

HSBC AMERICAN INDEX FUND - GBP

INVESTMENT RESEARCH NOTE
MARCH 2024

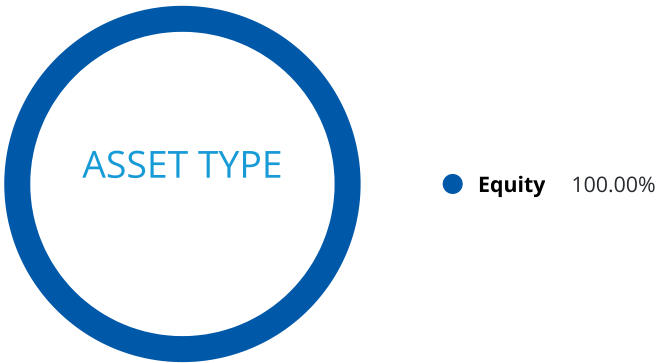
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

HSBC is one of the largest banks in the world, and has around 4000 branches globally. It was established in London in its present form in 1991 by the Hong Kong & Shanghai Banking Corporation Ltd to act as a new group holding company. HSBC have been successfully managing index funds for external clients since the launch of its first fund, the American Index Fund, on its UK OEIC platform, in October 1988. HSBC have a long track record in managing index funds.

HSBC has a large team of global specialists working on the passive fund range, and cites a low ratio of funds per manager than other houses - 12 as opposed to up to 30 in some other passive fund management firms.

The investment objective of the HSBC American Index fund is to provide long term growth by tracking and matching the capital performance of the S&P 500 Composite index, a market-capitalisation-weighted index reflecting the risk/return characteristics of the US large cap universe. Tracking this index offers a cost effective method to invest in the 500 largest companies in the US. The largest industries within the S&P 500 Composite index are technology, healthcare, consumer discretionary, financials and consumer services.



INVESTMENT PROCESS

HSBC follows a three-step process when implementing and managing the index funds and mandates: preliminary index analysis, portfolio construction and trading analysis and implementation.

Exposure to securities in the S&P 500 Composite Index will be held with weightings replicating each company's market capitalisation but will stay away from trading a stock if the natural resources of liquidity to purchase the stock cannot be found in order to minimise implicit transaction costs. In such circumstances, the fund holds a temporary proxy basket of stocks until liquidity improves or a position can be built over time. Moreover, stock weights are allowed to fluctuate within a narrow band to minimise unnecessary rebalancing and transaction costs.

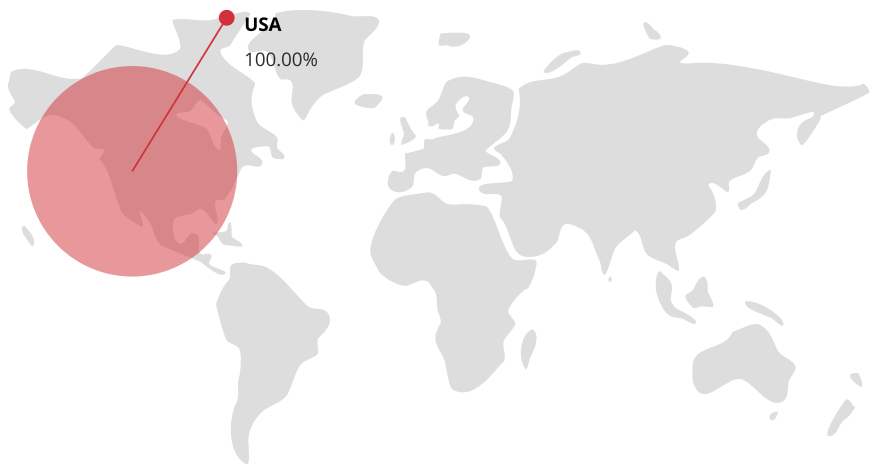
The fund replicates an index through full physical replication which means the fund purchases the underlying securities of an index, in the same proportion as that of the index. When the index undergoes a change, so too does the fund.

As a fund group, HSBC also have the ability to employ what they refer to as 'responsible' replication, which allows the investment team to navigate well known pricing anomalies such as index changes or corporate events, whereby prices can be squeezed higher or lower than under normal trading conditions. Risk controls are integrated within the portfolio management process which is both real time and daily. Each investment team is responsible for daily risk monitoring including validating portfolio value, monitoring exposures to risk factors, performance attribution, compliance pre-check of implementation decisions within investment guidelines and restrictions. Portfolio operational guidelines are also monitored by a separate team independent from the portfolio management team.

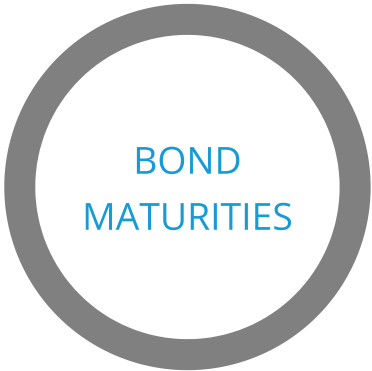
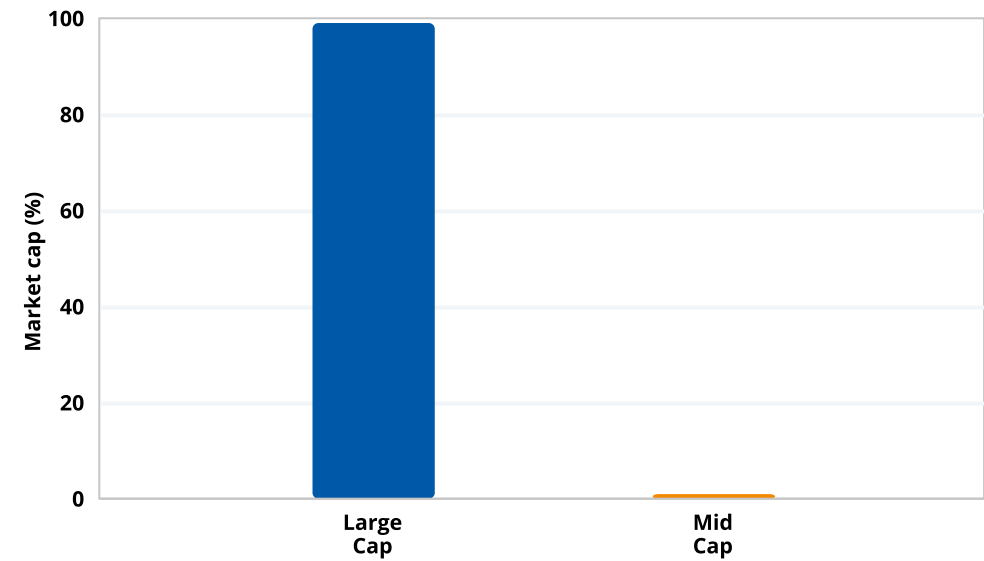
HSBC does not participate in stock lending.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

OVERALL PERFORMANCE

● HSBC American Index C Acc ● US Equity 500 TR GBP Index

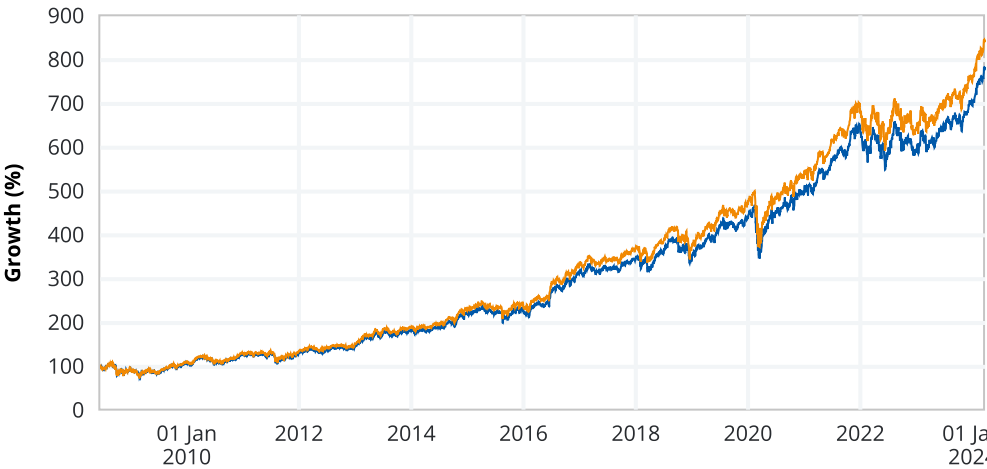
GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



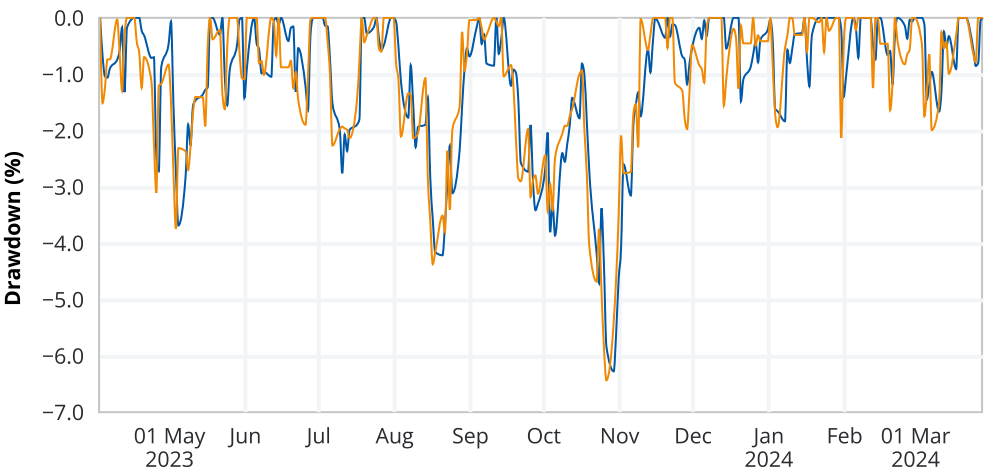
GROWTH (%) - FROM INCEPTION

24 Jun 2008 - 29 Mar 2024



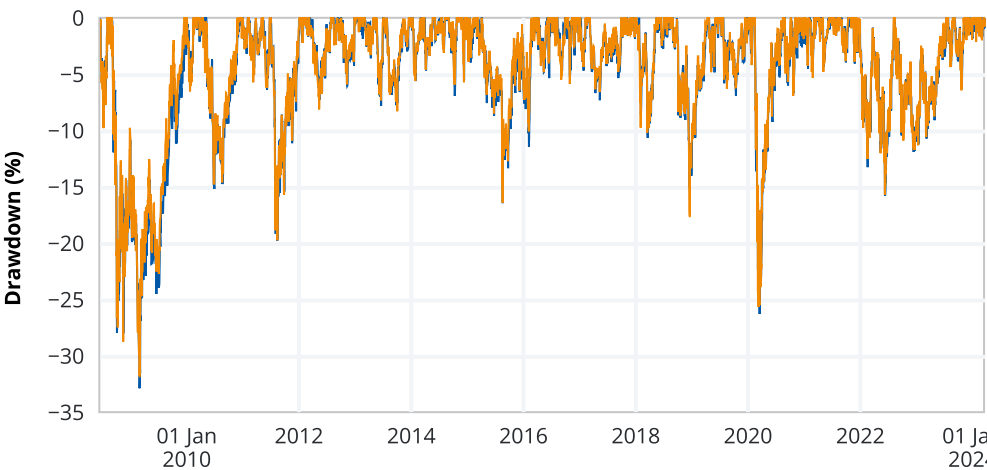
DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



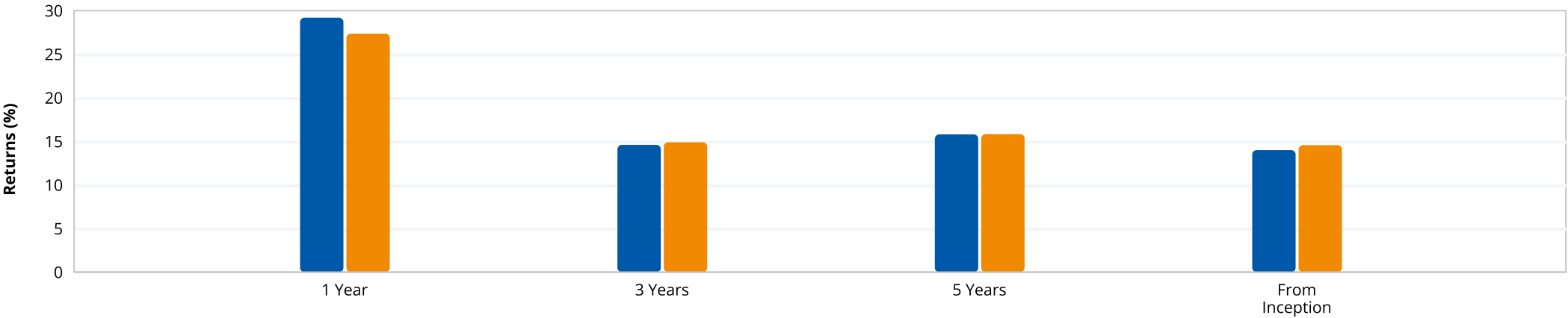
DRAWDOWN (%) - FROM INCEPTION

24 Jun 2008 - 29 Mar 2024



RETURNS

● HSBC American Index C Acc ● US Equity 500 TR GBP Index



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	3.42	3.53	3.95										11.31
2023	2.24	1.13	-0.44	1.43	2.68	2.37	2.48	0.15	-1.36	-2.36	5.39	4.30	19.26
2022	-6.80	-2.33	8.89	-2.68	-3.20	-5.64	7.60	2.90	-4.19	2.84	-2.23	-3.05	-8.89
2021	1.09	-0.43	4.85	5.23	-1.89	4.40	2.24	4.10	-1.24	2.73	4.85	1.75	31.07
2020	2.51	-7.47	-7.90	10.67	4.87	1.46	-0.45	5.59	-0.30	-1.69	7.08	0.55	14.11
2019	4.94	2.99	2.53	5.38	-1.88	4.12	7.51	-2.83	0.36	-2.26	4.07	-0.02	27.21

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	29.19	14.60	15.80	14.00
●	27.36	14.90	15.83	14.57

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	28.94	50.20	107.65	682.82
●	27.13	51.37	107.92	746.69

● HSBC American Index C Acc ● US Equity 500 TR GBP Index

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

	HSBC American Index C Acc	US Equity 500 TR GBP Index
RETURNS (%)	29.19	27.36
VOLATILITY (%)	11.74	12.40
ALPHA	0.11 *	
BETA	0.86 *	1.00
CORRELATION	0.88 *	1.00
SHARPE RATIO	1.97	1.72
SORTINO RATIO	3.07	2.69
MAX DRAWDOWN (%)	-6.28	-6.43

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

24 Jun 2008 - 29 Mar 2024

	HSBC American Index C Acc	US Equity 500 TR GBP Index
RETURNS (%)	14.00	14.57
VOLATILITY (%)	18.99	20.76
ALPHA	0.01	
BETA	0.95	1.00
CORRELATION	0.93	1.00
SHARPE RATIO	0.67	0.64
SORTINO RATIO	0.95	0.92
MAX DRAWDOWN (%)	-32.88	-31.77

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over a trailing 12-month period. The Review Point is a potential intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown exceed the Review Point, then this indicates that market conditions may be abnormal. This is the point at which immediate action should be considered.

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