

**HSBC OpenFunds**

# Global Strategy Cautious Portfolio

Monthly report 31 March 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 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 1.29</b>
Performance 1 month	<b>1.61%</b>
Sharpe ratio 3 years	<b>-0.52</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>1.81%</b>
Last paid dividend	<b>0.012700</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 330,641,989</b>
Managers	<b>Nicholas McLoughlin</b>

### Fees and expenses

Minimum initial investment <sup>2</sup>	<b>GBP 1,000,000</b>
Ongoing charge figure <sup>3</sup>	<b>0.210%</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 an estimate due to a change of fee structure.

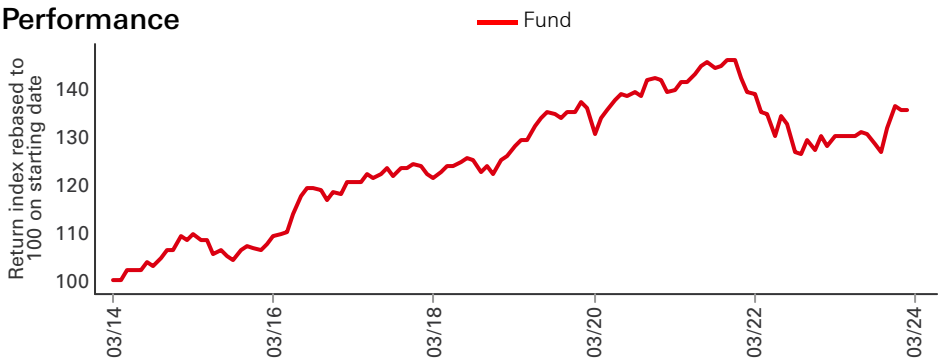
Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

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

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
Inc C	0.93	1.61	0.93	7.35	5.80	-0.51	1.45	3.25

Rolling performance (%)	31/03/23-31/03/24	31/03/22-31/03/23	31/03/21-31/03/22	31/03/20-31/03/21	31/03/19-31/03/20	31/03/18-31/03/19	31/03/17-31/03/18	31/03/16-31/03/17	31/03/15-31/03/16	31/03/14-31/03/15
Inc C	5.80	-6.34	-0.63	7.17	1.83	5.44	0.76	10.34	-0.36	9.66

Currency Allocation (%)		Asset allocation (%)	Fund
Pound Sterling	83.32	Global Equity	18.76
US Dollar	11.39	Global Government Bond	52.57
Japanese Yen	1.41	Global Corporate Bond	26.45
Euro	1.00	Property	1.79
Norwegian Krone	0.75	Cash/Liquidity	0.43
Hong Kong Dollar	0.36		
Australian Dollar	0.35		
Indian rupee	0.26		
New Taiwan Dollar	0.26		
Korean Won	0.19		
Other Currencies	0.71		

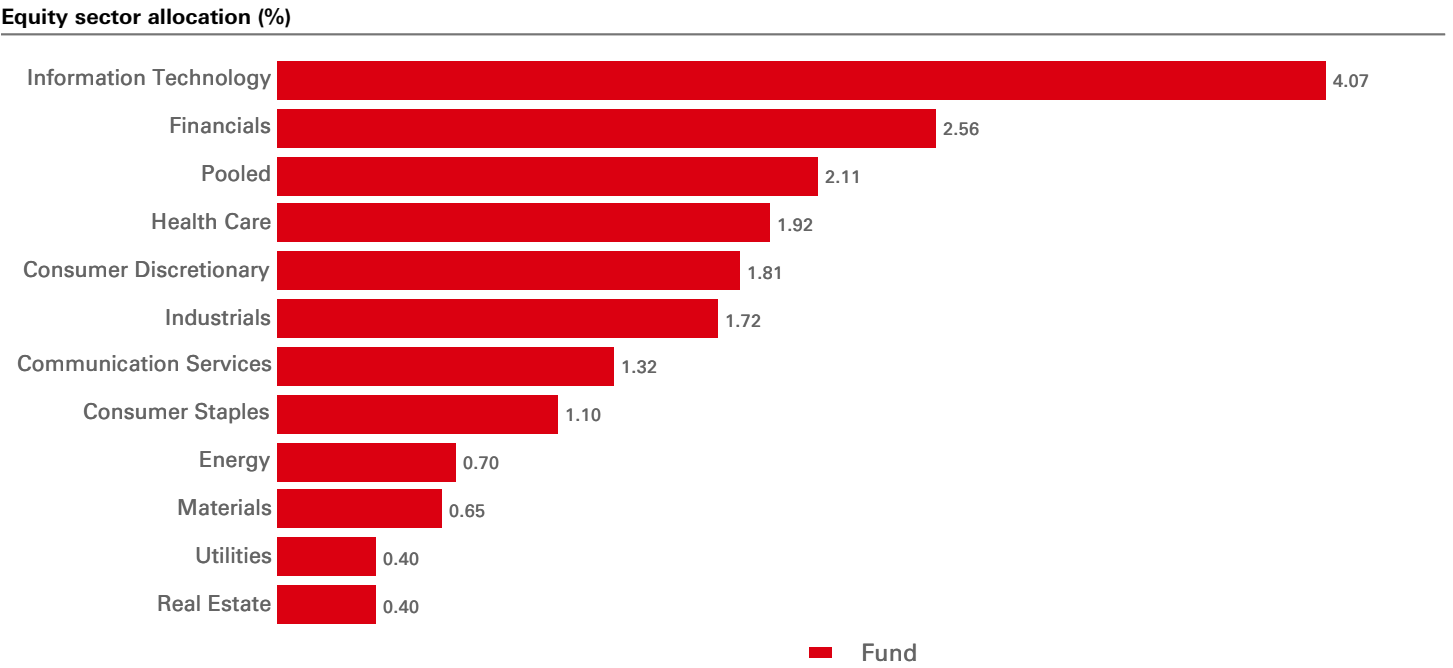
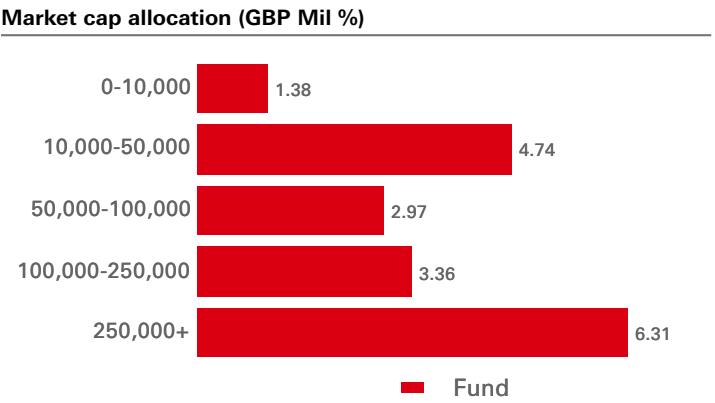
Fund

Top 10 holdings	Weight (%)
HSBC Global Government Bond ETF ZQHUSD	29.86
HSBC Global Corporate Bond ETF ZQHUSD	26.45
HSBC American Index Institutional Acc	11.73
US TREASURY N/B 2.250 15/11/2027 USD	3.45
US TREASURY N/B 1.250 31/08/2024 USD	3.37
BUNDESREPUB. DEUTSCHLAND 4.750 04/07/2034 EUR	3.17
US TREASURY N/B 3.000 15/05/2045 USD	2.92
HSBC FTSE EPRA/NAREIT Developed ETF	1.79
HSBC European Index Institutional Acc	1.47
HSBC MSCI Emerg Mkts ETF	1.47

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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 31 March 2024

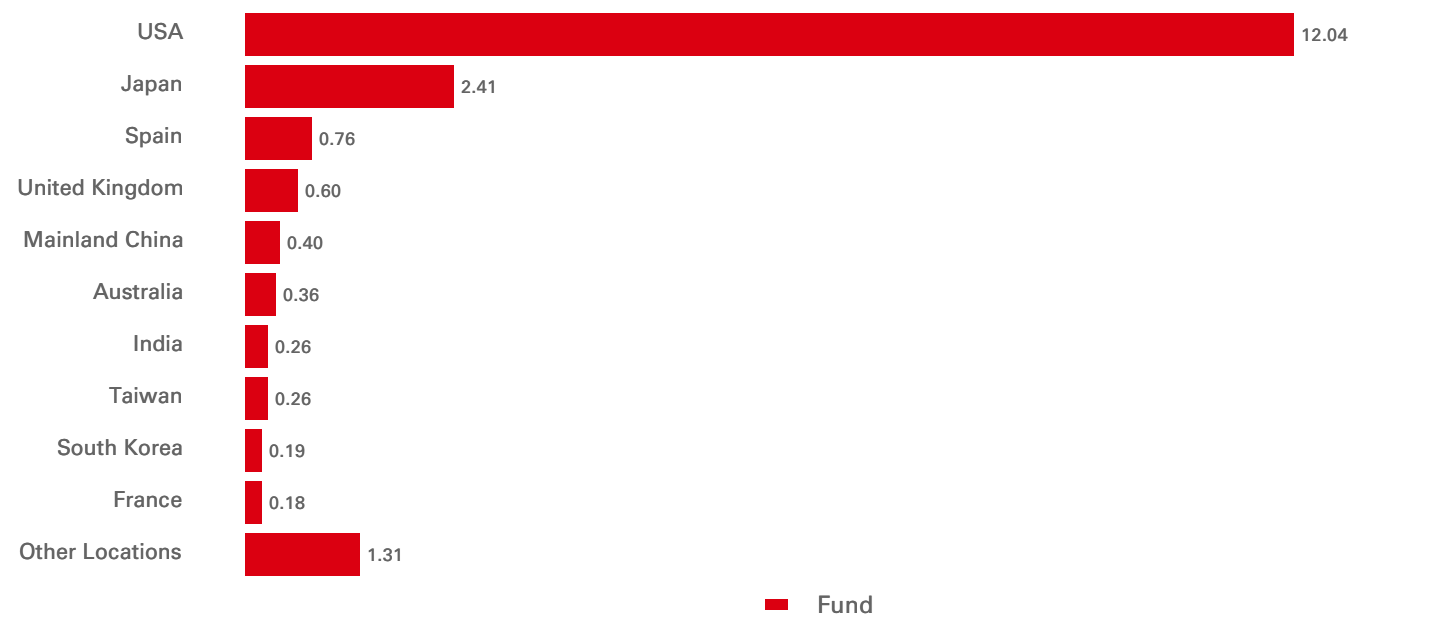
Equity top 10 holdings	Location	Sector	Weight (%)
Microsoft Corp	United States	Information Technology	0.83
Apple Inc	United States	Information Technology	0.66
NVIDIA Corp	United States	Information Technology	0.59
Amazon.com Inc	United States	Consumer Discretionary	0.44
Alphabet Inc	United States	Communication Services	0.44
Meta Platforms Inc	United States	Communication Services	0.28
Berkshire Hathaway Inc	United States	Financials	0.20
Eli Lilly & Co	United States	Health Care	0.17
Broadcom Inc	United States	Information Technology	0.16
JPMorgan Chase & Co	United States	Financials	0.15

Equity characteristics	Fund	Reference Benchmark
Average market cap (GBP Mil)	442,621	--
Price/earning ratio	18.97	--
Portfolio yield	1.80%	--



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Equity geographical allocation (%)

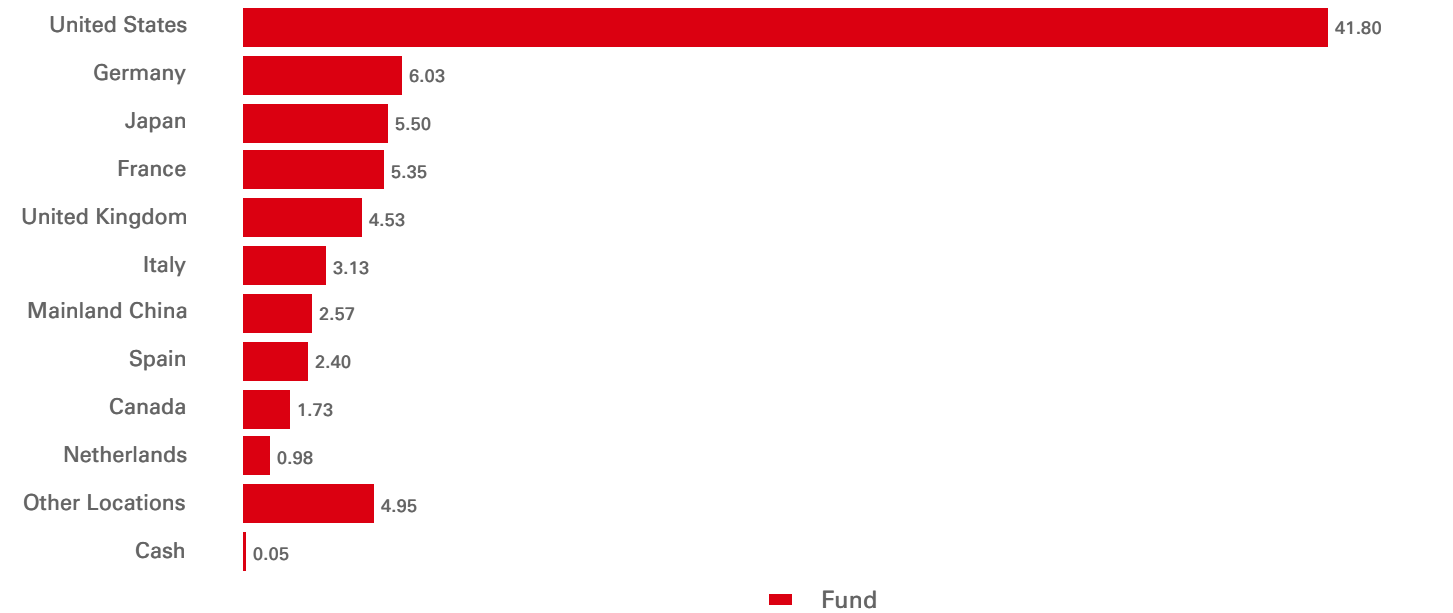


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 Source: HSBC Asset Management, data as at 31 March 2024

Fixed Income Characteristics	Fund	Reference Benchmark	Relative	Credit rating (%)	Fund	Reference Benchmark	Relative
Yield to worst	4.57%	--	--	AAA	11.01	--	--
Yield to maturity	4.59%	--	--	AA	31.48	--	--
Rating average	AA-/A+	--	--	A	21.07	--	--
				BBB	15.38	--	--
				BB	0.03	--	--
				NR	0.00	--	--
				Cash	0.05	--	--

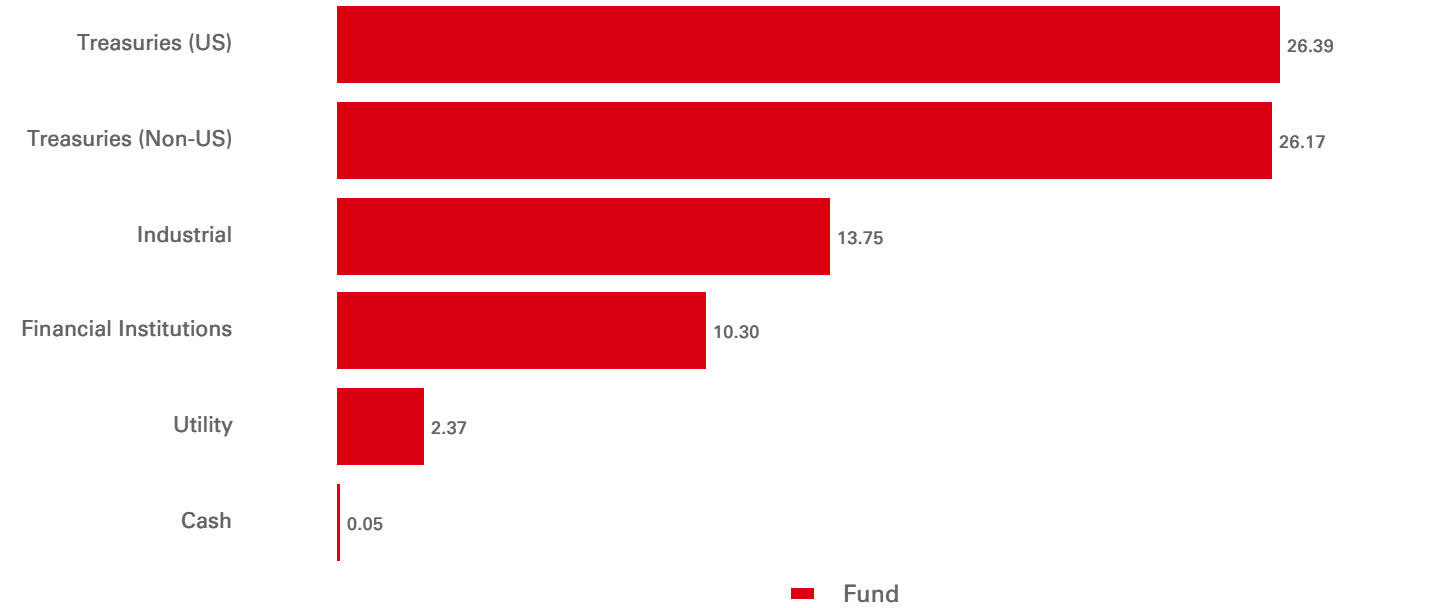
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B 2.250 15/11/2027 USD	United States	Treasury Note	3.50
US TREASURY N/B 1.250 31/08/2024 USD	United States	Treasury Note	3.37
BUNDESREPUB. DEUTSCHLAND 4.750 04/07/2034 EUR	Germany	Government Bond	3.20
US TREASURY N/B 3.000 15/05/2045 USD	United States	Government Bond	2.93
FRANCE (GOVT OF) 2.500 25/05/2030 EUR	France	Government Bond	1.47
JAPAN (30 YEAR ISSUE) 1.100 20/03/2033 JPY	Japan	Government Bond	1.15
BUONI POLIENNALI DEL TES 0.950 01/12/2031 EUR	Italy	Government Bond	0.70
UK Gilt 4.250% 07/12/2049 GBP 0.01	United Kingdom	Government Bond	0.59
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	0.49

Fixed income geographical allocation (%)



Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	3.37	--	--
Japan	0.78	--	--
Germany	0.55	--	--
United Kingdom	0.44	--	--
France	0.40	--	--
Italy	0.25	--	--
Mainland China	0.19	--	--
Spain	0.18	--	--
Canada	0.13	--	--
Netherlands	0.08	--	--
Other Locations	0.38	--	--
Cash	0.00	--	--

Fixed income sector allocation (%)



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	3 year total return (%)	Amount based on GBP 1000 invested	3 Year Volatility (%)
Global Strategy Cautious Portfolio Accumulation C	-0.51	984.68	6.25
Peer Group Average - EAA Fund GBP Cautious Allocation	-0.46	986.17	6.33
Lowest Returning Fund in Peer Group	-2.54	925.76	5.35
Highest Returning Fund in Peer Group	2.72	1,083.85	8.74
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 also resulted in positive absolute returns across the Global Strategy range, with higher risk profiles outperforming lower risk profile solutions. The Global Strategy portfolios are actively positioned against a long-term asset allocation. During March, our active positioning added value. The biggest positive contribution came from our tilt towards Spanish equity within Europe, and our position in long-dated US Treasuries. Conversely, our tilt away from Global Corporate bonds detracted.

### 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** - 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 Corporate Bonds and Property, as we believe the full impact of higher borrowing costs has yet to be priced in for these asset classes. We prefer Spanish equities 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.

**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 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 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 the weak Yen which is supporting exports.



## 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.

## Important information

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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 31 March 2024**

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### Glossary

