

HSBC OpenFunds

World Selection - Dividend Distribution Portfolio

Monthly report 29 February 2024 | Share class Ret Inc



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

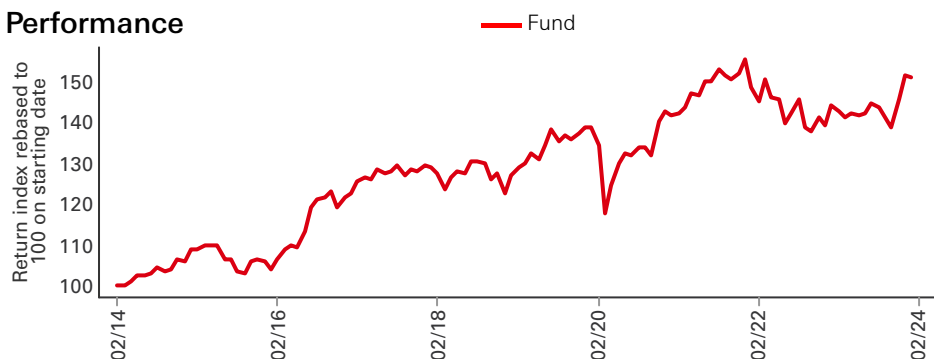
This is one of a range of actively managed World Selection Portfolios offered at different risk levels. The asset allocation of each fund in the range reflects the risk level. The Fund is managed with the aim of providing income in line with its agreed long term risk profile therefore any potential returns 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 1.10
Performance 1 month	1.06%
Sharpe ratio 3 years	-0.03

Fund facts

UCITS V compliant	No
UK reporting fund status (UKRS)	No
ISA eligible	Yes
Dividend treatment	Distributing
Distribution frequency	Quarterly
Dividend ex-date	16 January 2024
Dividend yield ¹	4.17%
Last paid dividend	0.009000
Dealing frequency	Daily
Valuation time	12:00 United Kingdom

Share class base currency	GBP
Domicile	United Kingdom
Inception date	9 November 2006
Fund size	GBP 346,135,516
Managers	Kate Morrissey

Fees and expenses

Minimum initial investment ²	GBP 1,000
Ongoing charge figure ³	1.500%

Codes

ISIN	GB00B1G3FH19
Bloomberg ticker	HSOGDRI LN
SEDOL	B1G3FH1

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

²Please note that initial minimum subscription may vary across different distributors

³Ongoing 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 (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
Ret Inc	0.73	1.06	4.68	6.20	6.88	2.33	3.42	4.30

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
Ret Inc	6.88	-1.86	2.14	5.66	4.50	0.86	1.84	17.93	-2.25	8.76

Currency Allocation (%)	Asset allocation (%)	Fund
Pound Sterling	Global Equity	45.79
US Dollar	Global Government Bond	6.13
Japanese Yen	Global Corporate Bond	8.98
Euro	Global High Yield Bonds	10.84
Zloty	Global Asset Backed Bonds	3.51
Indian rupee	Emerging Market Debt - Hard Currency	6.27
Norwegian Krone	Emerging Market Debt - Local Currency	8.27
Mexican Peso	Property	2.20
Canadian Dollar	Infrastructure	4.22
Indonesia Rupiah	Cash/Liquidity	1.00
Other Currencies	Listed Infrastructure	2.79

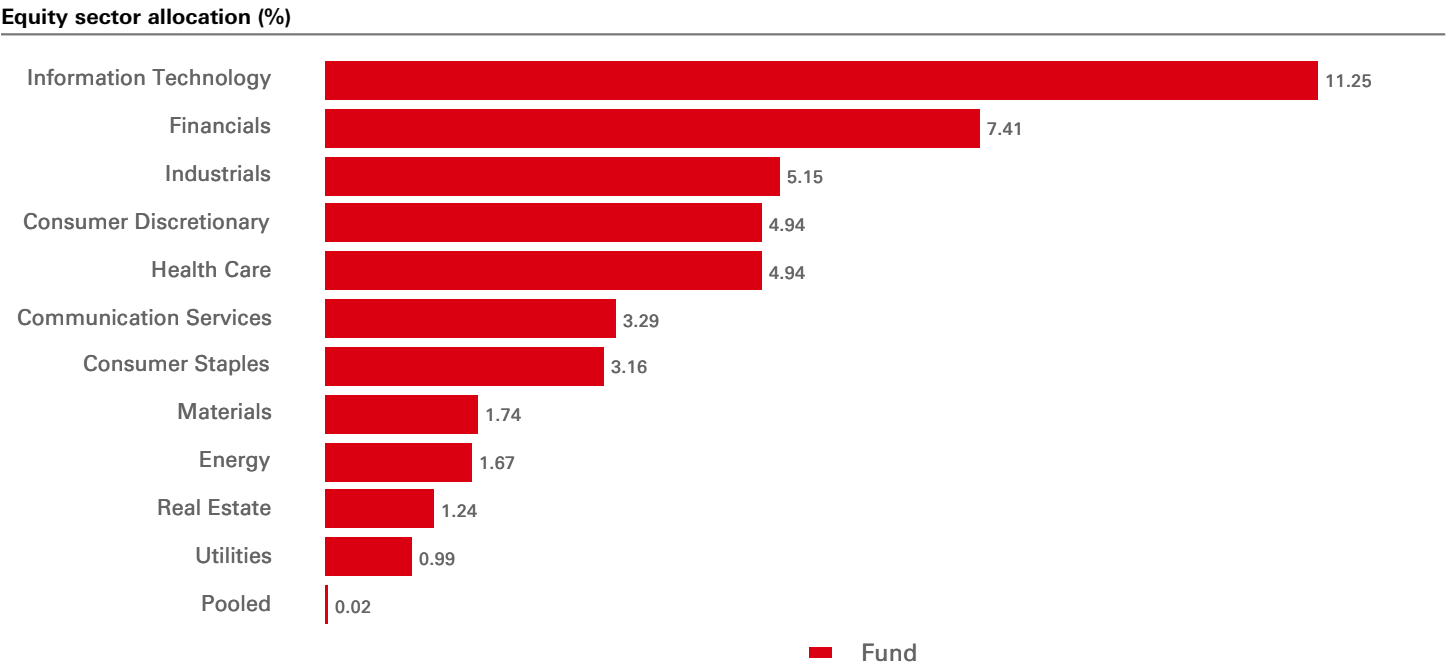
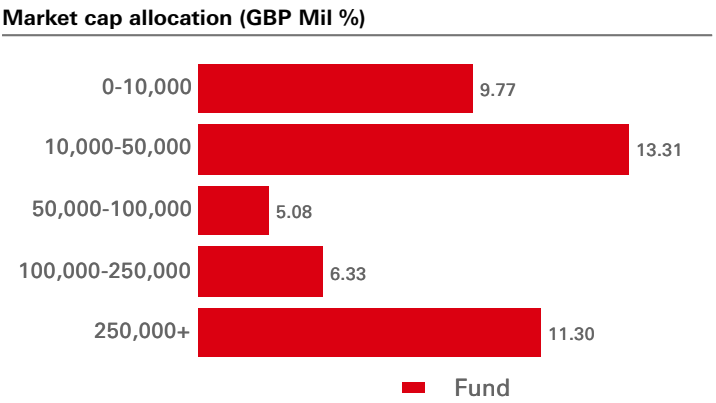
Fund

Top 10 holdings	Weight (%)
HSBC UCITS Cn Cntl Dev Wld Eq Inc FacA1\$	22.00
HSBC GIF Global Sustainable Eq Inc ZQ1	10.72
HSBC GIF Global Corp Bd ZQ1	8.98
HSBC GIF Global Hi Yld Bd ZQ1	7.81
HSBC GIF Global EM Local Dbt ZQ1	7.78
GS GLBL ENH EQ INC-E DIS USD	7.26
HSBC GIF Global EM Bd ZQ1	6.27
HSBC GIF Global Govt Bd ZQ1	6.13
Fidelity Emerg Mkts Qual Inc ETF USD Inc	3.99
HSBC GIF Asia High Yield Bond ZQ1	3.03

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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

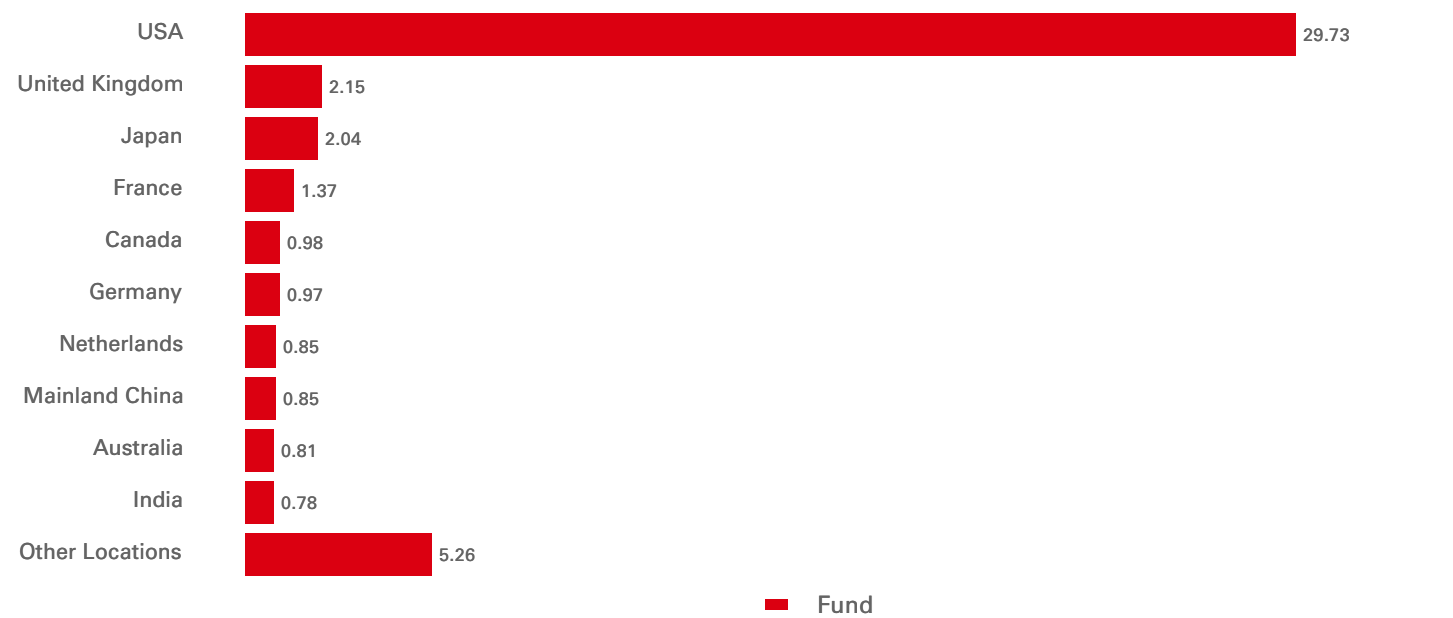
Equity top 10 holdings	Location	Sector	Weight (%)
Microsoft Corp	United States	Information Technology	2.15
Apple Inc	United States	Information Technology	1.92
NVIDIA Corp	United States	Information Technology	1.23
Amazon.com Inc	United States	Consumer Discretionary	0.90
Alphabet Inc	United States	Communication Services	0.88
Meta Platforms Inc	United States	Communication Services	0.59
ASML Holding NV	Netherlands	Information Technology	0.43
Home Depot Inc/The	United States	Consumer Discretionary	0.41
Novo Nordisk A/S	Denmark	Health Care	0.37
Merck & Co Inc	United States	Health Care	0.37

Equity characteristics	Fund	Reference Benchmark
Average market cap (GBP Mil)	363,264	--
Price/earning ratio	14.67	--
Portfolio yield	2.88%	--



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Equity geographical allocation (%)

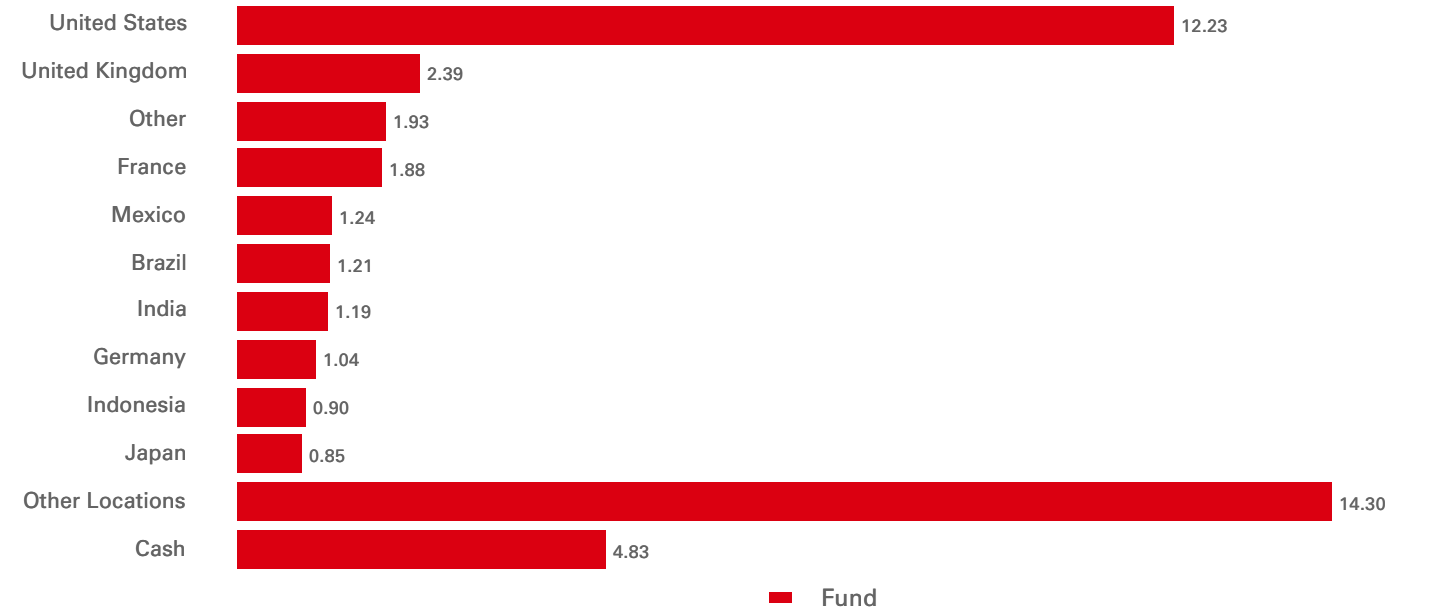


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Fixed Income Characteristics	Fund	Reference Benchmark	Relative	Credit rating (%)	Fund	Reference Benchmark	Relative
Yield to worst	7.59%	--	--	AAA	1.88	--	--
Yield to maturity	7.66%	--	--	AA	6.04	--	--
Option adjusted duration	4.88	--	--	A	5.84	--	--
Rating average	BBB+/BBB	--	--	BBB	9.99	--	--
				BB	8.75	--	--
				B	4.65	--	--
				CCC	0.80	--	--
				CC	0.09	--	--
				C	0.02	--	--
				D	0.27	--	--
				NR	0.83	--	--
				Cash	4.83	--	--

Fixed income top 10 holdings	Location	Instrument type	Weight (%)
TREASURY BILL 0.000 04/04/2024 USD	United States	Treasury Bill	0.78
TREASURY BILL 0.000 11/07/2024 USD	United States	Treasury Bill	0.70
TREASURY BILL 0.000 16/05/2024 USD	United States	Treasury Bill	0.66
TREASURY BILL 0.000 13/06/2024 USD	United States	Treasury Bill	0.55
TREASURY BILL 0.000 12/03/2024 USD	United States	Treasury Bill	0.41
LETRA TESOIRO NACIONAL 0.000 01/10/2024 BRL	Brazil	Treasury Bill	0.25
KASIKORNBANK PCL HK CCB 5.275 14/04/2172 PERP EMTN	Thailand	Convertible bond	0.23
NOTA DO TESOIRO NACIONAL 10.000 01/01/2029 BRL	Brazil	Government Bond	0.20
STANDARD CHARTERED PLC CCB 7.875 08/09/2172 PERP REGS	United Kingdom	Convertible bond	0.20
NOTA DO TESOIRO NACIONAL 10.000 01/01/2033 BRL	Brazil	Government Bond	0.20

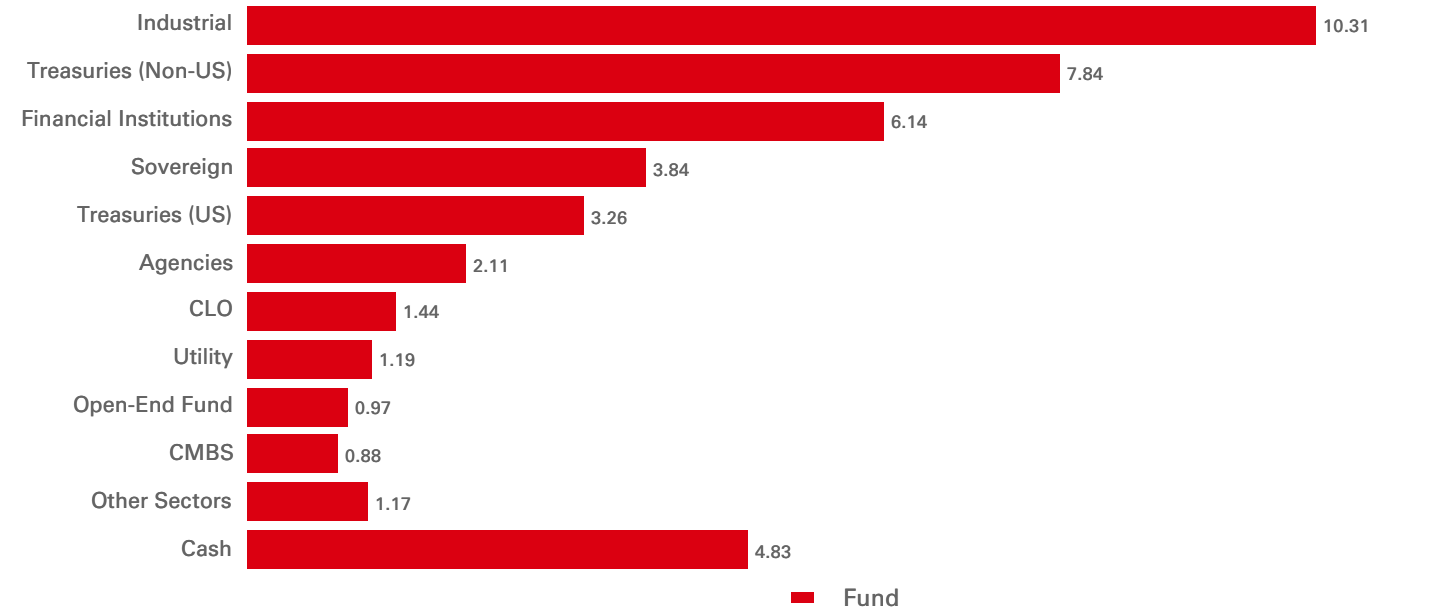
Fixed income geographical allocation (%)



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Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	1.73	--	--
United Kingdom	0.27	--	--
France	0.20	--	--
Japan	0.17	--	--
Mexico	0.14	--	--
Indonesia	0.13	--	--
Italy	0.11	--	--
India	0.11	--	--
Spain	0.09	--	--
Brazil	0.09	--	--
Other Locations	1.54	--	--
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	2.92	1,090.26	7.89
Peer Group Average - EAA Fund GBP Moderate Allocation	1.62	1,049.32	7.25
Lowest Returning Fund in Peer Group	-2.68	921.78	0.00
Highest Returning Fund in Peer Group	5.93	1,188.52	12.80
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, government bonds fell modestly, and higher risk areas of the fixed income markets were positive. This resulted in positive returns across most of the World Selection range, with higher risk profiles outperforming lower risk profile solutions. The World Selection 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. In addition, our tilts towards Brazil, Spanish and UK equity detracted. Conversely, our allocation to Trend Following Hedge Funds added value over the month, together with our preference for quality companies in the US and our reduced exposure to Property.

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 - 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 have a preference for higher quality companies, where profits are likely to remain resilient in the face of slowing growth and persistent inflation. We are tilted towards Technology companies within the US, on the expectation that increased demand for Artificial Intelligence will support revenues for these companies. Finally, 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 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.

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 maintain a holding in Gold, which has historically benefited as interest rates fall, while gold is a useful hedge against geopolitical risk. During February we closed our position in European healthcare and opened a position in European Banks. The banking sector is looks cheap, has strong profitability - benefiting from higher interest rates – and credit loss provisions are likely to be revised down on improving economic outlook. 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

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 29 February 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

