



HSBC Global Strategy Portfolios

Asset allocation breakdown

End of Q1 2017



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Global Asset Management

For professional clients only

HSBC Global Strategy Portfolios

Fulfilment Strategy

- ▶ We believe that asset allocation is the key driver of returns and that fulfilment (i.e. the selection of funds and other investment vehicles to take exposure to the different asset classes) should aim to capture the characteristics of each market on a cost efficient basis
- ▶ Fulfilment focuses primarily on passive strategies, such as index tracking funds and exchange traded funds (ETFs), in order to keep investment costs to a minimum
- ▶ Below we explain the different fulfilment strategies for the HSBC Global Strategy Portfolios

Active Management

Active investment funds aim to outperform a benchmark/index by analysing the market and then investing where the fund manager believes there is the greatest potential for outperformance.

Key benefits:

- ▶ Access to expert teams of analysts and fund managers
- ▶ Potential for higher-than-index returns
- ▶ Ability to react to market conditions
- ▶ Poor performing companies can be identified and avoided

Disadvantages:

- ▶ Reliant on the skill of the fund manager to make good investment choices or to follow a sound investment strategy
- ▶ Risk of underperformance as active management may not always outperform its benchmark index, particularly after fees

Charging information:

- ▶ Active management typically commands higher fees and can generate more transactional costs than passively managed investments

Traditional Passive Management

Passive investment funds aim to simply track the performance of a market capitalisation weighted index. The fund manager invests in accordance with a pre-determined strategy that does not involve any forecasting. Includes index tracker funds and ETFs.

Key benefits:

- ▶ Low cost access to market returns
- ▶ No material risk of underperformance relative to the index
- ▶ Simple and transparent
- ▶ Diversified – gains exposure to all stocks in an index

Disadvantages:

- ▶ Receives only “market” performance as it is dictated by the index, i.e. no potential for outperformance
- ▶ Undervalued securities cannot be identified
- ▶ The requirement to invest in a poor stock just because it is in the index
- ▶ No periodic rebalancing of index
- ▶ Overvalued stocks can become an increasingly large share of index as most indices are based on market capitalisation i.e. the weight of a stock in the index is based on its price
- ▶ Takes no views on company prospects or direction of market

Charging information:

- ▶ Typically lower operating expenses and fees than active management



HSBC Global Strategy Portfolios Reasons why

1. Robust asset allocation

Asset allocation construction is a core competency of the multi-asset team. Our team create the strategic asset allocations by using HSBC's tried-and-tested quantitative methodology and review them on, at least, an annual basis by re-running the process. There also is a qualitative overview built into the process. These frequent reviews and the resulting adjustments to allocations ensure that the HSBC Global Strategy Portfolios remain in line with their long-term risk profiles and that each fund's long-term risk profile is not compromised due to changes in the market environment.

2. Low overall investment costs

Asset allocation is the key driver of investment performance. Therefore, our aim is to capture the asset allocation well and in a cost-efficient manner. Passive investment is usually the best way to achieve this. This is the reason why in HSBC Global Strategy Portfolios, our focus is on using passive investment approaches when implementing asset allocation. We have a preference for HSBC tracker products as we can typically access them at zero management fee. This enables us to offer the HSBC Global Strategy Portfolios at OCFs ranging from only 0.17% to 0.20%.

3. Global diversification

Through a single investment solution, the portfolio provides access to a well diversified portfolio, invested across global equities, global bonds and global real estate securities.

4. Ongoing reviews of portfolio positioning

Our Fund positions are reviewed on a daily basis to ensure actual allocations are in line with intended asset class weights.

5. Risk tolerance based on end-customer research

We undertook extensive research to evaluate fully the risk attitude of each of the three core customer types: cautious, balanced and dynamic investors. Customer needs were reviewed in cooperation with an external consultant in 2015 and the HSBC Global Strategy Portfolios were constructed to deliver to these three risk profiles.

6. Strong governance

The HSBC Group employs strong governance across all investment vehicles so when we include an HSBC product in the HSBC Global Strategy Portfolios we can be sure that our high standards of governance are being met. And, when we use products from other providers, we employ the same high standards of due diligence.

7. The HSBC Global Strategy Portfolio range is designed to meet investors' needs in the following ways:

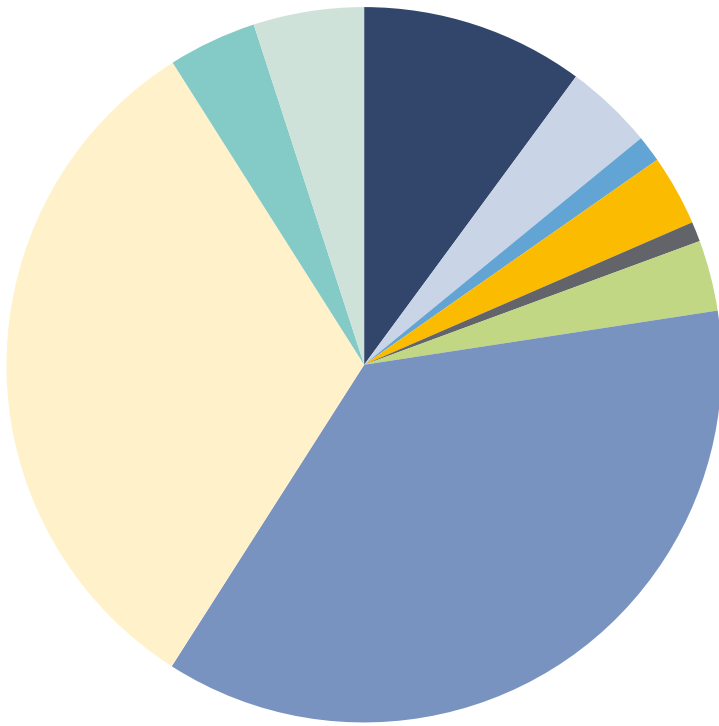
- ▶ Dynamic strategic and tactical asset allocation to add value—not a 'set and forget' approach to asset allocation
- ▶ Cost efficiency by minimising fees, but also via portfolio construction
- ▶ Focus on risk management through a choice of three risk-profiled portfolios
- ▶ Well-resourced and experienced team benefiting from a strong global investment platform

HSBC Global Strategy Cautious Portfolio

US Equity	Strategy	Target %
HSBC American Index – GB0000473313	Traditional Passive	10.1
Europe Equity	Strategy	Target %
HSBC European Index – GB0000469303	Traditional Passive	4.0
UK Equity	Strategy	Target %
HSBC FTSE All-Share – GB0030334345	Traditional Passive	1.2
Japan Equity	Strategy	Target %
HSBC Japan Index – GB0000150481	Traditional Passive	3.2
Pacific ex Japan Equity	Strategy	Target %
iShares Core MSCI Pacific ex Japan – IE00B52MJY50	Traditional Passive	0.9
Emerging Markets Equity	Strategy	Target %
iShares Core MSCI Emerging Markets – IE00BKM4GZ66	Traditional Passive	3.2
Global Government Bond	Strategy	Target %
Multiple direct holdings	Direct Holding	36.5
Corporate Bond	Strategy	Target %
HSBC Corporate Bond – GB00B3K7SR40	Actively Managed	32.0
Property	Strategy	Target %
HSBC FTSE EPRA/NAREIT Developed ETF – IE00B5L01S80	Traditional Passive	4.0
Cash	Strategy	Target %
Cash	Cash	5.0

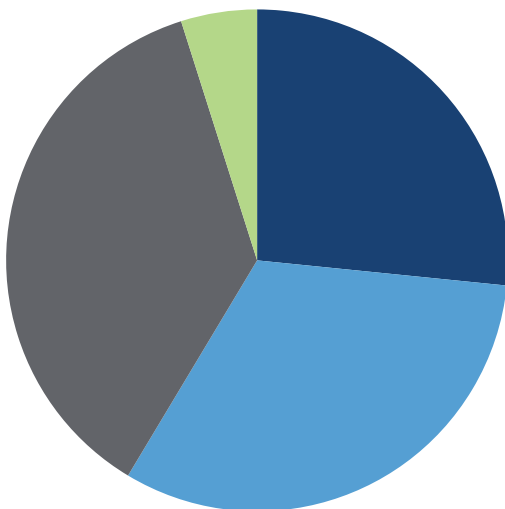
Portfolio optimised for a long-term annualised volatility* of 4.5%

* In reality portfolio volatility may fall above or below this target



Asset Class Breakdown

- US Equity (10.1%)
- Europe Equity (4.0%)
- UK Equity (1.2%)
- Japan Equity (3.2%)
- Pacific ex Japan Equity (0.9%)
- Emerging Markets Equity (3.2%)
- Global Government Bond (36.5%)
- Corporate Bond (32.0%)
- Property (4.0%)
- Cash (5.0%)



Strategy

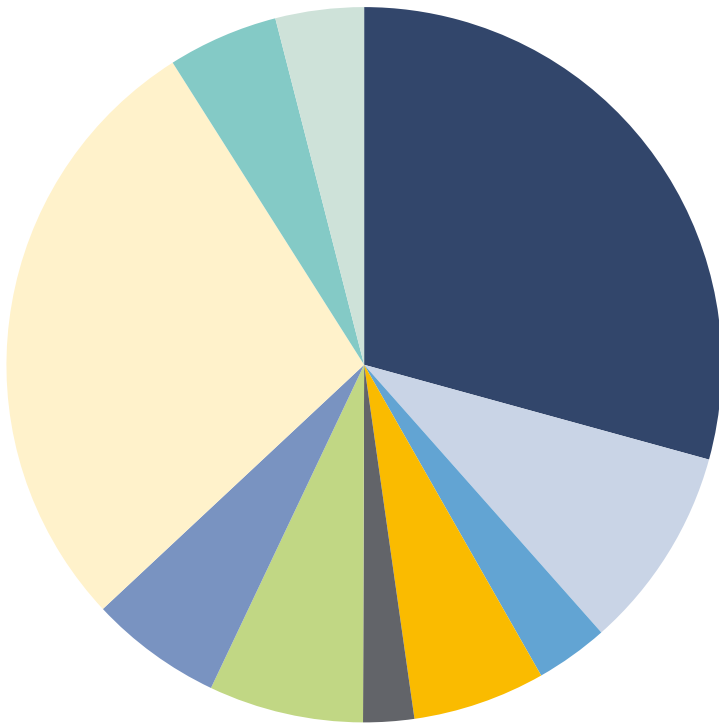
- Traditional Passive (26.6%)
- Alternative Weighting Scheme (0.0%)
- Actively Managed (32.0%)
- Derivatives (0.0%)
- Direct Holding (36.5%)
- Cash (4.9%)

HSBC Global Strategy Balanced Portfolio

US Equity	Strategy	Target %
HSBC American Index – GB0000473313	Traditional Passive	29.3
Europe Equity	Strategy	Target %
HSBC European Index – GB0000469303	Traditional Passive	9.2
UK Equity	Strategy	Target %
HSBC FTSE All-Share – GB0030334345	Traditional Passive	3.3
Japan Equity	Strategy	Target %
HSBC Japan Index – GB0000150481	Traditional Passive	6.0
Pacific ex Japan Equity	Strategy	Target %
iShares Core MSCI Pacific ex Japan – IE00B52MJY50	Traditional Passive	2.3
Emerging Markets Equity	Strategy	Target %
iShares Core MSCI Emerging Markets – IE00BKM4GZ66	Traditional Passive	7.0
Global Government Bond	Strategy	Target %
Multiple direct holdings	Direct Holding	6.0
Corporate Bond	Strategy	Target %
HSBC Corporate Bond – GB00B3K7SR40	Actively Managed	28.0
Property	Strategy	Target %
HSBC FTSE EPRA/NAREIT Developed ETF – IE00B5L01S80	Traditional Passive	5.0
Cash	Strategy	Target %
Cash	Cash	4.0

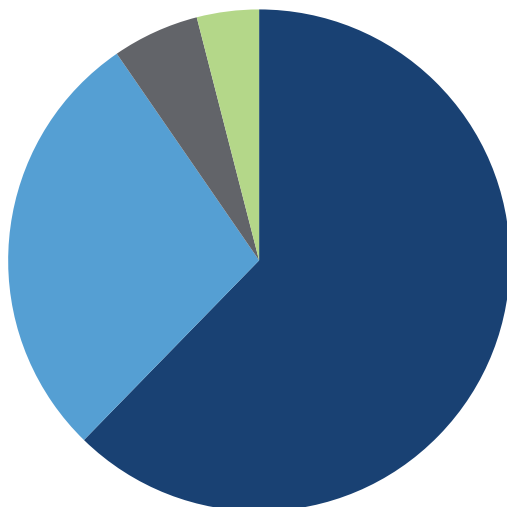
Portfolio optimised for a long-term annualised volatility* of 9.5%

* In reality portfolio volatility may fall above or below this target



Asset Class Breakdown

- US Equity (29.3%)
- Europe Equity (9.2%)
- UK Equity (3.3%)
- Japan Equity (6.0%)
- Pacific ex Japan Equity (2.3%)
- Emerging Markets Equity (7.0%)
- Global Government Bond (6.0%)
- Corporate Bond (28.0%)
- Property (5.0%)
- Cash (4.0%)



Strategy

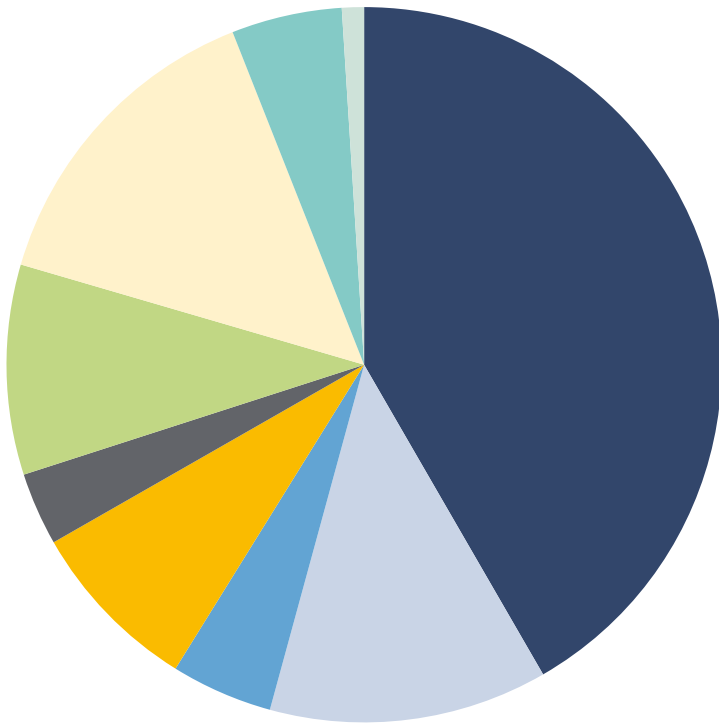
- Traditional Passive (62.3%)
- Alternative Weighting Scheme (0.0)
- Actively Managed (28.1%)
- Derivatives (0.0)
- Direct Holding (5.6%)
- Cash (4.0%)

HSBC Global Strategy Dynamic Portfolio

US Equity	Strategy	Target %
HSBC American Index – GB0000473313	Traditional Passive	33.3
iShares Core S&P 500 – IE00B5BMR087	Traditional Passive	8.5
Europe Equity	Strategy	Target %
HSBC European Index – GB0000469303	Traditional Passive	12.6
UK Equity	Strategy	Target %
HSBC FTSE All-Share – GB0030334345	Traditional Passive	4.6
Japan Equity	Strategy	Target %
HSBC Japan Index – GB0000150481	Traditional Passive	7.9
Pacific ex Japan Equity	Strategy	Target %
iShares Core MSCI Pacific ex Japan – IE00B52MJY50	Traditional Passive	3.3
Emerging Markets Equity	Strategy	Target %
iShares Core MSCI Emerging Markets – IE00BKM4GZ66	Traditional Passive	9.5
Corporate Bond	Strategy	Target %
HSBC Corporate Bond – GB00B3K7SR40	Actively Managed	14.5
Property	Strategy	Target %
HSBC FTSE EPRA/NAREIT Developed ETF – IE00B5L01S80	Traditional Passive	5.0
Cash	Strategy	Target %
Cash	Cash	1.0

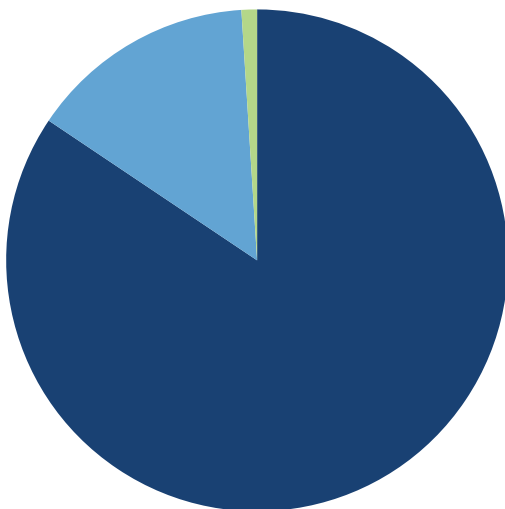
Portfolio optimised for a long-term annualised volatility* of 12.5%

* In reality portfolio volatility may fall above or below this target



Asset Class Breakdown


- US Equity (41.7%)
- Europe Equity (12.6%)
- UK Equity (4.6%)
- Japan Equity (7.9%)
- Pacific ex Japan Equity (3.3%)
- Emerging Markets Equity (9.5%)
- Global Government Bond (0.0%)
- Corporate Bond (14.5%)
- Property (5.0%)
- Cash (1.0%)



Strategy

- Traditional Passive (84.4%)
- Alternative Weighting Scheme (0.0%)
- Actively Managed (14.6%)
- Derivatives (0.0%)
- Direct Holding (0.0%)
- Cash (1.0%)

Source: HSBC Global Asset Management. Data as at 31/03/2017.



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ED0086/SC. EXP0717

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