

HSBC Managed Growth Fund

Share Class P

31 Dec 2018

Fund Objective and Strategy

The objective of the Fund is to achieve long-term capital growth by investing in a diversified portfolio with a bias towards global equities through direct investment and/or other collective investment schemes that the Fund may invest in.

Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹	Vol ²	S.R. ³
P	-11.65	-4.38	-9.76	-11.65	18.98	15.46	16.33	0.15

Calendar Year Performance (%) ⁴	2014	2015	2016	2017	2018
P	0.96	-3.88	4.79	28.52	-11.65

Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, NAV to NAV basis with dividend reinvested, net of fees. If investment performance is not denominated in HKD or USD, HKD or USD based investors are exposed to exchange rate fluctuations.

Source: HSBC Global Asset Management, data as at 31 December 2018

Risk Disclosure

HSBC Managed Growth Fund Risk: • The Fund invests mainly in global equities and bonds, with a bias towards equities. The Fund may get the exposure through direct investments and/or collective investment schemes.

- The Fund needs to bear the underlying funds' fees and expenses on top of the Fund's own fees and expenses.
- Because the Fund's base currency, investments and classes may be denominated in different currencies, investors may be affected adversely by exchange controls and exchange rate fluctuations.
- The Fund may invest in financial derivative instruments for investment purpose which may lead to higher volatility to its net asset value.
- The Fund's investments may involve substantial credit, currency, volatility, liquidity, interest rate, tax and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Unit trusts are NOT equivalent to time deposits. Investors should not invest in the Fund solely based on the information provided in this document and should read the offering document of the Fund for details.

Share Class Details	
UCITS V Compliant	No
Distribution Type	Accumulating
Dealing Frequency	Daily
Min. Initial Investment	HKD 10,000
Max. Initial Charge	3.00%
Management Fee	0.75%
Base Currency	HKD
Domicile	Cayman Islands
ISIN	KYG464691883
Inception Date	01 Apr 1997
NAV per Share	HKD 25.32
Fund Size	HKD 1,675,491,600
Bloomberg Ticker	HSBMNGP KY
Manager	Jessica Cheung

¹Result is cumulative when calculation period is over one year.

²Volatility since inception, a measure of how much a fund's price goes up or down as a percentage of its average performance.

³Sharpe ratio since inception, a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations.

⁴The calendar year return of the first year is calculated between share class inception date and calendar year end of first year if the share class has less than 5-year history.

Fund change that may have material impact on performance: 1 Jul 2017 - trustee fee reduced. 29 Aug 2017- investment objective and policy changed, Investment Sub-Adviser removed. 9 Apr 2018 - investment objectives and policies changed. 16 Nov 2018 - Change in the manner of charging preliminary charge / switching fee.



Monthly Performance Commentary

Market Review

Markets saw high volatility in December, as concerns have grown that the global economy may be in the early stages of a slowdown. Equity prices fell, by 7.71% for the MSCI World Index and 3.01% for the MSCI Asia Pacific ex Japan index. An important market driver has been the actions of the US central bank and the extensive commentary surrounding them. A number of high profile figures, most importantly the US President, have been highly vocal in criticizing the Fed for raising interest rates, which they did in December. The effect of this commentary appears to be to raise fears that the central bank may be making a mistake which will harm the US, and therefore global, economy. By making the assertion, commentators draw attention to the risk, and possibly exacerbate the situation.

Bond markets performed well in December. With equity markets generally selling off government bonds received inflows from investors looking for a safe haven, allowing global government bonds to deliver a return of 1.68% on a currency hedged basis. Asian USD bonds performed slightly less well with the Markit iBoxx USD Asia ex Japan Investment Grade index returning 1.39% and the non-investment grade equivalent 1.09%. In currency markets the US dollar weakened against most major currencies while Asian currencies were mixed, the important Chinese renminbi rising by over 1% against the dollar during the month.

Fund Performance

The fund ended the month in the negative territory mainly contributed by the negative performance in equity markets. The global equities sleeve in the portfolio returned negatively. A strong rally early in the month following a positive outcome in the G20 meeting was soon tempered by the ongoing yield curve inversion and fears that the current positive economic cycle is nearing its end. On the contrary, bond markets performed well over the month and returned positively, offsetting part of the negative performance. With the fall in US treasury yields as well as the equity markets sell off, Asian credits and global government bonds returned favorably. The fund outperformed its benchmark with asset allocation being negative and stock selection being positive. Our overweight in Japanese equities detracted in value and our stock selection in global equities added value.

Outlook

The mood at the start of 2019 is rather pessimistic. Fears that the two largest economies in the world are struggling to maintain previous growth rates are being exacerbated by the ongoing trade war and concern that policy makers are not doing enough to support growth. The fact that markets delivered negative returns last year even though economic fundamentals and company earnings were strong suggests that markets are being driven by other factors, in particular by a lack of liquidity as the large US budget deficit and balance sheet run off draws capital to the US Treasury bond market. On top of all that there are political concerns in many countries, not least the US where the government is partially shut down.

Against this negative mood valuations have improved in recent months. Bond yields in many markets, including the key USD ones, have risen, so that investors can earn a reasonable yield without taking excessive risk. In corporate bonds the extra yield available over government bonds has also expanded in recent months. In equities the price declines of recent months, at a time when company earnings have been rising, have significantly improved valuations and therefore long term expected returns. As long as the economic background does not deteriorate significantly, these attractive valuations should begin to drive markets.

Asset Allocation (%)	Actual	Target	Strategic	Overweight/Underweight between Target & Strategic Asset Allocation
Hong Kong Equity	29.22	30.00	30.00	0.00
North America Equity	16.89	18.00	18.00	0.00
Japanese Equity	14.25	15.00	12.00	3.00
European Equity	18.21	18.00	18.00	0.00
Asia Pacific ex Japan, HK & China Equity	11.91	12.00	12.00	0.00
Global Equity	0.05	-2.00	0.00	-2.00
Global Government Bond	0.00	0.00	7.00	-7.00
Asian Corporate Bond	7.32	7.00	0.00	7.00
Liquidity	2.15	2.00	3.00	-1.00

The strategic allocation is the portfolio's reference or neutral allocation set by HSBC Global Asset Management. The management team also adjusts target exposure higher (overweight) or lower (underweight) to an asset type - relative to the strategic asset allocation - depending on the team's current market outlook. Positive values (overweights) in the chart reflect asset types the portfolio management team have a positive outlook on. Negative values (underweights) reflect asset types the portfolio management team have a negative outlook on. The actual exposure is a screen shot of the portfolio at the end of the month based on market value in each asset type.

Top 10 Holdings (%)	
Tencent Holdings Ltd	2.99
HSBC Holdings Plc Mar19	2.61
AIA Group Ltd	1.77
China Construction Bank	1.36
Industrial & Commercial Bank Of China	1.02
China Mobile Ltd	0.91
Ping An Insurance Co Ltd	0.82
Taiwan Semiconductor Mfg	0.64
HONG KONG EXCHANGES & CLEAR	0.62
BANK OF CHINA	0.61

Source: HSBC Global Asset Management, data as at 31 December 2018

Important Information

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Supplement Information Sheet

31 Dec 2018

Share Class	Base Currency	Distribution Frequency	Dividend ex-date	Dividend Amount	Annualised Yield (Distribution is not guaranteed and may be paid out of capital)
P	HKD	-	-	-	-
A	HKD	Annually	31 Jul 2018	0.185708	0.80%

The above table cites the last dividend paid within the last 12 months only.

Dividend is not guaranteed and may be paid out of capital, which will result in capital erosion and reduction in net asset value. A positive distribution yield does not imply a positive return. Past payout yields and payments do not represent future payout yields and payments. Historical payments may be comprised of both distributed income and capital.

The calculation method of annualised yield: $(\text{dividend value} / \text{NAV per share or unit as of ex-dividend date}) \times n$, n depends on the distributing frequency. Annually distribution is 1; semi-annually distribution is 2; quarterly distribution is 4; monthly distribution is 12.

The annualised dividend yield is calculated based on the dividend distribution on the relevant date with dividend reinvested, and may be higher or lower than the actual annual dividend yield.