

# Our Exchange Traded Funds (ETFs)

Designed for a world in transition

July 2021

For Professional Clients only



HSBC ETFs AUM

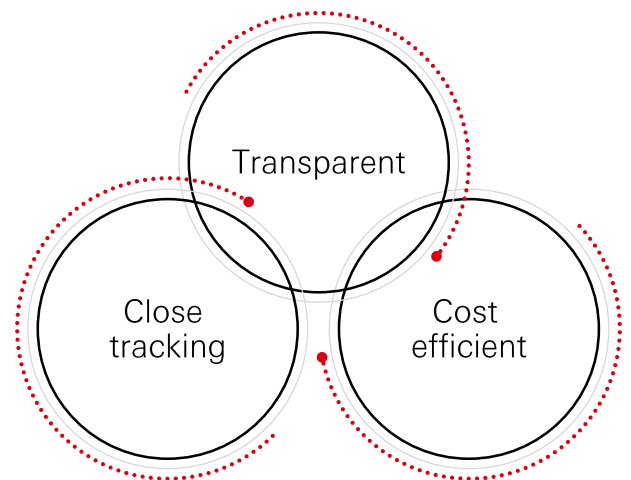
USD17.1bn

## HSBC Exchange Traded Funds

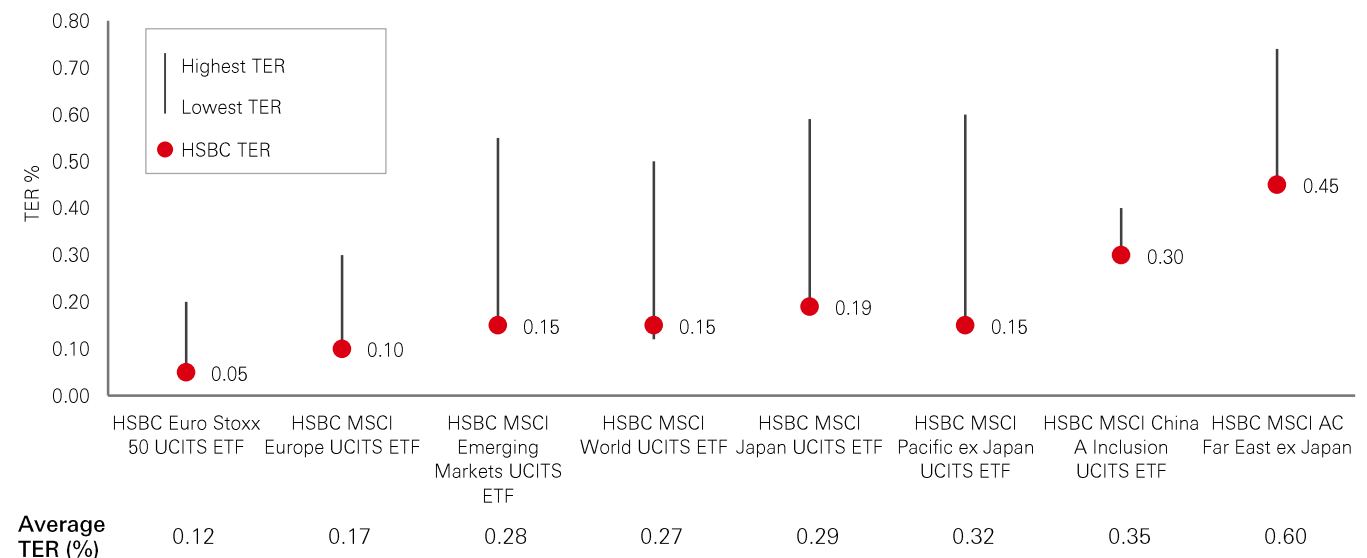
Our comprehensive range of 35 ETFs offers our clients access to developed and emerging equity markets at global, regional and country levels. We are recognised as experts in emerging markets, underpinned by our footprint, our local market knowledge and access through our global network. This has allowed us to develop a successful broad emerging market ETF range to sit alongside our developed market products. This combined offering allows investors to access global equity markets and manage global investment portfolios.

## Cost efficiency in practice

At the heart of our investment process is managing minimum tracking error budgets, while minimising the funds execution costs. We have a proven track record in providing competitively priced market access solutions; supported by our dedicated portfolio management teams, our investment in the latest trading technology and a dedicated global equity trading team.



We recognise that the cost of investing is one of the main drivers when selecting an ETF. As such, our range of products offers investors an easy access to different markets through competitive TERs, mostly below market average<sup>1</sup>.



1. Market average has been computed by looking at the TER of the largest Europe-domiciled ETFs tracking the same benchmark. Source: Bloomberg and HSBC Asset Management, as at end of June 2021. Any differences are due to rounding.



**Targeted product offering**

Core index capabilities covering a large variety of markets



**Competitive pricing**

The ability to offer competitive TER/OCF across our ETF range



**Track record and performance**

A strong history of low tracking error drawn from our deep experience in index based investing



**On-the-ground expertise**

Specialised Sales, Capital Markets and Strategy teams

**Why HSBC ETFs?**

In-depth analysis of portfolio universe

Robust technology and support infrastructure

Rigorous risk monitoring

**Robust investment process**



Robust in-house systems designed to support efficient investment processes

**Proprietary resources**



Fully transparent with physical replication, no securities lending

All constituents online

**Transparency**



Quoted continuously throughout the day on European exchanges

Market-making commitments for all products

**Liquidity and accessibility**



**Past performance should not be seen as an indication of future returns.**

Source: HSBC Asset Management. For illustrative purposes only.

## Expertise in index and systematic equity

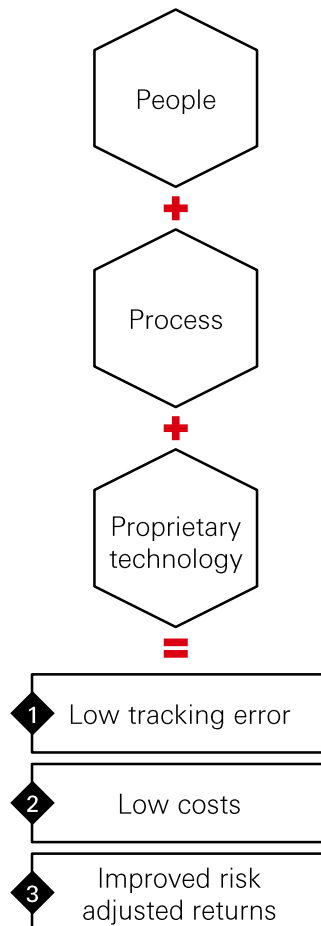
We have successfully managed index funds for external clients since 1988, with dedicated portfolio management teams across global markets leveraging our infrastructure and expertise. We currently manage USD 89.3 billion in passive and systematic equity strategies. Our ETF solutions are built on our strong index tracking heritage, integrated platform and disciplined process.

## A distinctive approach

We take a pragmatic approach to managing ETFs with two equally important objectives: close tracking and minimising costs.

This dual objective is achieved through our experienced teams, our disciplined and diligent processes and our development of robust tools integrated across our global network.

This value-added approach to managing passive funds has enabled us to produce returns that closely mirror the index within target tracking tolerances.

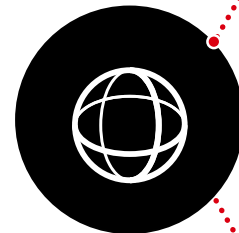
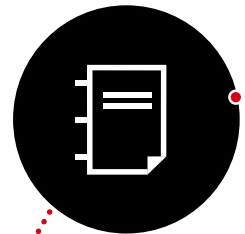


# 30+ years

experience managing  
passive and systematic  
equity portfolios

## The strength of our capability

ESG considerations and  
banned weapons  
stock screening  
across all portfolios



Dedicated  
global  
trading team

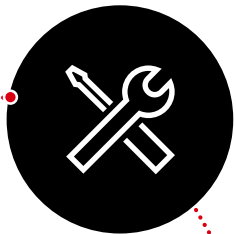
Large investments in  
the latest management  
and execution  
technology



# The Asset Management AWARDS 2020

## WINNER

PASSIVE MANAGER OF THE YEAR



Physical  
Replication

High tracking  
accuracy



Dedicated  
passive  
portfolio  
management,  
Sales, Capital  
Markets and  
Strategy teams



Past performance should not be seen  
as an indication of future returns.

## Strong index tracking heritage

### INDEX & ACTIVE SYSTEMATIC Strategies

Launched our first UK index fund – American Index Fund  
1989 – FTSE All Share Index Fund, HSBC European Index Fund, and, HSBC Japan Index Fund  
1994 – HSBC FTSE 100 Index Fund  
1997/1998 – HSBC FTSE 250 Index Fund, and HSBC Pacific Index Fund

1<sup>st</sup> Multi Factor Institutional mandate

Global Equities (MSCI ACWI based) strategy launched  
UK Mutual funds launched – US, UK and Japan country funds

2009 – listed our first ETFs on the LSE  
Launched 24 ETFs across developed and emerging markets  
2010 – cross listed our ETFs across France, Germany and Switzerland

Launch of our Fundamentally Weighted Strategies: Economic Scale Equity

Launch of UCITS Common Contractual Funds, based on our Economic Scale Equity Strategies – offering tax efficient, transparent cross border pooling

Launch Multi Factor strategies – Income, HGIF Global Lower Carbon Equity  
Launched two new Active ETFs – following our proprietary Active Systematic strategies

Launch of our new ICAV platform in Ireland to promote our passive funds cross border  
Launch of MSCI China A UCITS ETF

Launch of MSCI Saudi Arabia 20/35 Capped UCITS ETF  
Launch of new ICAV funds – Global Equity Index, US Equity Index and Multi Factor Worldwide Equity

Launch of HSBC Sustainable Equity ETF range  
Launch of HSBC Hang Seng TECH UCITS ETF

Launch of HSBC MSCI World Climate Paris Aligned UCITS ETF

1988 - 1998

2004

2006

2009 - 2011

2012

2015

2017

2018

2019

2020

2021

30 years of experience in index and quantitative equity management

2000

2012

2015

2016

2015

2015+

2016+

Launch of proprietary quantitative tools

2011

Establishment of Systematic Research team within HSBC Global Asset Management. Developing our active systematic model portfolios and building research and insights leveraged by our equity portfolio managers

Core research team  
Strategy, portfolio construction  
and research

Development of our industry leading Visualiser platform, a proprietary portfolio modelling, construction and risk analytics system – integrated across our global network

Portfolio modelling/  
construction

Launch of HSBC's proprietary portfolio and stock investment decision tool – TRAC – supporting our passive investment process to deliver improved and scalable execution

Portfolio/stock  
management

Roll out and further integration of PECMan, the proprietary Cash Management Investment Decision Tool – supporting our passive investment process

Cash management

Updates to our risk modelling – creation of proprietary tools and resources

Risk modelling

Use of trade optimisation techniques that improve risk / adjusted returns focusing on the equity market trading micro structure, with access to data and technology to enhance the process and fund risk adjusted returns

Trading/implementation

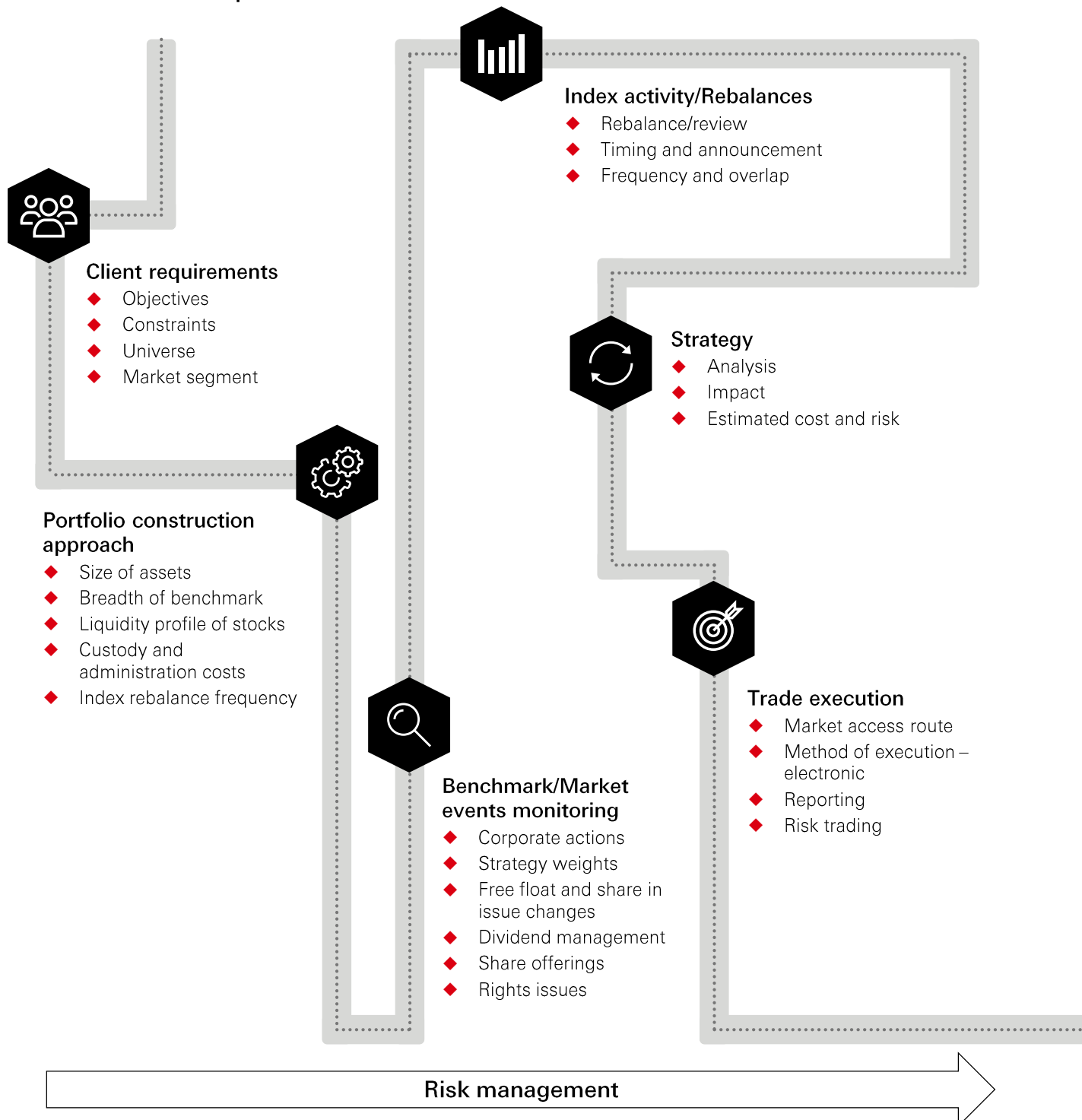
Proprietary projection of index changes by the HSBC Index Funds team

Index projections

Developing proprietary technology

Enhancements to our process

## Our ETF investment process



Source: HSBC Asset Management. Representative overview of the investment process, which may differ by product, client mandate or market condition.

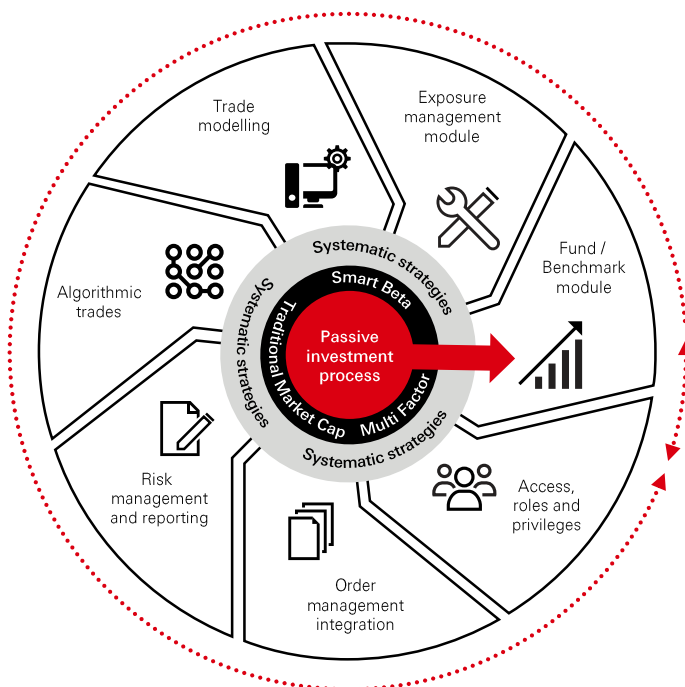


## Investing in proprietary technology

We invest continuously in advanced technology to support our investment process and seize opportunities for our clients as they emerge. Our leading proprietary technology ensures the efficiency and accuracy of information – supporting consistent tracking and fund performance. Our technological developments are integrated into our investment platform, providing:

- ◆ In-house proprietary trade algorithms and portfolio construction optimisation techniques,
- ◆ Direct feeds of large pools of data,
- ◆ Risk management coded and embedded across the platform at both pre and post-trade.

Our proprietary technology has been designed by our investment teams to meet their rigorous and robust requirements to ensure cost savings and better performance outcomes for our clients.



## Banned weapons screening: the benefit of doing the right thing

The Convention on Cluster Munitions (CCM) took effect in August 2010. However, differing implementation across countries has meant that laws around passive funds investing are not clear cut.

We have implemented a screening of banned weapons such as cluster munitions, anti-personnel mines, biological weapons, chemical weapons, non-detectable fragments, and blinding laser weapons across the entire active and passive ranges – excluding investments in issuers that are involved in these weapons.

- ◆ We believe the decision to expand the screening across all our equity investments is the right one, as:
- ◆ We aim to comply with the spirit and the letter of the law
- ◆ The screening currently has a minor performance/tracking impact
- ◆ The focus on this subject increases, companies still involved might choose to cease their involvement, reducing the need for screening



Closely Tracked,  
Minimised  
Execution Costs

## Physical replication and optimisation

Our passive equity funds benefit from our physical replication approach, where our portfolios are invested in the constituents of the underlying index and do not use synthetic instruments, such as swaps and other derivatives, to mirror index performance.

In cases where buying all the underlying securities is not cost-effective, physical funds can use an optimised method of portfolio construction and trade generation. The optimisation method purchases a representative proportion of securities in the underlying index, which is highly correlated to owning the entire index. Optimisation offers lower costs, especially in regards to broad indices that comprise a very large number of stocks, such as the MSCI Emerging Markets Index.

Source: HSBC Asset Management. Representative overview of the investment process, which may differ by product, client mandate or market condition.



## Considered implementation

Through considered implementation, we aim to find the optimal trade-off between temporary tracking error and transaction costs, when trading at large rebalance points, such as an index reconstitution or a portfolio model review. The optimal balance and duration of implementation is important in achieving this objective and ultimately improves portfolio performance over time.

Our research has shown this approach adds to the performance of passive portfolios and is driven as a function of the size of the opportunity set available, i.e. frequency of rebalances and number of index changes. The diversification of implementation is based on the detailed analysis of trade characteristics such as liquidity, demand and supply profiles, volume multiple indicators, price movements over short periods, expected market impact, and portfolio risk.



## Underpinned by robust research

Key to ensuring better fund performance is utilising our investment knowledge and in-house technology to anticipate, to a very high degree of accuracy, how the index stock members will change over time – and deep understanding of index rules which determine the indices constituent members.

By leveraging our expertise, experience and knowledge of our portfolio managers and quantitative research teams, we can make investment decisions which result in better execution and fund performance.

Crucial to the success is a disciplined approach to risk management, use of technology and access to large pools of big data.



## Dedicated global equity trading team

We have traders located in key regional execution hubs. This is fundamental, as the expertise is connected to the market and exchange they operate in. This means our equity trades are handled by specialists with local knowledge, expertise and relationships, who are familiar with local service providers. At the end of the day, this can go a long way to deliver the best outcomes for investors.

Achieving the best executed price at the lowest cost is equally as important and this is where we have developed innovative trading approaches and developed proprietary technology to ensure fast, effective and low cost execution.

Together with our investment teams' expertise, our trade execution provides an opportunity for added-value performance to our portfolios.



## Enhanced risk management, control and monitoring

Risk management and the control of a range of risks is vital to our investment process – not only during portfolio construction but through the life cycle of the portfolio. Risk management is central to our investment process before and after investment decisions are made.

Ongoing risk management includes investment operating parameters, tracking error risk, counterparty risk, exposure risk and the accuracy of analysis of performance attributions and exposures to different parts of the underlying market.

We also manage and implement the impact of index rebalancing, currency exchange rate exposures, corporate action events, such as mergers and acquisitions, stock splits, rights issues, spin-offs or the receipt of interest and dividends.

As a bank owned asset manager, we are subject to more robust risk parameters and stricter governance rules. Our risk management division also benefits from its alignment and operation within the global framework of the HSBC Group. This facilitates the sharing of best practice controls and ideas while also ensuring the independence of our risk management division.



How to invest in HSBC ETFs

Our ETFs can be bought through a regulated stock exchange. They are an easy to use, low cost investment option and widely available on most online brokerage accounts and through financial advisers.

Authorised participants<sup>1</sup>

Supported by a large network of authorised participants, the following list of institutions are authorised to create and redeem shares in our ETF range:



Stockbroker

You can buy our ETFs during daily trading hours using a stockbroker. If you do not have a stockbroker, then the exchange can help you locate one. Please note that other fees may apply.

HSBC ETFs are listed throughout European stock exchanges:

- ◆ London Stock Exchange
- ◆ Deutsche Boerse
- ◆ Euronext Paris
- ◆ Six Switzerland
- ◆ Borsa Italiana
- ◆ BIVA

Execution platforms

HSBC ETFs can be purchased via a wide range of execution platforms, some of which are listed below:

Aegon AJ Bell Alliance Trust Savings Ascentric Aviva Wrap	Elevate Fidelity Funds Network James Hay Novia Nucleus	Raymond James Standard Life Transact Zurich
---	--	--

Contacts

For more information, please contact us.

✉ [etf.sales@hsbc.com](mailto:etf.sales@hsbc.com)  
[etfcapmarkets@hsbc.com](mailto:etfcapmarkets@hsbc.com)

🌐 <https://www.etf.hsbc.com>

1. The contact details of our authorised participants are available on our dedicated ETF website: [www.etf.hsbc.com](http://www.etf.hsbc.com)  
Source: HSBC Asset Management. For illustrative purposes only.

The value of an investment in the portfolios and any income from them can go down as well as up and as with any investment you may not receive back the amount originally invested.

- ◆ **Concentration Risk:** The Fund may be concentrated in a limited number of securities, economic sectors and/or countries. As a result, it may be more volatile and have a greater risk of loss than more broadly diversified funds
- ◆ **Counterparty Risk:** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations
- ◆ **Derivatives Risk:** Derivatives can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset
- ◆ **Emerging Markets Risk:** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks
- ◆ **Exchange Rate Risk:** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly
- ◆ **Index Tracking Risk:** To the extent that the Fund seeks to replicate index performance by holding individual securities, there is no guarantee that its composition or performance will exactly match that of the target index at any given time ("tracking error")
- ◆ **Interest Rate Risk:** When interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality
- ◆ **Investment Fund Risk:** Investing in other funds involves certain risks an investor would not face if investing in markets directly. Governance of underlying assets can be the responsibility of third-party managers
- ◆ **Investment Leverage Risk:** Investment Leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source
- ◆ **Liquidity Risk:** Liquidity Risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors
- ◆ **Operational Risk:** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things
- ◆ **Real Estate Investments Risk:** Real estate and related investments can be negatively impacted by any factor that makes an area or individual property less valuable

## For Professional Clients only and should not be distributed to or relied upon by Retail Clients.

This document has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument. This document may be distributed in Switzerland only to qualified investors according to Art. 10 para 3, 3bis and 3ter of the Federal Collective Investment Schemes Act (CISA).

The presented funds are authorised for distribution in Switzerland in the meaning of Art. 120 CISA. (Potential) investors are kindly asked to consult the latest issued Key Investor Information Document (KIID), prospectus, the articles of incorporation and the (semi-)annual report of the fund which may be obtained free of charge at the office of the representative: HSBC Global Asset Management (Switzerland) AG, Gartenstrasse 26, P.O. Box, CH-8002 Zurich. Paying agent: HSBC Private Bank (Suisse) S.A., Quai des Bergues 9-17, P.O. Box 2888, CH-1211 Geneva 1. Investors and potential investors should read and note the risk warnings in the prospectus and relevant KIID. Before subscription, investors should refer to the prospectus for general risk factors and to the KIID for specific risk factors associated with this fund. Issue and redemption expenses are not taken into consideration in the calculation of performance data.

The funds presented are sub-funds of HSBC ETFs plc, an investment company with variable capital and segregated liability between sub-funds, incorporated in Ireland as a public limited company, and is authorised by the Central Bank of Ireland. The shares in HSBC ETFs plc have not been and will not be registered under the US Securities Act of 1933 and will not be sold or offered in the United States of America, its territories or possessions and all areas subject to its jurisdiction, or to United States Persons.

The material contained herein is for information only and does not constitute legal, tax or investment advice or a recommendation to any reader of this material to buy or sell investments. You must not, therefore, rely on the content of this document when making any investment decisions. This document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe to any investment.

Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Global Asset Management (UK) Limited accepts no liability for any failure to meet such forecast, projection or target.

HSBC ETFs are sub-funds of HSBC ETFs plc ("the Company"), an investment company with variable capital and segregated liability between sub-funds, incorporated in Ireland as a public limited company, and is authorised by the Central Bank of Ireland. The company is constituted as an umbrella fund, with segregated liability between sub-funds. Shares purchased on the secondary market cannot usually be sold directly back to the Company. Investors must buy and sell shares on the secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current Net Asset Value per share when buying shares and may receive less than the current Net Asset Value per Share when selling them. UK based investors in HSBC ETFs plc are advised that they may not be afforded some of the protections conveyed by the Financial Services and Markets Act (2000), ("the Act"). The Company is recognised in the United Kingdom by the Financial Conduct Authority under section 264 of the Act. The shares in HSBC ETFs plc 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. Affiliated companies of HSBC Global Asset Management (UK) Limited may make markets in HSBC ETFs plc. All applications are made on the basis of the current HSBC ETFs plc Prospectus, relevant Key Investor Information Document ("KIID"), Supplementary Information Document (SID) and Fund supplement, and most recent annual and semi-annual reports, which can be obtained upon request free of charge from HSBC Global Asset Management (UK) Limited, 8 Canada Square, Canary Wharf, London, E14 5HQ. UK, or from a stockbroker or financial adviser. The indicative intra-day net asset value of the sub-funds is available on at least one major market data vendor terminal such as Bloomberg, as well as on a wide range of websites that display stock market data, including [www.reuters.com](http://www.reuters.com). **Investors and potential investors should read and note the risk warnings in the prospectus, relevant KIID and Fund supplement (where available) and additionally, in the case of retail clients, the information contained in the supporting SID.**

The EURO STOXX 50 is the intellectual property (including registered trademarks) of Stoxx Limited, Zurich, Switzerland and/or Dow Jones & Company, Inc., a Delaware corporation, New York, USA, (the "Licensors"), which is used under license. The securities based on the Index are in no way sponsored, endorsed, sold or promoted by the Licensors and neither of the Licensors shall have any liability with respect thereto.

All rights in the FTSE 100 and the FTSE 250 (the "Indices") vest in FTSE International Limited ("FTSE"). "FTSE" is a trademark of London Stock Exchange Group companies and is used by FTSE under licence. The HSBC FTSE 100 UCITS ETF and the HSBC FTSE 250 UCITS ETF (the "Products") have been developed solely by HSBC Global Asset Management (UK) Limited. The Indices are calculated by FTSE or its agent. FTSE and its licensors are not connected to and do not sponsor, advise, recommend, endorse or promote the Products and do not accept any liability whatsoever to any person arising out of (a) the use of, reliance on or any error in the Indices or (b) investment in or operation of the Products. FTSE makes no claim, prediction, warranty or representation either as to the results to be obtained from the Products or the suitability of the Indices for the purpose to which they are being put by HSBC Global Asset Management (UK) Limited.

"FTSE" is a trade mark of the London Stock Exchange Group companies, "NAREIT" is a trade mark of the National Association of Real Estate Investment Trusts ("NAREIT") and "EPRA" is a trade mark of the European Public Real Estate Association ("EPRA") and all are used by FTSE International Limited ("FTSE") under licence). The FTSE EPRA/NAREIT Developed® Index is calculated by FTSE. Neither FTSE, Euronext N.V., NAREIT nor EPRA sponsor, endorse or promote this product and are not in any way connected to it and do not accept any liability.

The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. The Supplement to the Prospectus contains a more detailed description of the limited relationship MSCI has with HSBC ETFs plc and any related funds.

Standard & Poor's and S&P are registered trademarks of Standard & Poor's Financial Services LLC ("S&P") and Dow Jones is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones") and have been licensed for use by S&P Dow Jones Indices LLC and sublicensed for certain purposes by HSBC Global Asset Management (UK) Limited. The S&P 500 is a product of S&P Dow Jones Indices LLC, and has been licensed for use by HSBC Global Asset Management (UK) Limited. HSBC Global Asset Management (UK) Limited's HSBC S&P 500 UCITS ETF is not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P, their respective affiliates, and neither S&P Dow Jones Indices LLC, Dow Jones, S&P, their respective affiliates make any representation regarding the advisability of investing in such product(s).

The mark and name "Hang Seng TECH Index" is proprietary to Hang Seng Data Services Limited ("HSDS") which has licensed its compilation and publication to Hang Seng Indexes Company Limited ("HSIL"). HSIL and HSDS have agreed to the use of, and reference to, the Hang Seng TECH Index by HSBC Global Asset Management ("the Issuer") in connection with the HSBC Hang Seng TECH UCITS ETF (the "Product"). However, neither HSIL nor HSDS warrants, represents or guarantees to any person the accuracy or completeness of the Hang Seng TECH Index, its computation or any information related thereto and no warranty, representation or guarantee of any kind whatsoever relating to the Hang Seng TECH Index is given or may be implied. Neither HSIL nor HSDS accepts any responsibility or liability for any economic or other loss which may be directly or indirectly sustained by any person as a result of or in connection with the use of and/or reference to the Hang Seng TECH Index by the Issuer in connection with the Product, or any inaccuracies, omissions or errors of HSIL in computing the Hang Seng TECH Index. Any person dealing with the Product shall place no reliance whatsoever on HSIL and/or HSDS nor bring any claims or legal proceedings against HSIL and/or HSDS in any manner whatsoever. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker or other person dealing with the Product and HSIL and/or HSDS and must not be construed to have created such relationship. The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Where overseas investments are held the rate of currency exchange may also cause the value of such investments to fluctuate. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Stock market investments should be viewed as a medium to long term investment and should be held for at least five years. Any performance information shown refers to the past and should not be seen as an indication of future returns.

To help improve our service and in the interests of security we may record and/or monitor your communication with us. HSBC Global Asset Management (UK) Limited provides information to Institutions, Professional Advisers and their clients on the investment products and services of the HSBC Group.

Approved for issue in the UK by HSBC Global Asset Management (UK) Limited, who are authorised and regulated by the Financial Conduct Authority. HSBC Asset Management is the brand name for the asset management business of HSBC Group, which includes the investment activities provided through our local regulated entity, HSBC Global Asset Management (UK) Limited.

In Israel, HSBC Bank plc (Israel Branch) is regulated by the Bank of Israel. This document is only directed in Israel to qualified investors (under the Investment advice, Investment marketing and Investment portfolio management law-1995) of the Israeli Branch of HBEU for their own use only and is not intended for distribution.

[www.assetmanagement.hsbc.com/uk](http://www.assetmanagement.hsbc.com/uk)

Copyright © HSBC Global Asset Management (UK) Limited 2021. All rights reserved.

XB-0619 EXP: 31/12/2021

