HSBC World Selection Portfolios

The smart way to
diversify your investments

HSBC

Diversification
at the heart of the HSBC World Selection range

At HSBC we believe a multi-asset approach is important when creating a sound financial strategy.

HSBC World Selection is our flagship fund range, designed for investors seeking portfolio diversification through one single investment.

Through this single investment you can gain access to equity and bond markets as well as alternative markets when our asset allocation views allow. Also, you may reduce fluctuations in your portfolio value, because as one asset drops it will be offset by another asset rising.

Therefore, compared with a single asset investment, the range of funds aims to provide improved risk-adjusted returns through broad diversification across many different asset classes, regions and currencies.

International presence in the world's financial markets enables us to offer the HSBC World Selection Portfolios.

You will benefit from the experience of our investment teams and the diverse geographic locations in which they are working to take advantage of opportunities in the financial markets.

Why a multi-asset approach is important

It is impossible to predict asset class performance in the short term. The table below shows that a single asset class can be both the best and worst performer within a very short period of time. In other words, if an investment is made in only one asset class the investment outcome is more unpredictable. The unpredictable nature of a single asset class investment also makes it difficult to time the correct entry point into an asset class.

A diversified investment approach is less reliant on the point of entry or timing of the investment. Furthermore, it also smoothes the overall investment journey, as different asset classes usually do not display the exact same return behaviour.

Through HSBC World Selection, we offer a range of broadly diversified funds with varying risk profiles.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Best performing asset class in year %	37.96	34.54	42.35	39.82	14.21	79.02	20.40	9.98	28.65	27.37
	25.95	15.35	32.55	18.11	10.89	60.62	19.20	8.14	18.77	7.06
	22.97	11.97	20.65	10.95	3.48	38.26	15.68	6.35	18.63	4.39
	15.25	10.02	15.22	9.57	-4.52	30.79	15.21	5.16	18.32	0.28
	11.80	6.27	11.66	9.09	-5.22	27.24	12.50	3.14	16.76	0.05
	11.42	3.39	10.54	6.38	-10.19	21.98	12.34	0.32	16.54	-2.27
	10.35	3.18	6.12	5.60	-27.10	16.00	7.41	-1.75	10.79	-3.38
	5.75	3.13	5.24	2.65	-40.33	2.55	6.03	-5.02	2.10	-4.00
	3.47	2.70	3.12	1.60	-47.72	0.80	5.17	-5.82	1.65	-5.79
Worst performing asset class in year %	1.48	-6.88	2.62	-6.96	-53.18	-3.81	0.34	-18.17	0.46	-8.98

Global investment grade credit
Developed equities
Emerging equities
Global government bonds
US government bonds
Property
Cash
Global high yield credit
Hard Currency Emerging Market Debt (EMD)
Local Currency EMD

The asset classes shown are for illustration purposes only and do not represent the World Selection funds. Past performance is not an indication of future returns

Source: Bloomberg, Datastream, data as at 31 December 2013. All returns in index base currency, total return.

Indices to represent each asset class shown are: 3 month USD LIBOR (Cash), BofA Merrill Lynch Global Corporate Index (Global Investment Grade Credit), MSCI World USD (Developed Market Equities), MSCI EM USD (Emerging Market Equities), Citigroup WGBI All Mat USD (Global Government Bonds), Bloomberg/EFFAS US Government All>1 Year (US Government Bonds), FTSE EPRA NAREIT Dev USD (Property), BofA Merrill Lynch Global High Yield Index (Global High Yield Credit), BofA Merrill Lynch US Dollar Emerging Markets Sovereign Plus Index (Hard Currency EMD), JPM GBI-EM Global Diversified Composite Unhedged USD (Local Currency EMD).

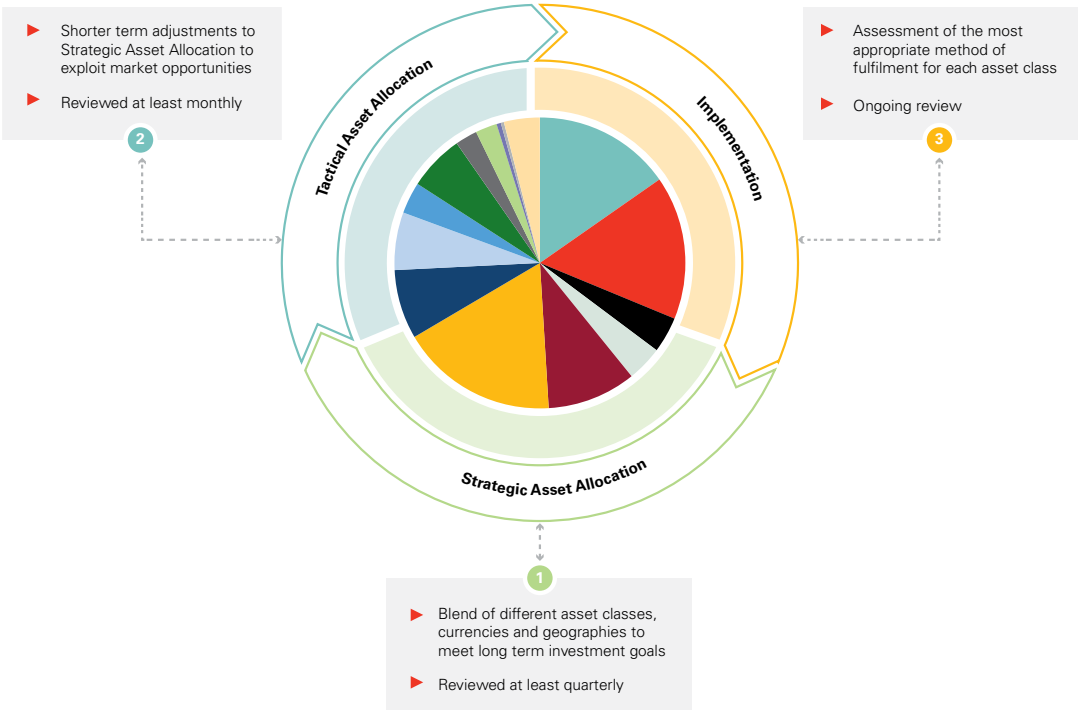
The investment process

To achieve its objective, the HSBC World Selection Portfolios fund range uses a structured investment process designed for long-term investment aims. It also has the ability to take advantage of short-term market opportunities.

1 **Strategic Asset Allocation (SAA)** - a blend of different asset classes, geographies and currencies that form the foundation of a portfolio designed for long-term investment. World Selection's Strategic Asset Allocation is reviewed on a quarterly basis to ensure each of the Portfolios remains in line with its long-term risk profile and the customer's risk appetite is not compromised.

2 **Tactical Asset Allocation (TAA)** - shorter term adjustments to the Strategic Asset Allocation to reflect our shorter term market views. Through these deviations from the long-term target weights we aim to take advantage of opportunities in the financial markets. We are also able to reduce exposure to asset classes should they not be in our favour. World Selection's Tactical Asset Allocation is formally reviewed on at least a monthly basis under normal market conditions. In exceptional circumstances, such as economic or political crises, more frequent reviews are conducted.

3 **Implementation of Asset Allocation** - assessment of the most appropriate methods to fulfill the asset allocation. These may include passively managed funds, such as Exchange Traded Funds (ETFs) and index trackers, as well as actively managed funds. Our primary focus when identifying the appropriate fulfilment vehicle is on delivering the most cost efficient approach to implementing World Selection's investment objective.



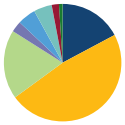
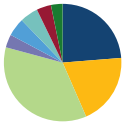
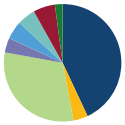
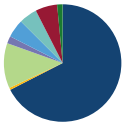
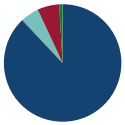
The five funds in the range

The HSBC World Selection Portfolios fund range* consists of 5 funds. Each fund has a different risk level designed to match different appetites to risk, ranging from cautious investors to those who are prepared to accept more risk.

World Selection Portfolios have a recommended minimum investment period of five years, except World Selection Portfolio 1 which has a recommended minimum investment period of three years.

The HSBC World Selection Portfolios each hold a mix of various different asset classes aiming to provide, over the long term, improved risk-adjusted returns relative to a single asset class investment.

The charts below illustrate how assets could be allocated within the fund range. Please refer to the fund fact sheets for an up to date guide.

	Asset allocation	Recommended minimum investment period	Risk and reward profile
HSBC World Selection Portfolio 1		3 Years	Lower Risk
HSBC World Selection Portfolio 2		5 Years	Typically lower long term rewards
HSBC World Selection Portfolio 3		5 Years	
HSBC World Selection Portfolio 4		5 Years	Typically higher long term rewards
HSBC World Selection Portfolio 5		5 Years	Higher Risk

- Global Equity
- Global Government Bonds
- Global Investment Grade Bonds
- Global High Yield Bonds
- Emerging Market Debt - Hard Currency
- Emerging Market Debt - Local Currency
- Property
- Cash

Source: HSBC Global Asset Mangement, data at 31 August 2014.

*In Bermuda, the HSBC World Selection Portfolios fund range are offered as share classes of the HSBC Managed Portfolios Limited.

World Selection's key benefits

1 **A range of investment products tailored to match different risk appetites.**
World Selection is a one-stop solution to meet your investment needs. Each fund has a different risk level designed to match different appetites ranging from cautious to higher risk.

2 **Aiming for improved risk-adjusted returns, relative to a single asset class investment.**
World Selection Portfolios aim to provide improved returns relative to an investment in a single asset class, but also aim to smooth the investment journey by avoiding the higher chance of volatility associated with investment in a single asset class.

3 **Diversification across different asset classes, currencies and geographies.**
Through investment in World Selection you can gain access to global equity, bond markets and also alternative markets when our asset allocation views allow, in different currencies and geographies.

4 **Following a highly robust three-step investment process of Strategic Asset Allocation, Tactical Asset Allocation and Implementation.**
World Selection's investment process ensures each portfolio remains in line with its long term risk budget. Shorter term market opportunities are exploited through Tactical Asset Allocation, and for Asset Allocation Implementation we use the most appropriate and cost efficient fulfilment method.

5 **A cost-efficient implementation approach.**
World Selection Portfolios' fulfilment strategy has a strong focus on cost efficient investment options which has a direct impact on the net investment outcome.

World Selection's key risks

HSBC World Selection Portfolios are monitored continuously by our investment managers to ensure the funds deliver to the investment objective of the funds as set out in the fund prospectus. The key types of risk associated with HSBC World Selection Portfolios asset allocations are as follows:

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 perspective 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.

For further information about risks and charges associated with World Selection Funds, please refer to the HSBC Managed Portfolios Limited prospectus on **www.hsbc.bm/worldselection**.

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