



HSBC World Selection Portfolios
The smart way to diversify your
customers' investments



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A smart way to invest

Through investment in HSBC World Selection, customers can gain access to global equity, bond markets and also alternative markets when our asset allocation views allow, in different currencies and geographies.

- a highly diversified fund which aims to deliver the best possible risk-adjusted return
- the combined knowledge of a global network of local investment experts
- the confidence that your chosen fund is working hard for you thanks to daily monitoring
- different asset classes which would not normally be available to personal investors

Choosing the right time to invest

Most decisions involve a trade off between opportunities and potential risks.

The problem with saving

With interest rates at an all-time low, saving is not as attractive as it used to be. And when you take into account how inflation can eat into your money, you need to think about how you can maintain its purchasing power over the long-term. In a savings account, your capital might be protected but chances are it won't buy as much in ten years' time as it will today. And as you look further ahead to your retirement years, the impact of inflation on your savings could become even more significant.

The alternative

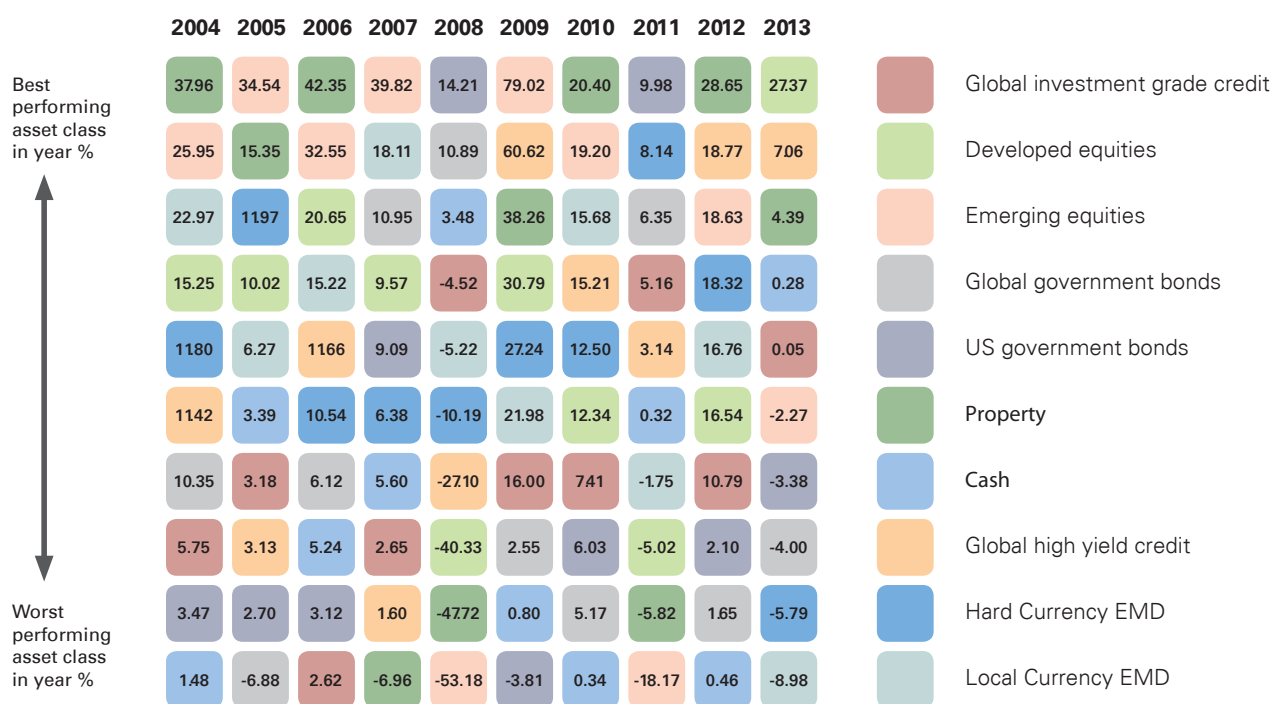
If you have some money that you can leave aside for three years or more, then one route to potential growth could be to invest it. Investing could bring a much greater potential for growth than saving, but carries with it the risk that you could get back less than you invested. Saving and investing your money both have their place in a financial strategy and an HSBC Premier Relationship Manager or a Financial Planning Officer can help you formulate this strategy.

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 customers a range of broadly diversified funds with varying risk profiles.



The asset classes shown are for illustration purposes only and do not represent the HSBC 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).





How is HSBC World Selection managed?

The science behind the investment

A technique known as strategic asset allocation (SAA) means having the sufficient range of asset classes to optimise the risk-adjusted return over the long term. Through a rigorous investment process we put the theory of diversification into practice.

We begin by deciding on the overall structure of each of the HSBC World Selection funds and what proportion to invest in each of the different types of investments available, so as to achieve optimal diversification for a given level of risk.

We choose which investments to buy, in which geographies and sectors, and in what combination. The aim is to focus on those investments which offer appropriate rewards, for an acceptable level of risk.

We also look to take advantage of short-term market movements, mispricings or anomalies by altering our weighting within the asset classes we hold.

This is called tactical asset allocation (TAA) and allows portfolio managers to create extra value by taking advantage of certain situations in the marketplace.

Through one single investment (i.e. HSBC World Selection) customers can gain access to equity and bond markets as well as alternative markets when our asset allocation views allow. Also, by offsetting falls in the value of one asset with rises in that of another the customers' exposure to market fluctuations should be smoothed.



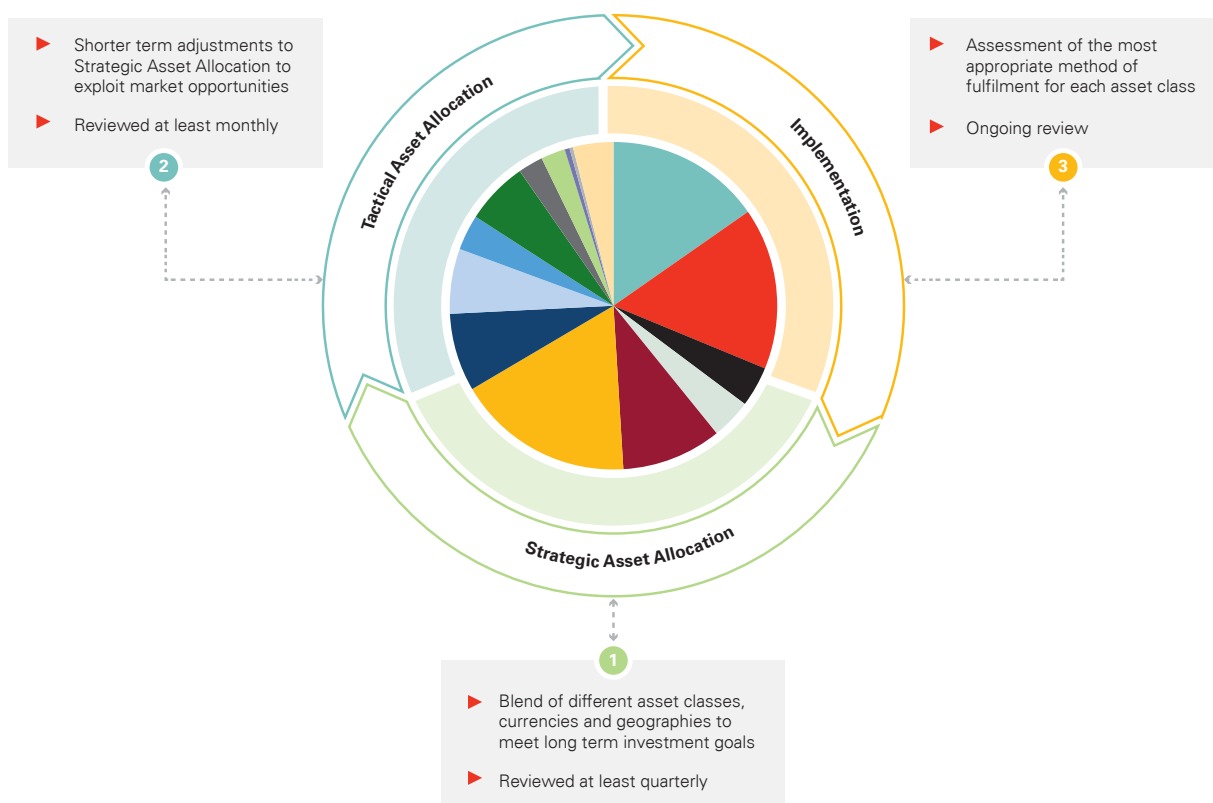
The investment process

To achieve its objective, the HSBC World Selection fund range currently 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** – a blend of different asset classes, geographies and currencies that form the foundation of a portfolio designed for long-term investment. HSBC World Selection 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** – 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. HSBC 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 ETFs and index trackers, as well as actively managed funds. There may also be direct securities holdings. Our primary focus when identifying the appropriate fulfilment vehicle is on delivering the most cost efficient approach to implementing HSBC World Selection’s investment objective.





What are the advantages of our approach?

- HSBC World Selection is our flagship fund range, designed for investors seeking portfolio diversification through one single investment.
- 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.
- You can gain access to investment types often reserved for institutional investors.
- HSBC World Selection fulfilment strategy has a strong focus on cost efficient investment options which has a direct impact on the net investment outcome for the customer.

The five funds in the range

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

HSBC World Selection have a recommended minimum investment period of five years, except HSBC World

Selection 1 which has a recommended minimum investment period of three years.

The HSBC World Selection 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.

	Asset allocation	Recommended minimum investment period	Risk and reward profile
HSBC Portfolios World Selection 1		3 Years	Lower Risk
HSBC Portfolios World Selection 2		5 Years	<p>Typically lower long term rewards</p> <p>Typically higher long term rewards</p>
HSBC Portfolios World Selection 3		5 Years	
HSBC Portfolios World Selection 4		5 Years	
HSBC Portfolios World Selection 5		5 Years	

- US Equity
- Global Aggregate Bonds (hedged in USD)
- Commodity
- Europe Equity (hedged in USD)
- Global High Yield Bonds
- Private Equity
- Japan Equity (hedged in USD)
- GEM Debt - Hard Currency
- Hedge Fund
- Asia Pacific ex Japan Equity
- GEM Debt - Local Currency
- Absolute Return
- Emerging Markets Equity
- Property
- Liquidity / Cash

Source: HSBC Global Asset Management, data at 31/01/2014



Further information

Minimum investment amounts

The minimum initial investment is USD5,000/€5,000/GBP5,000. The minimum subsequent investment is of USD1,000/€1,000/GBP1,000. (A Share Class)

Charges

There are 2 sets of charges as follows:

1. Directly to the investor

- Subscription charge: up to 4.17% of the net asset value per share currently discounted to 2.25%
- Conversion charge: up to 1.00% of the value of the shares which are being converted
- Redemption charge - none

2. Directly to the funds

- Management Fee: up to 1.30% of the net asset value
- Operating, Administration and Servicing Expenses: 0.25% of the net asset value

Further details of the charging structure are set out in the Prospectus.

Taxation

General

Maltese income tax is charged on income (including capital gains) of persons having both Maltese domicile and ordinary residence (hereinafter "Maltese resident investors"). Non-Maltese resident investors are taxable on income (including capital gains) arising in Malta and on income received in Malta.

In general, the income tax rate for income (including dividends) and capital gains currently stands at 35% for companies and vary between 0% and 35% for other persons.

Shareholders in the Funds

1. Shareholders (both individual and corporate) who are resident in Malta for tax purposes and who are in receipt of dividends from the Funds should declare such income, which is chargeable to tax in accordance with the provisions of the Malta Income Tax Act.
2. Any dividends distributed to, or capital gains realised by, a Maltese resident investor qualify for a 15% final withholding tax when the investor opts to have those dividends or capital gains paid to him/her through the services of an authorised financial intermediary licensed under Maltese law.

Where dividend or redemption payments are not made through a licensed authorised financial intermediary, then the Maltese resident investor is obliged to declare such dividends or capital gains on his/her tax return, and to pay Maltese tax at the person's applicable rates of tax.
3. Investors who are not domiciled and not ordinarily resident in Malta are not subject to Maltese tax as long as dividends payable to them by the Fund or capital gains realised by them upon a redemption or transfer of Shares are not received by them in Malta.

Taxation on the Funds' income, realised gains etc. from foreign securities

Investors should note that capital gains, dividends, interest and any other income from foreign securities held by the Company may be subject to tax imposed by the Country of Origin concerned and such taxes may not be recoverable by the Company or its Investors.

Investors should also read that section of the Prospectus relating to foreign tax consequences which includes details regarding EU tax considerations for individuals resident in the EU or in certain third countries or dependant or associated territories as adopted by EU Council Directive 2003/48/EC on Taxation of Savings Income.

This information does not constitute legal or tax advice and refers to investors who do not deal in securities in the course of their normal trading activity.

This information is based on tax law and practice as at the date of this brochure. Investors are reminded that tax law and practice may change from time to time.

Important notes

This brochure does not constitute investment advice and if you have doubts about the suitability of this investment, you should consult your Financial Planning Manager, who will help you make a decision based on your individual circumstances and investment objectives.

Distributor

HSBC Global Asset Management (Malta) Ltd is the appointed local distributor. The funds are sold in Malta through the Wealth Management Unit of HSBC Bank Malta p.l.c.

Specific nature of a Fund of Funds

Prospective investors should be aware of the specific features of a fund of funds and the consequences of investing in Collective Investment Schemes. Although the Company will seek to monitor investments and trading activities of the Collective Investment Schemes to which assets will be allocated, investment decisions are made at the level of such Investment Funds and it is possible that the managers of such Collective Investment Schemes will take positions or engage in transactions in the same securities or in issues of the same asset class, industry or country or currency at the same time. Consequently there is a possibility that one Collective Investment Scheme may purchase an asset at about the same time as another Collective Investment Scheme may sell it.

There can be no assurance that the selection of the managers of the Collective Investment Schemes will result in an effective diversification of investment styles and that positions taken by the underlying Collective Investment Schemes will always be consistent.

The selection of Collective Investment Schemes will be made in a manner to secure the opportunity to have the shares or units in such Collective Investment Schemes redeemed within a reasonable time frame. There is, however, no assurance that the liquidity of the Collective Investment Schemes will always be sufficient to meet redemption requests as and when made.

Additional risks

Prospective investors should be aware that the nature of the Portfolio's assets allocation is such that it is exposed to additional risks. Please refer to the Prospectus for general risk factors, and to the Simplified Prospectus for specific risk factors.

Past performance of investments is not necessarily a guide to future performance and the value of investments and of the currency in which they are denominated can go down as well as up and investors may not always get back their initial investment. In particular, deduction of the initial charge means that if investors withdraw from the investment in the short term they may not get back the amount they invested. An investment in a fund is to be considered as a medium to long term investment.

HSBC Portfolios is incorporated in Luxembourg and is authorised by the Commission De Surveillance Du Secteur Financier (CSSF).

Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in established markets.

The World Selection Portfolios are marketed in Malta in terms of the Directive on Undertakings for Collective Investment Schemes in Transferable Securities (UCITs).

The shares in HSBC Portfolios have not been and will not be offered for sale or sold in the United States of America, its territories or possessions and all areas subject to its jurisdiction, or to United States Persons. All applications are made on the basis of the current HSBC Portfolios Prospectus and most recent annual and semi-annual reports (when available), which can be obtained upon request free of charge from HSBC Global Asset Management (Malta) Ltd. or HSBC Bank Malta p.l.c.

If you are unhappy in any way with the sale or marketing of the funds, please contact HSBC Bank Malta p.l.c. at Business Banking Centre, First Floor, Mill Street, Qormi QRM 3101 which is licensed to conduct Investment Services business by the Malta Financial Services Authority. We will endeavour to resolve your concerns within a two week period. However, if your concerns are not settled to your satisfaction you may contact the Malta Financial Services Authority.

Approved and issued by HSBC Global Asset Management (Malta) Limited

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