

HSBC World Selection Portfolios

Connecting you to a world of opportunities





HSBC World Selection Portfolios

The HSBC World Selection Portfolios are a range of multi-asset funds designed for investors seeking portfolio diversification through a single investment.

The portfolios give you access to global equity and bond markets, as well as alternative asset classes such as listed property. By offsetting falls in the value of one asset with rises in that of another, your exposure to market fluctuations could be smoothed over time.

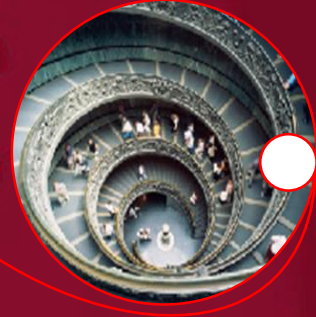
The range of portfolios aims to provide attractive returns through broad diversification across different asset classes, regions and currencies, at a level of risk that suits you.

Our experienced investment teams work around the world to take advantage of the opportunities financial markets have to offer.

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The value of investments (and any income received from them) can fall as well as rise and you may not get back what you invested. For some investments this can also happen as a result of exchange rate fluctuations as shares and funds may have an exposure to overseas markets. Investors are advised to consider carefully the special risks of investing in emerging market securities. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets.



HSBC Global Asset Management Multi-Asset Capability

Multi-asset is at the core of what we do. And the HSBC World Selection Portfolios are at the heart of our multi-asset capability

HSBC Global Asset Management are the managers of the HSBC World Selection Portfolios. They have over 20 years of experience managing multi-asset investment solutions, especially designed to help you meet your long term financial objectives. An experienced investment team focusing on specific strategies, with the support of a global investment platform, manages the HSBC World Selection Portfolios. With centres of expertise and specialist Fixed Income and Equity investment teams from across the globe, HSBC Global Asset Management will leverage their global reach to connect you to a world of opportunities.

Global resources, local implementation



Americas

Multi-asset investment team: 7 investment Professionals

USD9.2 billion under management

Europe and Middle East

Multi-asset investment team: 53 investment Professionals

USD55.4 billion under management

Asia

Multi-asset investment team: 6 investment Professionals

USD11.4 billion under management

Source: HSBC Global Asset Management as at 31 March 2017. Any differences are due to rounding.

HSBC Global Asset Management's multi-asset investment teams benefit from the input of our global investment support teams (Global Investment Strategy, Portfolio Analytics and Design) but also from expert Fixed Income and Equity investment teams.

A globally consistent investment approach blending the merits of quantitative and qualitative approaches:

- ▶ Active asset allocation
- ▶ Valuation-driven approach
- ▶ Focus on risk management and cost-efficient implementation

Multi-asset statistics (as at 31 March 2017)

- ▶ USD76.0 billion under management of which USD13 billion is managed in World Selection strategies, sold in over 20 countries
- ▶ 66 investment professionals
- ▶ 5 key offices: Hong Kong, Paris, Düsseldorf, London and Vancouver
- ▶ Global investment support teams: Global Investment Strategy, Portfolio Analytics and Design, Fixed Income and Equity investment teams



Why the HSBC World Selection Portfolios?

The HSBC World Selection Portfolios could be an ideal core holding if you are looking for diversification and an investment that matches your attitude to risk

Globally diversified, dynamic asset allocation, risk focused and monitored daily...

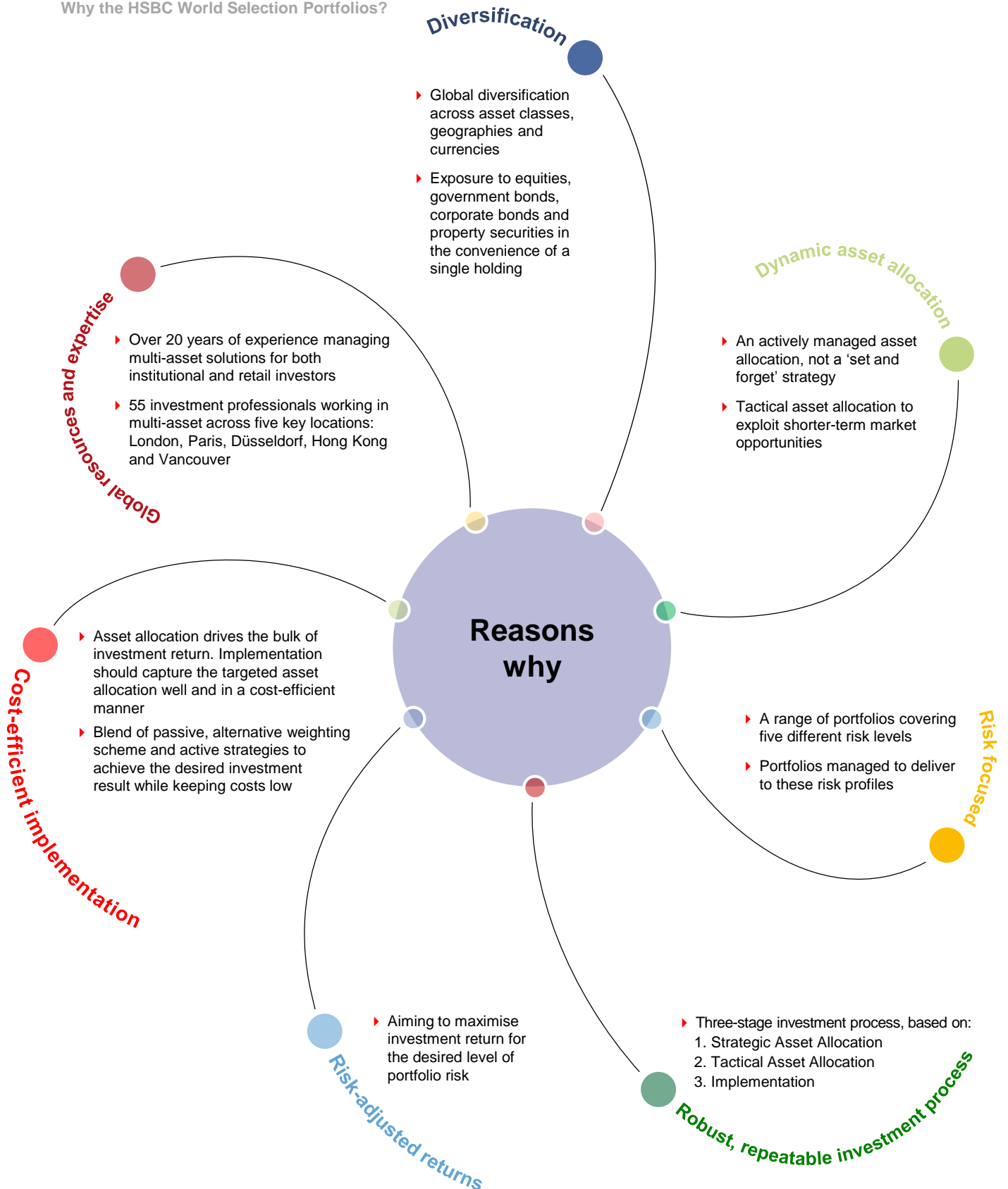
All in a single holding*.

Stock market investments should be viewed as a medium to long term investment and should be held for at least five years.

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* The HSBC World Selection Portfolio Funds are sub-funds of an Open Ended Investment Company (OEIC). This OEIC is a Non-Ucits Retail Scheme (sometimes referred to as NURS).

Why the HSBC World Selection Portfolios?



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An overview of the HSBC World Selection Portfolios

World Selection is available at five different risk levels, ensuring your customers can invest with a level of risk suitable for them

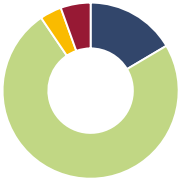
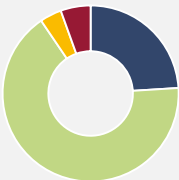

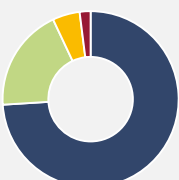
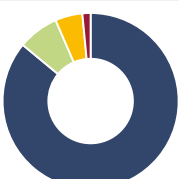
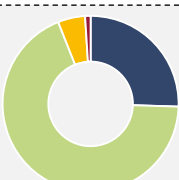
Connecting you to a world of opportunities

The HSBC World Selection range consists of five growth portfolios each managed to different risk levels, from low risk – World Selection Cautious, to high risk – World Selection Adventurous. There is also an HSBC World Selection Income Portfolio. Each portfolio delivers a broadly diversified asset mix that aims to maximise return relative to the chosen risk level.

Each HSBC World Selection Portfolio provides a high degree of diversification across different asset classes, regions and currencies, all within the convenience of a single holding. The portfolios therefore offer a 'one-stop shop' for investors – a truly diversified investment managed to a level of risk that suits them.

The objective of the HSBC World Selection Portfolios is simple: to maximise investment return for the stated risk level. This is known as **maximising risk-adjusted returns**. The concept of risk-adjusted returns is further explained on pages 18 and 19.

An overview of the HSBC World Selection Portfolios

| Portfolio | Breakdown | Target volatility (risk level) | Launch Date | ISIN codes (C Acc) | Assets Under Management AUM (£,m) |
|-----------------------------------|---|--------------------------------|-------------|--------------------|-----------------------------------|
| HSBC World Selection Cautious |  | <5% | 22 Jan 2009 | GB00B7L42X66 | 826.9 |
| HSBC World Selection Conservative |  | 5-8% | 3 Dec 2014 | GB00BQ15ZM28 | 610.0 |
| HSBC World Selection Balanced |  | 8-11% | 22 Jan 2009 | GB00B8QYPR36 | 2,590.8 |
| HSBC World Selection Dynamic |  | 11-14% | 22 Jan 2009 | GB00B886CK92 | 859.8 |
| HSBC World Selection Adventurous |  | >14% | 3 Dec 2014 | GB00BQ15ZS89 | 56.6 |
| HSBC World Selection Income |  | 5-8% | 26 Jul 2010 | GB00B82SVC61 | 545.6 |

There is also an income portfolio if you are looking for a steady source of income

Equity Fixed Income Alternatives Cash

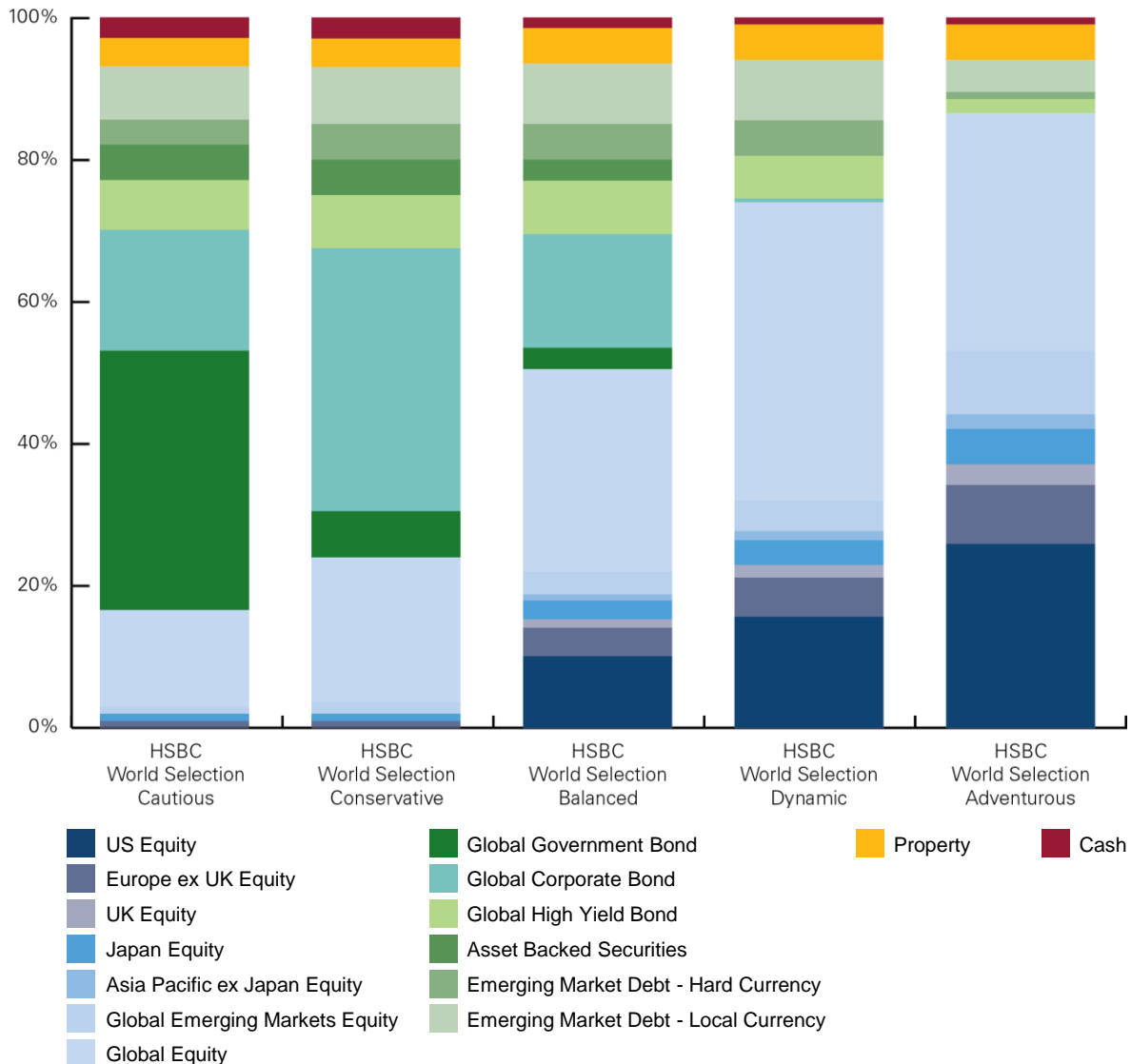
Source: HSBC Global Asset Management as at 30 June 2017.

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Wide range of asset classes

The HSBC World Selection Portfolios invest in a wide range of asset classes, including Global Equities, Global Government Bonds, Global Corporate Bonds, Global High Yield Bonds, Emerging Market Debt - Hard Currency, Emerging Market Debt - Local Currency, Property and Cash. Blending such a diverse, global range of asset classes ensures a high degree of portfolio diversification.

HSBC World Selection Portfolios – Asset Mix



Source: HSBC Global Asset Management, March 2017. For illustrative purposes only

Asset diversification to match your risk appetite

The HSBC World Selection Portfolios are managed to five different risk profiles. In general, a portfolio with higher weighting in equity results in higher investment risk. Conversely, a portfolio with higher weighting in bonds tends to result in lower investment risk.

A well diversified portfolio can provide you with access to asset classes, currencies and geographies that combined, aim to deliver the best possible return for your risk level. Diversification is at the core of the HSBC World Selection Portfolios.

We use volatility – the amount that an investment’s returns fluctuate – as a measure of risk. The more that returns fluctuate over time, the more volatile (risky) the investment. The chart on page 11 shows the annualised risk and return of the five portfolios since their inception date. As you will see a higher return generally involves higher risk. It’s important that you understand your risk tolerance level in order to choose a portfolio that best suits your financial goals and risk appetite.



Robust investment process

Three-stage investment process:

- 1. Strategic Asset Allocation (SAA)**
Constructing an optimal reference portfolio for each risk profile
- 2. Tactical Asset Allocation (TAA)**
Adjustments to the portfolios to account for our shorter-term market outlook
- 3. Portfolio Implementation**
Implementing the desired asset allocation



Financial markets can sometimes be inefficient; meaning that the market prices of stocks are not always accurately priced and can deviate from the true discounted value of their future cash flows over time. This is why HSBC Global Asset Management's decisions on asset allocation are dynamic in order to exploit shifts in asset class prospective returns, rather than following a 'set and forget' strategy.

Strategic Asset Allocation

The starting point for the HSBC World Selection Portfolios is the Strategic Asset Allocation (SAA). SAA is the long-term blend of assets for each risk level; i.e. that which is expected to produce the highest return for a given level of portfolio risk. The SAA provides the reference point around which the portfolios can then be managed, and is the main driver of portfolio performance.

Portfolio optimisation

Leveraging HSBC Global Asset Management's quantitative expertise

The portfolio SAAs are the result of a quantitative process, known as Mean-Variance Optimisation (MVO). MVO aims to maximise return for the level of risk taken, producing what HSBC Global Asset Management believe is an optimal asset mix for each risk profile.

Three key data inputs are used in the optimisation of the SAA

Raw asset class data is processed, analysed and assembled to form three key optimiser data inputs:

- ▶ Expected returns for each asset class are estimated
- ▶ Historic volatility for each asset class leads to a SAA that reflects the desired risk profile
- ▶ Correlation – a measure of how closely two assets move together over time – helps build a well diversified portfolio

The optimisation process calculates the weight of each asset class to create an optimally diversified portfolio for each risk profile

Using the three data inputs, the optimisation calculates the appropriate weight for each asset class.

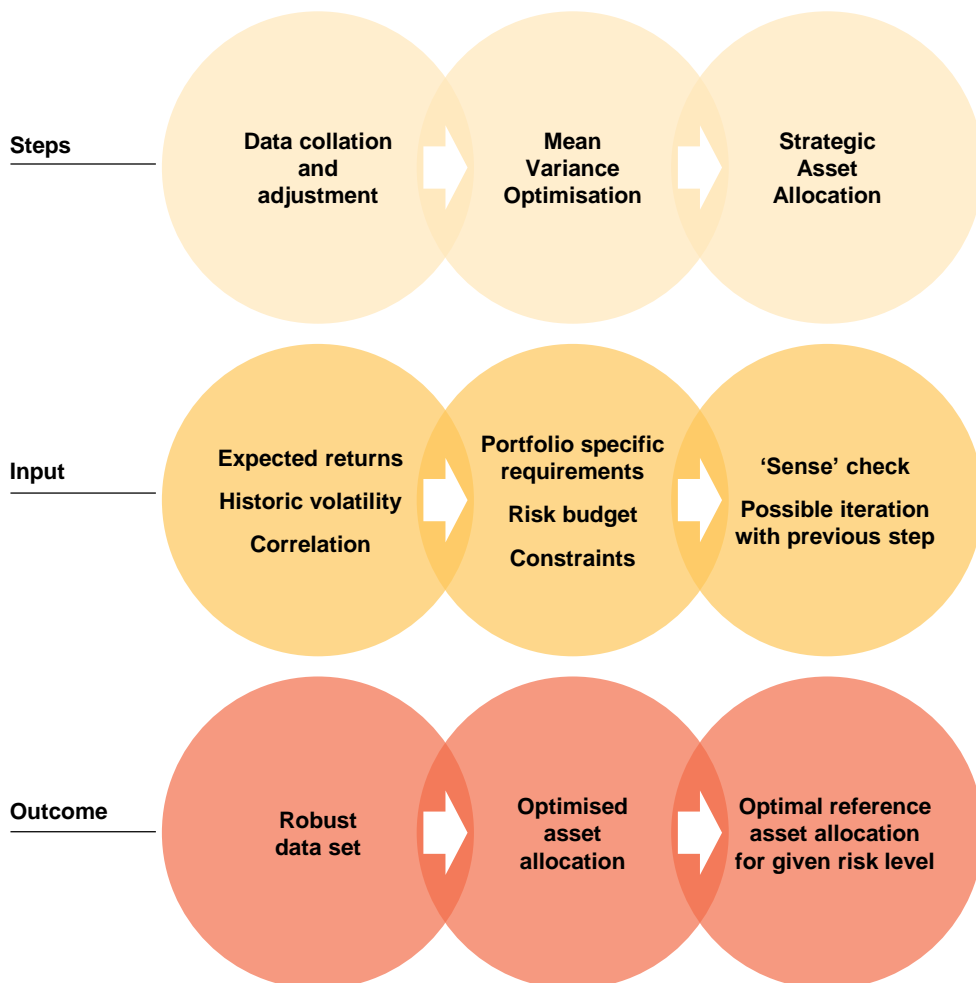
The optimiser uses multiple technical adjustments to enhance the results of the process.

Minimum and maximum allocation weights can be used to ensure the resulting SAA portfolios are truly diversified in order to produce an optimally diversified portfolio for each of the five risk profiles – from Cautious to Adventurous.

Each portfolio is therefore tailored to reflect its risk profile.

SAA is reviewed periodically to ensure the portfolios continue to match their long-term risk profiles.

Strategic Asset Allocation Process



Tactical Asset Allocation

Tactical Asset Allocation (TAA) is another layer on top of the SAA and is driven by the investment team's shorter term market outlook.

It aims to provide timely adjustments to the portfolios' allocations to reflect the team's views on the current market environment.

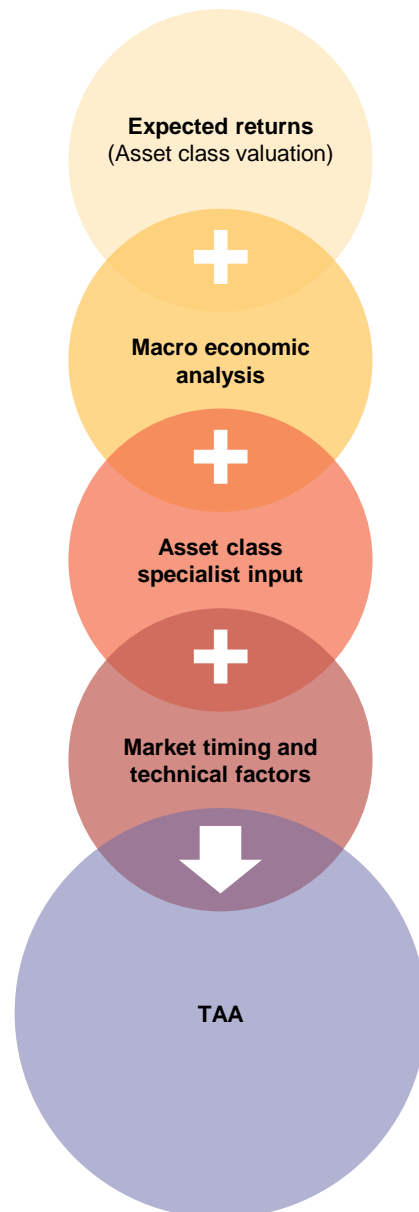
The key driver of TAA is asset class valuation, based on HSBC Global Asset Management's expected return models. The investment team also looks at other factors such as macroeconomic conditions as well as market timing and technical factors, with inputs from asset class specialist teams.

TAA positions are monitored weekly and scrutinised in greater depth monthly.

TAA enables the portfolios to navigate shorter-term market conditions more effectively.

Our TAA views are reflected across all HSBC World Selection Portfolios at any given time.

Tactical Asset Allocation Process



Portfolio Implementation

This is the final stage in the investment process, where we decide how best to take exposure to each asset class. Implementation aims to effectively capture the characteristics of each asset class on a cost-efficient basis. Should exposure be actively or passively managed? Which funds should be held?

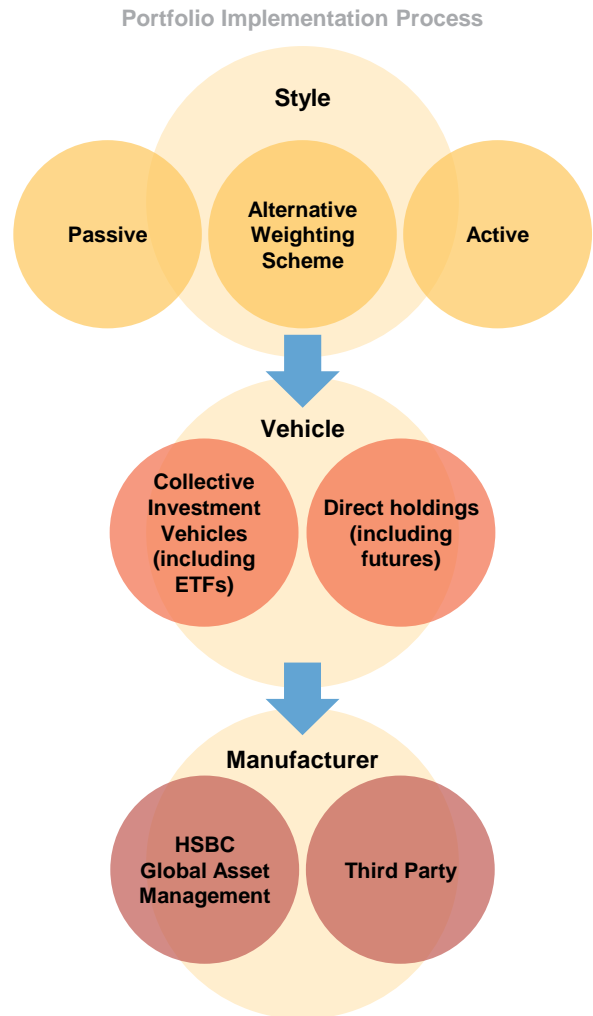
The portfolios incorporate a blend of investment styles, namely passive index tracking, alternative weighting schemes and actively managed funds. By using mainly HSBC Global Asset Management's managed funds, we aim to increase transparency and the cost efficiency of the portfolio.

Passive funds, such as index tracker funds and Exchange Traded Funds (ETFs), simply track the performance of an index based on market capitalisation weights.

Alternative weighting schemes use an 'alternative' methodology in the construction of the index, i.e. not based on market capitalisation.

Active management aims to outperform a benchmark/ index over a given time frame.

The merits of each of the three ways to invest are assessed for each asset class. A focus is maintained on cost efficiency but without compromising the investment outcome. In practice this means using a range of funds, ETFs, direct security investments and derivatives.



Tactical Asset Allocation and Strategic Asset Allocation as at 30 June 2017

| | Asset Class | Current Tactical Asset Allocation (TAA) % | Strategic Asset Allocation (SAA) % | Overweight/Underweight % |
|-----------------------------------|---------------------------------------|---|------------------------------------|--------------------------|
| HSBC World Selection Cautious | Global Equity | 16.5 | 15.5 | 1.0 |
| | Global Government Bond | 35.5 | 42.0 | -6.5 |
| | Global Corporate Bond | 17.0 | 17.0 | 0.0 |
| | Global High Yield Bond | 5.5 | 5.5 | 0.0 |
| | ABS | 5.0 | 5.0 | 0.0 |
| | Emerging Market Debt - Hard Currency | 3.5 | 3.5 | 0.0 |
| | Emerging Market Debt - Local Currency | 7.5 | 6.5 | 1.0 |
| | Property | 4.0 | 4.0 | 0.0 |
| | Cash | 5.5 | 1.0 | 4.5 |
| | Total | 100.0 | 100.0 | 0.0 |
| HSBC World Selection Conservative | Global Equity | 24.0 | 23.0 | 1.0 |
| | Global Government Bond | 5.5 | 11.0 | -5.5 |
| | Global Corporate Bond | 37.0 | 38.0 | -1.0 |
| | Global High Yield Bond | 6.0 | 6.0 | 0.0 |
| | ABS | 5.0 | 5.0 | 0.0 |
| | Emerging Market Debt - Hard Currency | 5.0 | 5.0 | 0.0 |
| | Emerging Market Debt - Local Currency | 8.0 | 7.0 | 1.0 |
| | Property | 4.0 | 4.0 | 0.0 |
| | Cash | 5.5 | 1.0 | 4.5 |
| | Total | 100.0 | 100.0 | 0.0 |
| HSBC World Selection Balanced | Global Equity | 50.5 | 49.5 | 1.0 |
| | Global Government Bond | 2.0 | 5.0 | -3.0 |
| | Global Corporate Bond | 16.0 | 18.0 | -2.0 |
| | Global High Yield Bond | 6.0 | 6.0 | 0.0 |
| | ABS | 3.0 | 3.0 | 0.0 |
| | Emerging Market Debt - Hard Currency | 5.0 | 5.0 | 0.0 |
| | Emerging Market Debt - Local Currency | 8.5 | 7.5 | 1.0 |
| | Property | 5.0 | 5.0 | 0.0 |
| | Cash | 4.0 | 1.0 | 3.0 |
| | Total | 100.0 | 100.0 | 0.0 |
| HSBC World Selection Dynamic | Global Equity | 74.0 | 73.0 | 1.0 |
| | Global Government Bond | 0.0 | 0.0 | 0.0 |
| | Global Corporate Bond | 0.5 | 3.5 | -3.0 |
| | Global High Yield Bond | 5.0 | 5.0 | 0.0 |
| | ABS | 0.0 | 0.0 | 0.0 |
| | Emerging Market Debt - Hard Currency | 5.0 | 5.0 | 0.0 |
| | Emerging Market Debt - Local Currency | 8.5 | 7.5 | 1.0 |
| | Property | 5.0 | 5.0 | 0.0 |
| | Cash | 2.0 | 1.0 | 1.0 |
| | Total | 100.0 | 100.0 | 0.0 |
| HSBC World Selection Adventurous | Global Equity | 86.0 | 86.0 | 0.0 |
| | Global Government Bond | 0.0 | 0.0 | 0.0 |
| | Global Corporate Bond | 0.0 | 0.0 | 0.0 |
| | Global High Yield Bond | 2.0 | 2.0 | 0.0 |
| | ABS | 0.0 | 0.0 | 0.0 |
| | Emerging Market Debt - Hard Currency | 1.0 | 2.0 | -1.0 |
| | Emerging Market Debt - Local Currency | 4.5 | 4.0 | 0.5 |
| | Property | 5.0 | 5.0 | 0.0 |
| | Cash | 1.5 | 1.0 | 0.5 |
| | Total | 100.0 | 100.0 | 0.0 |
| HSBC World Selection Income | Global Equity | 25.5 | 24.5 | 1.0 |
| | Global Government Bond | 0.0 | 3.0 | -3.0 |
| | UK Gilt | 0.0 | 0.0 | 0.0 |
| | Global Corporate Bond | 35.0 | 35.0 | 0.0 |
| | Global High Yield Bond | 12.5 | 11.5 | 1.0 |
| | Emerging Market Debt - Hard Currency | 5.0 | 5.0 | 0.0 |
| | Emerging Market Debt - Local Currency | 8.5 | 7.5 | 1.0 |
| | Infrastructure | 5.0 | 5.0 | 0.0 |
| | Property | 5.0 | 5.0 | 0.0 |
| | ABS | 2.5 | 2.5 | 0.0 |
| Cash | 1.0 | 1.0 | 0.0 | |
| Total | 100.0 | 100.0 | 0.0 | |



Availability, charges and risks

Wide availability and targeted to HSBC's risk profiling process

The HSBC World Selection Portfolios are available within four different HSBC wrappers: ISA, Plan, Onshore Investment Bond and Flexible Retirement Account and also via the Global Investment Centre

Availability

The HSBC World Selection Portfolios are available for HSBC clients via the following options:

Pension: Flexible Retirement Account

ISA: World Selection ISA

Plan: Investment Plan

Bond: Onshore Investment Bond

GIC: Global Investment Centre

Please note that specific wrapper charges may apply. For more information, please go to www.hsbc.co.uk or ask any of our advisors. Key Investor Information Documents (KIIDs), Fund Factsheets and other key documents can be found at www.investments.hsbc.co.uk.

Charges

The total manufacturing cost or Ongoing Charges Figure (OCF) of the HSBC World Selection Portfolios is made up of four main components:

Annual Management Charge (AMC): This is the fee levied by the Authorised Corporate Director (ACD) for carrying out its duties and responsibilities. As well as covering investment management costs and associated costs such as analysis and research, it also covers the product management costs.

Registration Fee: Registration services are all those activities required to administer a share register which would include processing sales and redemptions, paying distributions, updating the register for client changes and dealing with their queries.

External Costs: These costs will cover transaction costs, depositary fees, licence fees etc. of the underlying vehicles held in the HSBC World Selection Portfolios, as well as the AMC of any fulfilment vehicles where applicable. External costs will change dependent on portfolio weightings and positions.

Additional Expenses: Additional expenses for the HSBC World Selection Portfolios at fund level. These will include World Selection's transaction costs, depositary fees, audit fees, safe custody.

The portfolios use a blend of passive, alternative weighting scheme and active strategies to achieve the desired investment result on a cost-efficient basis. For details on the portfolios OCFs please check the latest Key Investor Information Document (KIID).

Key Risks

The HSBC World Selection Portfolios are monitored continuously by our investment managers to ensure the funds deliver to the aim of the funds as set out in the fund prospectus. The key types of risk associated with the HSBC World Selection Portfolios asset allocations are as follows (please refer to the KIID for the full list):

1. Equity risks

Market fluctuations can affect the performance of an investment fund both upwards and downwards. You may not get back the full amount invested.

2. Emerging markets risk

Emerging economies typically exhibit higher levels of investment risk. Markets are not always well regulated or efficient and investments can be affected by reduced liquidity.

3. Exchange rate risk

Investing in assets denominated in a currency other than that of your own currency, exposes the value of the investment to exchange rate fluctuations.

4. Fixed income risk

As interest rates rise debt securities will fall in value. Issuers of debt securities may fail to meet their regular interest and/or capital repayment obligations. All credit instruments therefore have potential for default. Higher yielding securities are more likely to default.

5. Real estate risk

Cost of acquisition and disposal, taxation, planning, legal, compliance and other factors can materially impact real estate valuation.

Jargon Buster

Absolute Return

An investment strategy that seeks to generate a positive return as a percentage of money invested rather than relative to an index or benchmark.

Active Management

A style of investment management that makes specific investment decisions which aim to outperform an index or benchmark.

Alternative Weighting Scheme

A passive index constructed using anything other than market capitalisation. Alternative weighting schemes or smart beta emphasizes weighting schemes based on fundamentals or market inefficiencies.

Annual Management Charge (AMC)

The fixed management fee paid to the fund manager for managing the fund.

Asset Allocation

Some funds invest in a range of different asset classes, such as company shares, bonds and property. The allocation of funds to different assets is decided by the fund manager within the broad objectives of the fund.

Benchmark

A standard against which the performance of a fund is measured. Funds usually choose an index to be the performance benchmark and the index will match the region or sector the fund invests in. For example, a fund investing in companies listed on the FTSE 100 will often use the FTSE 100 Index as a benchmark.

Collective Investments

Each of the HSBC World Selection Portfolios is a type of pooled investment. This means that the contributions from many different investors are pooled together to form a fund which is then managed on the same basis for all individual investors holding shares in the fund.

Commodities

Commodities are raw materials such as food, grains, and metals, which a fund manager is able to buy or sell, usually through futures contracts which are agreements to buy or sell at an agreed upon price on a specific date. The price of a commodity is subject to supply and demand.

Corporate Bond

A bond issued by a company to raise money. In return for lending the company money the investor will receive interest payments (coupon) plus the return of the original investment when the bond matures.

Derivatives

Unlike stocks and bonds, a derivative is usually a contract rather than an asset. Its value is determined by fluctuations in the underlying asset. Futures and options are two commonly traded types of derivatives. An options contract gives the owner the right to buy or sell an asset at a set price on or before a given date. On the other hand, the owner of a futures contract is obligated to buy or sell the asset.

Diversification

A method by which a fund's investments are spread, for example, across different types of investments and countries. By doing so the fund's volatility can be minimised by the impact of a loss to any one investment being reduced by the rise of another.

Dividend

A financial distribution made by a company to its shareholders, often in the form of cash. Whether a company pays a dividend and the size of the payment is usually determined by the size of the company's profits.

Emerging Market Debt

Bonds issued by emerging market governments or corporates. Hard currency debt refers to emerging market bonds denominated in a so called 'hard currency', typically US dollars. Local currency debt refers to emerging market bonds issued in emerging market currencies.

Equities/Shares

A share is a stake in the company that has issued it. Equities is another name for shares. The value of the shares will depend on a number of factors including how well the company is performing financially.

Exchange Rate

The price of one country's currency expressed in another country's currency. In other words, the rate at which one currency can be exchanged for another.

Fixed Interest

Usually used to refer to a bond where the interest is calculated as a fixed percentage of the original amount of money borrowed.

Fund

A fund pools together the money from many individuals enabling a fund manager to invest all the money in the same way. Exactly what the fund manager buys depends on the investment objective of the fund.

Fund of Funds

A Fund of Funds is a fund which invests in other funds rather than investing directly in company shares (equities), bonds or other securities. The HSBC World Selection Portfolios are managed on a Fund of Funds basis.

Government Bond or Gilt

A loan to a national government in return for which the fund receives regular payments, (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date. Gilts are loans to the UK government.

High Yield Bonds

Bonds issued by companies of lower credit quality. These companies are more likely to default but provide a higher yield than investment grade (higher credit quality) bonds.

Inflation

The rate of increase in the price of goods and services as measured by the Consumer Price Index (CPI) or Retail Price Index (RPI). RPI and CPI both measure movement in the average price of a shopping basket of goods and services as a way of gauging price inflation. RPI includes certain items that are not part of the Consumer Price Index (CPI), including council tax and mortgage interest payments.

Money Market Instruments

A term that includes various instruments, such as deposits, commercial paper and floating rate notes (FRN). These instruments, or types of investment, typically have very short term maturity dates and are used by institutions and the government to manage short term cash needs.

Ongoing Charges Figure (OCF)

The ongoing charges figure is a measure of what it costs you to invest in a fund on an ongoing basis. It is made up of the annual management charge (AMC) and other costs incurred in running a fund, such as custodian, auditor and regulatory, and which are paid directly out of the fund – these are also known as additional fund expenses. The total ongoing charge figure also includes the costs of buying and selling (or trading) the stocks in which a fund invests.

Passive Management

A passive approach to investment management where a fund tracks a specific index or set of indices, such as the FTSE All-Share Index or the S&P 500. The fund manager invests in accordance with a pre-determined strategy that does not involve any forecasting. Includes index tracker funds and ETFs.

Portfolio

Whereas a fund typically invests in shares, bonds and money market instruments, the HSBC World Selection Portfolios invest in a range of funds selected by the fund manager.

Real Terms

Real value removes the effects of inflation. The effect of inflation is the biggest factor in expressing a real value. For example, inflationary effects will mean that in real terms £1 today will be worth less, and have a lower purchasing power, in the future.

Security/Securities

A term used to describe stocks, shares and bonds.

Stock Market

A place where stocks and shares are bought and sold, for instance the London Stock Exchange.


Tracker Funds

An Index Tracker aims to replicate the returns of a given index as closely as possible, by investing in financial instruments that will closely replicate the characteristics of the given index. An Index Tracker fund may not exactly replicate an index for a number of reasons, including:

- ▶ Charges will have an impact on the performance of tracker funds
- ▶ It may not be economic for a fund manager to purchase shares in a particular territory and the manager may choose to gain exposure to a region of the world through a specialised financial instrument
- ▶ The effect of dividend payments are normally reflected immediately in the index and often some weeks later in a tracker fund

Volatility

Volatility is a measure of how much a fund or security's price goes up or down as a percentage of its total value. For example the price of a money market fund will typically change very little from day to day and has low volatility. A fund investing in shares is exposed to stock market variations and has a higher volatility. The higher the volatility of a fund, then generally the greater the investment risk.



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