

**HSBC OpenFunds**

# Global Sustainable Multi-Asset Dynamic Portfolio

Monthly report 29 February 2024 | 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 4 where 1 is a lower level of risk and 5 is a higher level of risk. The Fund invests in a range of sustainable investment strategies. Please see the Prospectus for an explanation of the HSBC risk levels and sustainable investment strategies.



## Investment strategy

This is one of a range of actively managed Global Sustainable Multi-Asset 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 focus on sustainable investment strategies 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 1.37</b>
Performance 1 month	<b>1.96%</b>
Sharpe ratio 3 years	<b>0.24</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>Distributing</b>
Distribution frequency	<b>Semi-Annually</b>
Dividend ex-date	<b>16 October 2023</b>
Dividend yield <sup>1</sup>	<b>1.41%</b>
Last paid dividend	<b>0.014200</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>20 April 2020</b>
Fund size	<b>GBP 160,319,973</b>
Managers	<b>Camilla Searle Justin Turner</b>

### Fees and expenses

Minimum initial investment <sup>2</sup>	<b>GBP 1,000,000</b>
Ongoing charge figure <sup>3</sup>	<b>0.590%</b>

### Codes

ISIN	<b>GB00BLKQCJ77</b>
Bloomberg ticker	<b>HGMDPCI LN</b>
SEDOL	<b>BLKQCJ7</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.

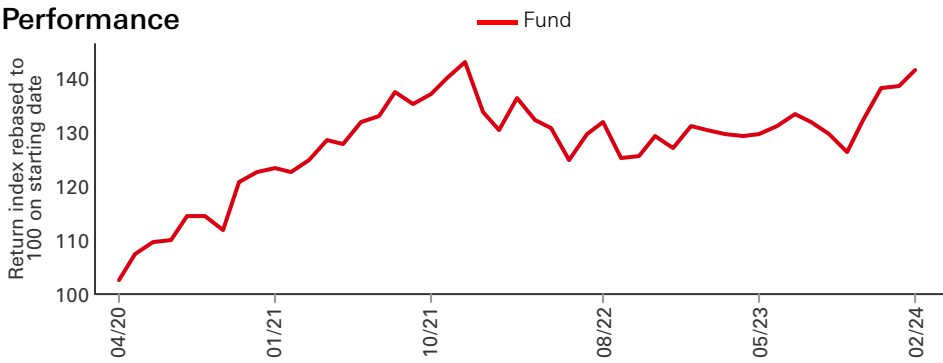
Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

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



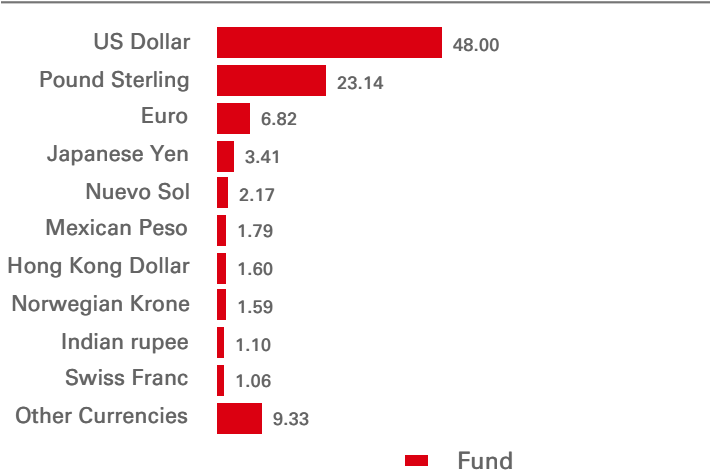
Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
Inc C	2.26	1.96	6.94	7.33	8.44	4.87	--	9.38

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
Inc C	8.44	-0.10	6.46	--	--

Carbon footprint	Fund	Broad market index	MSCI ESG Score	ESG score	E	S	G
Carbon intensity emissions	116.67	182.07	Fund	7.5	6.7	5.9	6.2
			Broad market index	6.5	6.3	5.4	5.8

Carbon Intensity measures the quantity of carbon emission of a company (tonnes CO<sub>2</sub>e/USD million revenue)  
Source: S&P Global Trucost

Currency Allocation (%)



Sustainable investment style (%)

Sustainable investment style (%)	Fund
Equities - Positive Screening	47.33
Equities - Sustainable Thematic	22.31
Bonds - Positive Screening	19.68
Bonds - Sustainable Thematic	1.53
Alternatives - ESG Integration	6.67
Cash	2.49

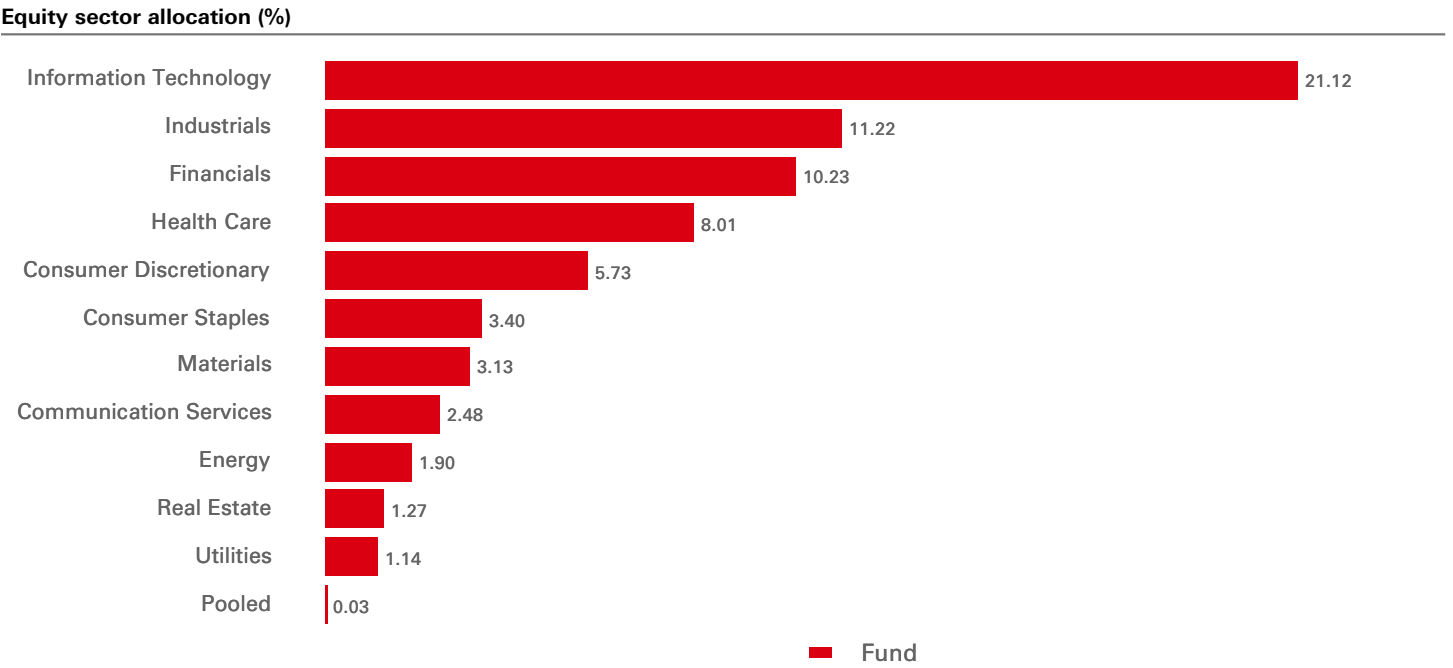
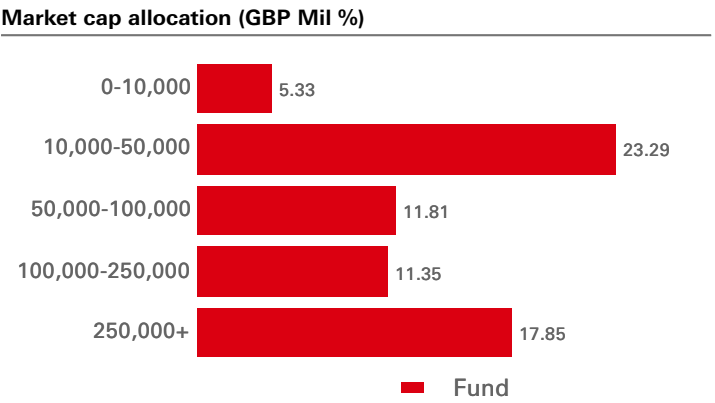
Top 10 holdings

Top 10 holdings	Weight (%)
HSBC RIF SRI Global Equity JC	13.87
HSBC USA Sustainable Equity ETF	11.64
HSBC GIF Global Eq Climate Change ZQ1	11.19
HSBC GIF-GL LW CAR EQ-ZQ1	11.12
HSBC GFI-GSGB UCS ETF-ZQHUSD	9.60
HSBC Developed World Sustainable Eq ETF	7.47
HSBC GIF Global RE Eq ZD	6.67
HSBC Emerging Market Sustainable Eq ETF	4.45
HSBC GIF GEM ESG Local Debt ZQ1USD	4.05
UBS ETF Fact MSCI USA Qual ESG USD A dis	3.57

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.  
 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.  
 For details of the broad market index, please refer to the prospectus.  
 Source: HSBC Asset Management, data as at 29 February 2024

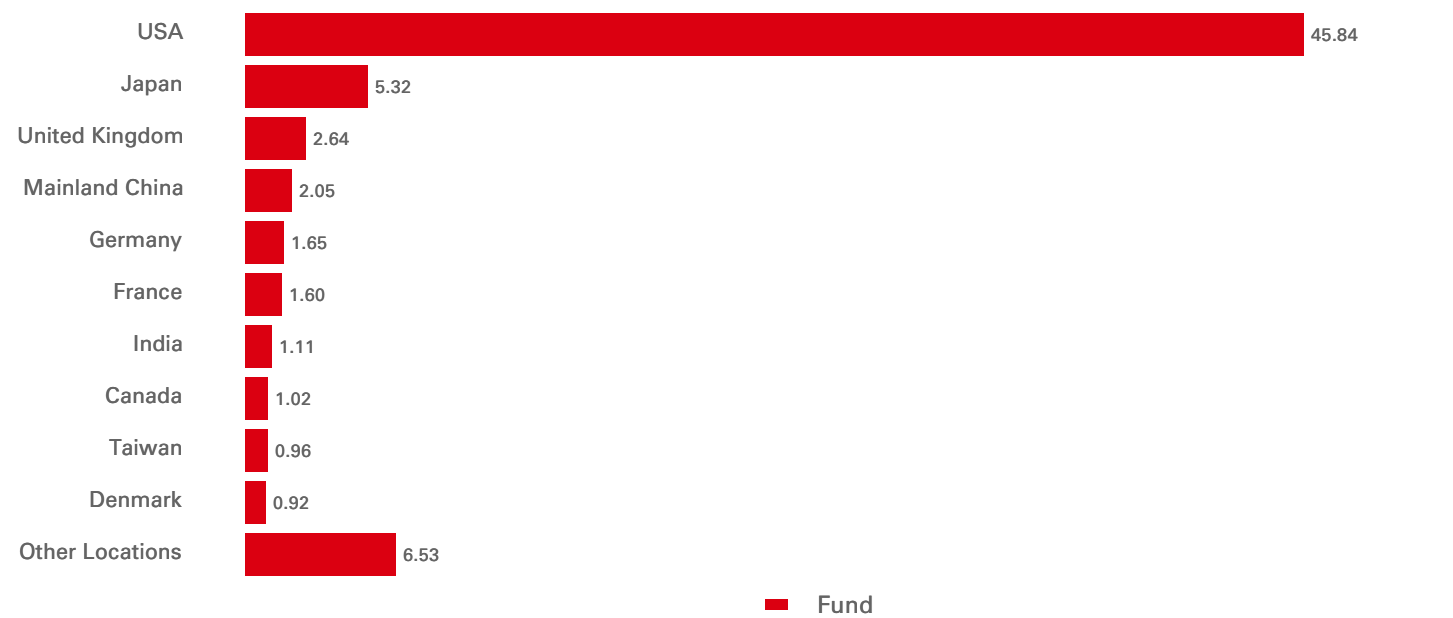
Equity top 10 holdings	Location	Sector	Weight (%)
Microsoft Corp	United States	Information Technology	4.52
Apple Inc	United States	Information Technology	2.11
NVIDIA Corp	United States	Information Technology	2.10
Johnson & Johnson	United States	Health Care	1.55
VISA INC-CLASS A SHARES 10127271	United States	Financials	1.53
Cisco Systems Inc	United States	Information Technology	1.00
Trane Technologies PLC	United States	Industrials	0.96
Ecolab Inc	United States	Materials	0.75
Schneider Electric SE	United States	Industrials	0.73
Accenture PLC	United States	Information Technology	0.70

Equity characteristics	Fund	Reference Benchmark
Average market cap (GBP Mil)	381,015	--
Price/earning ratio	17.57	--
Portfolio yield	1.95%	--



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

Equity geographical allocation (%)

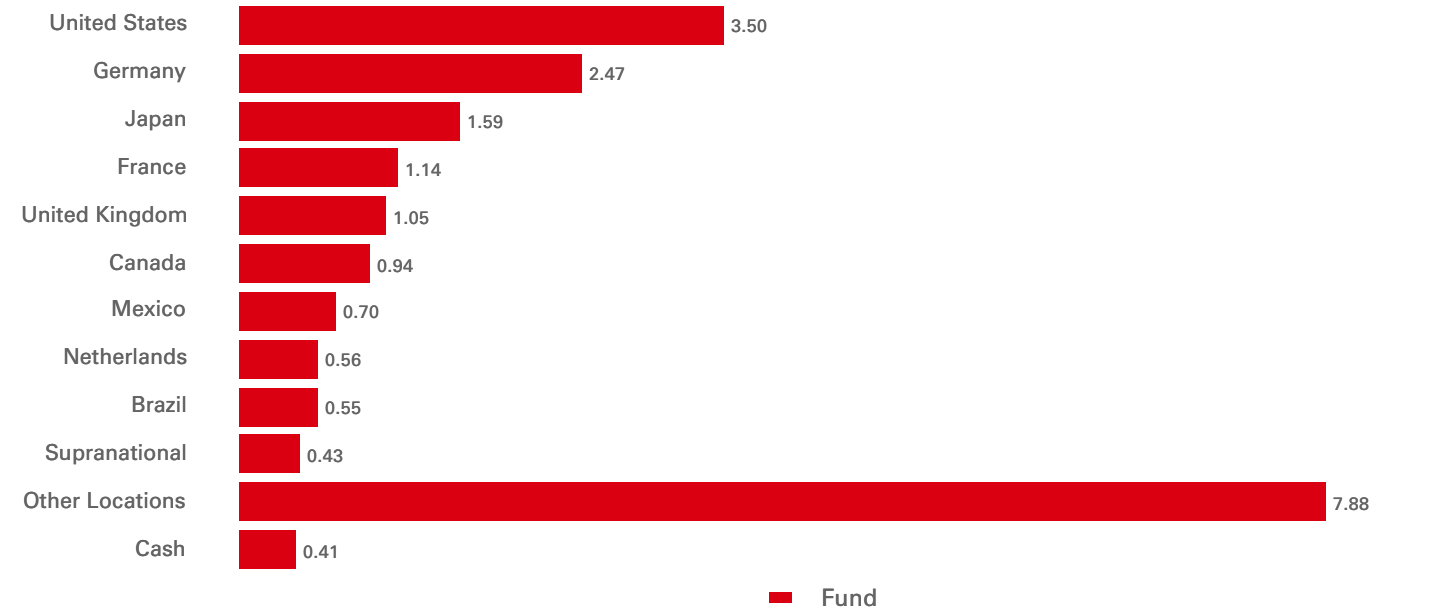


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 Source: HSBC Asset Management, data as at 29 February 2024

Fixed Income Characteristics	Fund	Reference Benchmark	Relative	Credit rating (%)	Fund	Reference Benchmark	Relative
Yield to worst	6.02%	--	--	AAA	4.89	--	--
Yield to maturity	6.05%	--	--	AA	4.41	--	--
Option adjusted duration	6.59	--	--	A	4.30	--	--
Rating average	A/A-	--	--	BBB	4.35	--	--
				BB	1.95	--	--
				B	0.64	--	--
				CCC	0.16	--	--
				CC	0.02	--	--
				D	0.09	--	--
				NR	0.00	--	--
				Cash	0.41	--	--

Fixed income top 10 holdings	Location	Instrument type	Weight (%)
BONOS DE TESORERIA 7.300 12/08/2033 PEN	PERU	Government Bond	2.08
TITULOS DE TESORERIA 7.000 26/03/2031 COP	Colombia	Government Bond	0.18
NOTA DO TESOIRO NACIONAL 10.000 01/01/2033 BRL	Brazil	Government Bond	0.15
THAILAND GOVERNMENT BOND 1.585 17/12/2035 THB	Thailand	Government Bond	0.14
NOTA DO TESOIRO NACIONAL 10.000 01/01/2029 BRL	Brazil	Government Bond	0.13
MEX BONOS DESARR FIX RT 7.500 03/06/2027 MXN	Mexico	Government Bond	0.13
ROMANIA GOVERNMENT BOND 5.800 26/07/2027 RON	Romania	Government Bond	0.12
MEX BONOS DESARR FIX RT 8.500 18/11/2038 MXN	Mexico	Government Bond	0.12
TREASURY BILL 0.000 30/04/2024 USD	United States	Treasury Bill	0.11
REPUBLIC OF SOUTH AFRICA 9.000 31/01/2040 ZAR	South Africa	Government Bond	0.11

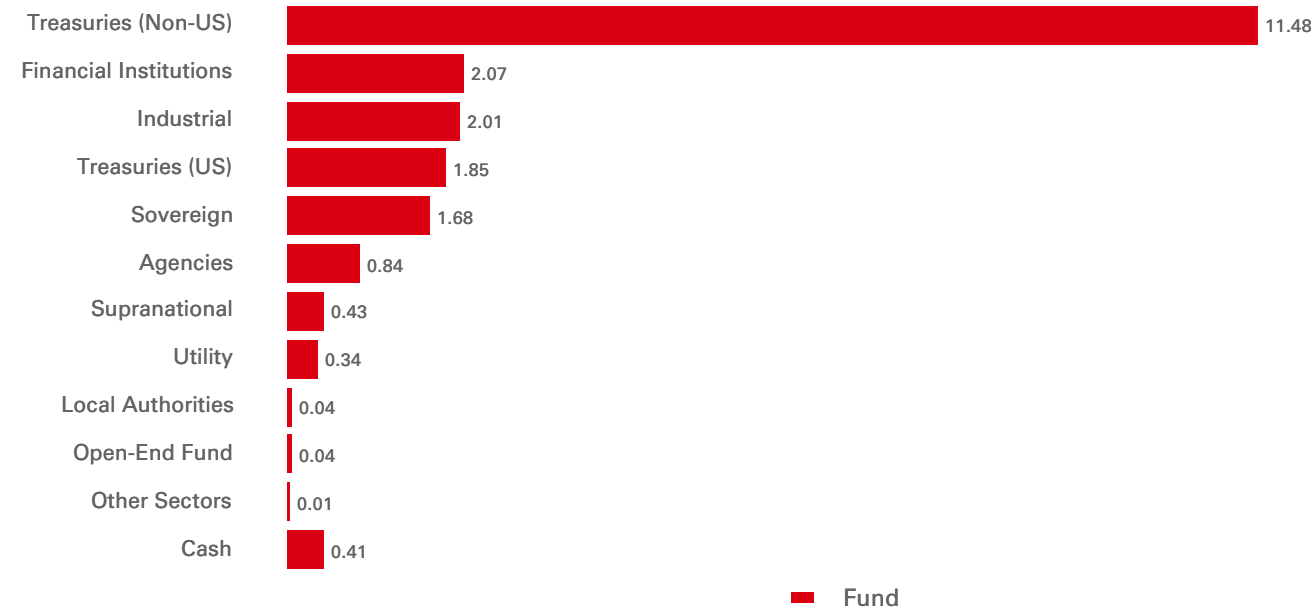
Fixed income geographical allocation (%)



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

Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	1.12	--	--
Germany	0.80	--	--
Japan	0.70	--	--
United Kingdom	0.34	--	--
France	0.32	--	--
Canada	0.27	--	--
Netherlands	0.17	--	--
Mexico	0.15	--	--
Malaysia	0.13	--	--
Australia	0.11	--	--
Other Locations	2.45	--	--
Cash	0.00	--	--

**Fixed income sector allocation (%)**



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

	3 year total return (%)	Amount based on GBP 1000 invested	3 Year Volatility (%)
Global Sustainable Multi-Asset Dynamic Portfolio Accumulation C	4.89	1,154.05	9.47
Peer Group Average - EAA Fund GBP Moderately Adventurous Allocation	3.34	1,103.44	8.25
Lowest Returning Fund in Peer Group	-4.10	881.85	6.25
Highest Returning Fund in Peer Group	10.71	1,356.84	14.98
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.

### Portfolio performance

Equities rallied in February, while government bonds fell modestly. This resulted in positive returns in higher risk profiles and negative returns in the lower risk profiles. The Global Sustainable Multi-Asset 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 government bonds. Conversely, our tilt away from Property and European equity added value.

Investment Team Views and Portfolio Positioning - There are three key themes that we are positioned to capture within the Global Sustainable Multi Asset 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 global equities. We also reduced our emerging market and European equity allocations. We are tilted away from Property, as we believe the full impact of higher borrowing costs has yet to be priced in, and global high yield which still looks vulnerable.

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 are holding increased exposure to the Norwegian Krona versus Euro as inflation in Norway remains elevated, and we expect to continue receiving high interest payments as their central bank delays cutting interest rates.

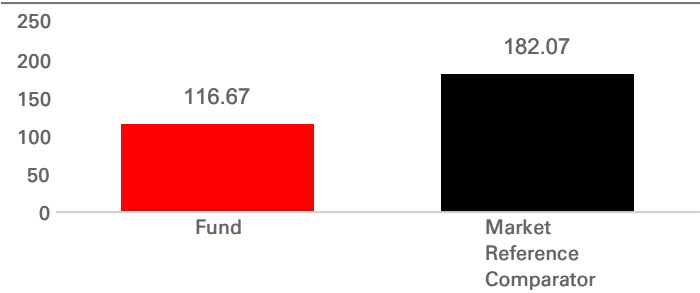
Outperformance in Eastern markets - The economic backdrop in markets such as Japan is very strong, monetary policy settings are accommodative and there is room for fiscal support. Portfolios are tilted towards Japan versus developed market equity given attractive valuations, strong flows from foreign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

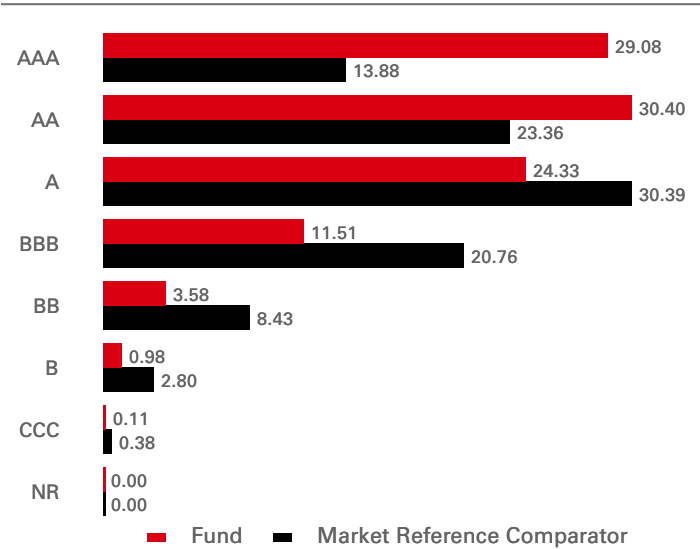


Carbon intensity emissions (%)



Over the month, the average carbon intensity of the market benchmark was measured at 182 tCO<sub>2</sub>e. Our investment approach resulted in a reduction of 31%, meaning the carbon intensity of the portfolio was measured at 126 tCO<sub>2</sub>e.

ESG score distribution (%)



82% of the underlying issuers held by the fund are rated AAA-A, compared to 68% of those in the reference benchmark. The average ESG score for the underlying issuers held by the fund is 7.45, while that of the reference benchmark securities was 6.52.

Fund vs reference comparator (%)

Fund	Weight	ESG score	Carbon intensity emissions	Index	Weight	ESG score	Carbon intensity emissions
Developed Equity	65.18%	5.41	31.43	MSCI World	65.18%	4.66	66.27
Global Government Bond	9.60%	0.65	22.31	Bloomberg Global Agg Treasuries	9.60%	0.57	29.65
Global Property	6.67%	0.43	6.28	FTSE EPRA NAREIT	6.67%	0.41	6.63
Emerging Market Equity	4.45%	0.29	15.00	MSCI Emerging Markets	4.45%	0.26	17.14
GEM Debt - Local Currency	4.05%	0.23	21.45	JPM GBI-EM Global Diversified	4.05%	0.20	32.05
Global Corporate Bond	3.95%	0.30	1.99	Bloomberg Barclays Global Agg Corporates	3.95%	0.27	5.87
GEM Debt - Hard Currency	2.71%	0.12	15.63	JPM EMBI Global Diversified	2.71%	0.10	21.87
Global High Yield	0.86%	0.06	1.27	BoAML Global High Yield BB-B	0.90%	0.04	2.50

To demonstrate the performance of the fund against its sustainable investment aim the ESG and carbon intensity scores of the fund are shown compared to the scores of a reference comparator. The reference comparator represents the ESG and carbon intensity scores the fund might have achieved if it did not have a sustainable investment aim.

The reference comparator is a combination of market indices that represent the asset classes held by the fund and in the same proportions (weighting) as the fund, as shown in the table above. The composition of the reference comparator varies over time in line with the asset classes and proportions held by the fund.

The table above shows that the various asset classes contribute differently to the ESG and carbon intensity scores although it is important to consider the weighted average scores of the overall fund and those of the reference comparator.

Stewardship

Stewardship in Action – Proactive engagement with a Singaporean financial services group

A large financial services player in Singapore, with growing businesses in South China and SEA region in which HSBC AM has substantial credit and equity positions. Purposeful engagement began in February 2022.

In a highly unusual situation, their female CEO was not on the Group board, despite already being CEO for over a year. Investors are questioning who really controls the running of the business, which can negatively impact the performance of the stock.

Desired Action - Social & Governance - Place the CEO on the board in the next 18 months or sooner.

We met with their representatives of investor relations to understand the issue and raise our concerns. We voted accordingly to express our dissatisfaction with current arrangements and wrote to company to formally express our expectations on the CEO joining board. We hosted their CFO and CEO in the HSBC London office to understand their perspective of CEO not being voting member of the board and expressed our support to change. Company responded to our letter giving reassurance that the CEO would join the board in the medium term. The company gave us reassurances that the CEO would join the board in the next 18 months. They argued that giving the new CEO time away from the formal board role was appropriate to allow the individual to settle. In February 2023, the CEO joined the board with a three-year term. At the AGM in April 2023, we voted to support her joining. We will meet with the company to support their ongoing work on efficient capital allocation and improvement on climate change planning, which are other objectives of our engagement.

## 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.

## Important information

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The 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 Prospectus, Key Investor Information Document (KIID), Supplementary Information Document (SID) and most recent annual and semi-annual reports, 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, KIID and additionally, in the case of retail clients, the information contained in the supporting SID.

This fund is Sustainably Invested in line with one or more of the Global Sustainable Investment Alliance (GSIA) sustainable investment styles (positive/best-in-class screening, norms-based screening, sustainability themed investing, impact/community investing). It does not invest in companies involved in the manufacture of cluster munitions or anti-personnel mines. The fund is not guaranteed to outperform those which do not meet sustainability criteria.

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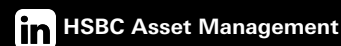
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Further Information can be found in the prospectus and in our Key Investor Information

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

