US TREASURY N/B 3.000 15/05/2045 USD	United States	Government Bond	2.89
JAPAN (30 YEAR ISSUE) 1.100 20/03/2033 JPY	Japan	Government Bond	2.64
BUNDESREPUB. DEUTSCHLAND 4.750 04/07/2034 EUR	Germany	Government Bond	1.69
FRANCE (GOVT OF) 2.500 25/05/2030 EUR	France	Government Bond	1.46
BUONI POLIENNALI DEL TES 0.950 01/12/2031 EUR	Italy	Government Bond	0.69
UK Gilt 4.250% 07/12/2049 GBP 0.01	United Kingdom	Government Bond	0.57
UNITED KINGDOM GILT 3.500 22/10/2025 GBP	United Kingdom	Government Bond	0.57
JAPAN (20 YEAR ISSUE) 1.100 20/06/2043 JPY	Japan	Government Bond	0.50

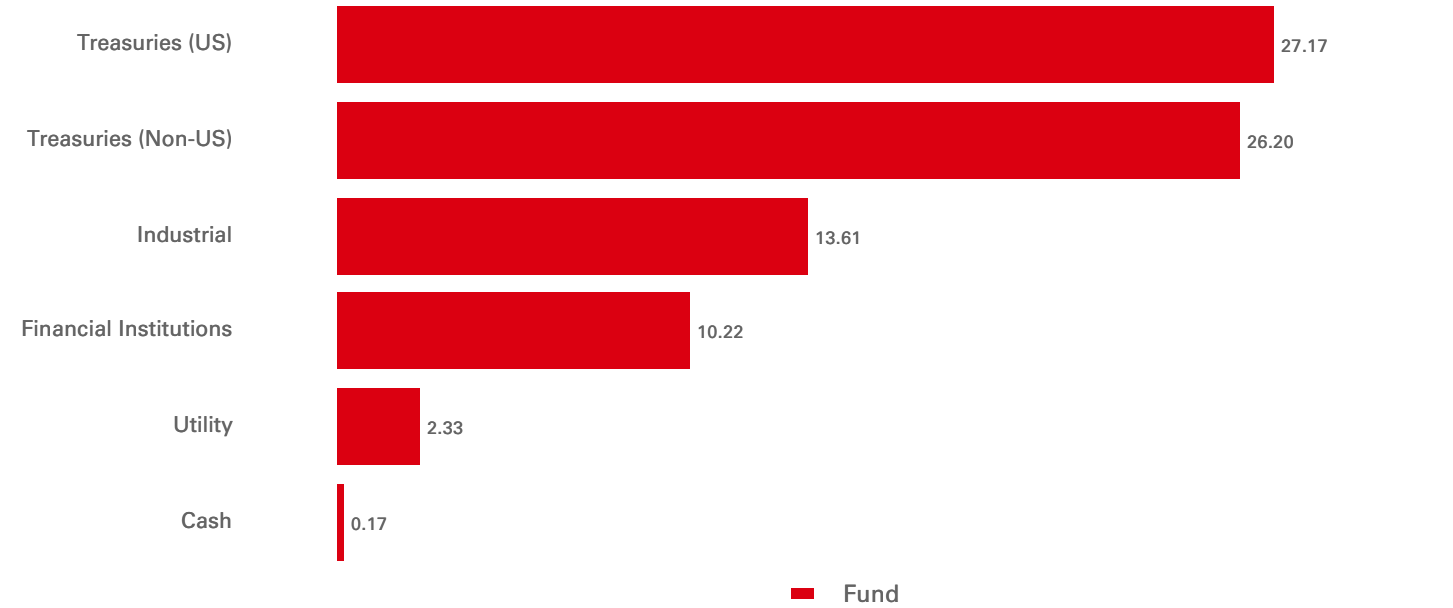
Fixed income geographical allocation (%)



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 Source: HSBC Asset Management, data as at 29 February 2024

Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	3.28	--	--
Japan	0.95	--	--
United Kingdom	0.43	--	--
France	0.40	--	--
Germany	0.39	--	--
Italy	0.25	--	--
Mainland China	0.18	--	--
Spain	0.17	--	--
Canada	0.13	--	--
Netherlands	0.08	--	--
Other Locations	0.37	--	--
Cash	0.00	--	--

Fixed income sector allocation (%)



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 Source: HSBC Asset Management, data as at 29 February 2024

	3 year total return (%)	Amount based on GBP 1000 invested	3 Year Volatility (%)
Global Strategy Cautious Portfolio Accumulation C	-0.90	973.23	6.19
Peer Group Average - EAA Fund GBP Cautious Allocation	-0.90	973.23	6.27
Lowest Returning Fund in Peer Group	-3.12	909.23	5.25
Highest Returning Fund in Peer Group	2.61	1,080.21	8.60
Cash	2.71	1,083.62	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 Commentary

Global equities were up in February, driven by strong earnings reports and a rebound in Chinese equities. Fixed income markets fell over the month, with yields rising, following strong labour market and inflation data.

Across equities, emerging markets outperformed developed markets. This was driven by strong returns from China, following a number of supportive steps taken by the CCP to maintain market stability and another cut to mortgage policy rates. Other Asian markets associated with the Technology sector such as Taiwan and South Korea also rallied. Within developed markets, the US outperformed, driven by strong earnings reports from some of the “Magnificent 7” companies. The UK and Europe-ex UK equities underperformed the broader developed markets. In Japan, Yen weakness benefitted equity returns given the export-driven nature of the stock market. Within fixed income, US Treasuries prices fell over the month as inflation numbers came in stronger than anticipated while job numbers were also robust. This led to an increase in yields, as investors re-assessed the pace and timing of rate cuts. In the UK, Gilts sold off on continuing wage growth pressures despite data showing the economy fell into a technical recession during the second half of 2023. The US dollar gained modestly over the period, boosted by the higher yields and the broadly resilient economic data. The Euro and the Sterling fell against the US dollar given the relative strength of the US economy in comparison. In the commodity markets, Brent Oil pushed higher on elevated geopolitical risk. Gold ended the month lower, facing downward pressure from hawkish economic data and the pushback on timing of policy rate cuts.

Global Strategy. Equities rallied in February, while government bonds fell modestly. This resulted in positive returns across most of the Global Strategy range, with higher risk profiles outperforming lower risk profile solutions. The Global Strategy portfolios are actively positioned against a long-term strategic asset allocation. During February, our active positioning detracted. The biggest negative contribution came from our tilt away from equity as well as our preference for longer dated government bonds. Conversely, our reduced exposure to corporate bonds, and tilt away from Property and European equity, all added value.

Investment Team Views and Portfolio Positioning - There are three key themes that we are positioned to capture within the Global Strategy portfolios.

Recession concerns easing - The likelihood of a recession in the West has fallen, with the US economy looking particularly strong; providing support for equity markets. However, economic growth is still slowing, and as such we remain selective in our equity holdings. During February we increased our equity allocation, with a focus on the US and Japan. We prefer Spanish equity markets within Europe. Spain looks cheap, while the economy is strong in comparison to the rest of Europe and Germany in particular. Spain's larger pool of renewable energy also insulates its industry from elevated oil and gas prices. We are still tilted away from Corporate Bonds and Property, as we believe the full impact of higher borrowing costs has yet to be priced in for these asset classes.

The rate cuts are coming - In our view, the major central banks are likely to start cutting interest rates in the second half of 2024 as inflation continues to ease and economic growth slows. 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 like US government bonds in particular given attractive yields and our view that the Fed will be a first mover in cutting interest rates. In February, we sold our UK Gilts position, following strong performance from the trade, and a narrowing of the interest differential. We are holding increased exposure to the Norwegian Krona versus Euro and Japanese Yen versus Swiss Franc, as inflation in these remains elevated, and we expect to continue receiving high interest payments on these currencies as their respective central banks delay cutting interest rates.

Outperformance in Eastern markets - The economic backdrop in markets such as Japan are very strong, monetary policy settings are accommodative and there is room for fiscal support. Portfolios are tilted towards Japan versus developed market equity given attractive valuations, strong flows from foreign investors, improved corporate governance, and weakening Yen supporting exports.

### Market Outlook

The likelihood of Western economies avoiding a recession this year is increasing although markets remain ‘priced for perfection’, and disappointment remains a key risk. We are cognisant that geopolitical uncertainty, upcoming elections and fiscal constraints might impact markets later in the year. Economic performance remains divergent in emerging economies. India will be the fastest growing economy in 2024, while the China outlook remains challenged by several growth headwinds. Given the strength of the global economy, and particularly the US, we see the first interest rate cut from the Fed in mid-2024, with policy easing continuing in H2. The ECB and Bank of England are likely to follow the Fed. Fiscal policy looks set to be a slight drag on growth in 2024 in western economies. But we do not expect a return to 2010s-style austerity. We anticipate that Emerging market central banks will continue leading the global easing cycle, with interest rate cuts in LatAm and Emerging Europe. Asia central banks are likely to ease policy during H2 2024. Policy support in China remains measured and targeted. In light of the above, we have moved portfolios to a more neutral risk stance. We remain selective within our equity holdings we hold a bias towards companies with earnings resilience, favouring quality. In fixed income, we believe ‘bonds are back’, with yields at attractive levels and further room to fall as disinflation continues. We hold gold given its safe haven properties and as an inflation hedge. Our portfolios are tilted towards Eastern and Emerging markets, including Japan and India.



## 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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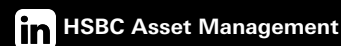
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Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at [www.assetmanagement.hsbc.co.uk](http://www.assetmanagement.hsbc.co.uk)

**Source: HSBC Asset Management, data as at 29 February 2024**

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### Glossary

