

the DC funds

Fixed Income Bonds – **passive**
as at 30 June 2017

fund **objective**

To mitigate against pension conversion risk (for non-increasing and fixed increase annuities)

fund **facts**

Launch date:
23 February 2007

Fund size:
£139.56m

Price per share:
229.40p

Current underlying fund(s):
Legal & General Pre-Retirement Bond Fund

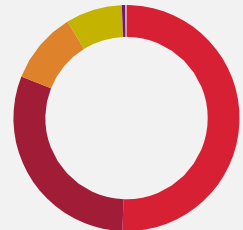
Benchmark:
A composite of Gilts and Corporate Bonds
From 4 October 2011 until 25 March 2015 50% FTSE A Over 15 Year Gilt Index and 50% iBoxx £ Non Gilt Over 15 Year Index. Prior to 4 October 2011, FTSE Over 15 Year Gilt Index

top 10 **holdings**

| | % |
|-------------------------|--------------|
| 1. Treasury 4.50% 2042 | 6.68 |
| 2. Treasury 4.25% 2049 | 5.58 |
| 3. Treasury 4.50% 2034 | 4.63 |
| 4. Treasury 4.25% 2046 | 3.89 |
| 5. Treasury 4.25% 2027 | 2.57 |
| 6. Treasury 4.75% 2038 | 1.44 |
| 7. Treasury 4.0% 2060 | 1.20 |
| 8. Pfizer Inc 6.5% 2038 | 1.04 |
| 9. Engie SA 5.0% 2060 | 0.76 |
| 10. GSK 5.25% 2042 | 0.64 |
| Total | 28.43 |

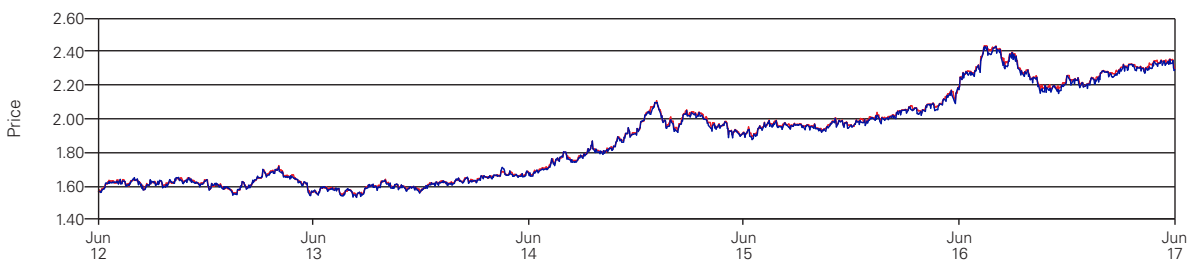
asset **breakdown**

| | % |
|-------------------|---------------|
| ■ Corporate Bonds | 50.57 |
| ■ UK Gilts | 30.43 |
| ■ Sub Sovereigns | 10.25 |
| ■ Collateralised | 8.09 |
| ■ Sovereigns | 0.51 |
| ■ Unclassified | 0.15 |
| Total | 100.00 |



fund **performance**

| | 30 Jun 2016 - 30 Jun 2017 % | 30 Jun 2015 - 30 Jun 2016 % | 30 Jun 2014 - 30 Jun 2015 % | 30 Jun 2013 - 30 Jun 2014 % | 30 Jun 2012 - 30 Jun 2013 % |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Fund | 4.61% | 14.40% | 14.58% | 6.96% | 0.44% |
| Benchmark | 4.64% | 14.35% | 14.21% | 7.57% | -0.21% |
| Relative Performance | -0.03% | 0.05% | 0.37% | -0.61% | 0.65% |



| Rolling time period | 3 months | 6 months | 1 year | 3 year p.a. | 5 year p.a. | Since launch |
|----------------------|----------|----------|--------|-------------|-------------|--------------|
| Fund | 0.39% | 1.68% | 4.61% | 11.10% | 8.05% | 129.40% |
| Benchmark | -0.39% | 1.74% | 4.64% | 10.97% | 7.96% | 129.97% |
| Relative Performance | 0.78% | -0.06% | -0.03% | 0.13% | 0.09% | -0.57% |

Past performance isn't a guide to future performance. The figures are shown in sterling and have been calculated using actual returns since the introduction of the current DC fund range.

Source: Morningstar, FIL Life Insurance Ltd. Single priced (i.e. no bid/offer spread), gross income reinvested and gross of fees. Indicative prices have been used if a portfolio valuation fell on a non-trading day.

for members of the HSBC Bank (UK) Pension Scheme



market commentary

UK bonds generated mixed returns in the second quarter of 2017, with corporate bonds outperforming government bonds (Gilts). Gilts witnessed a tale of two halves, but ended in negative territory. Yields fell in the first half of the quarter, amid expectations that unease over Brexit could force policymakers to offer continued support to the economy. However, the positive momentum reversed in the second half, as investors brought forward expectations for an interest rate increase by the Bank of England (BoE). Subsequently, short-dated Gilt yields rose to their highest level since last year's vote to leave the European Union (EU), while the 10-year yield touched its highest level since late March 2017. Prospects of monetary policy tightening by the European Central Bank (ECB) also pushed bond yields higher. UK corporate bonds posted positive returns as credit spreads tightened amid investors' search for yield.

risk rating

Very Low Low Low/Medium Medium Medium/High High Very High

All investments carry a level of risk. You need to decide how much of each type of risk you're prepared to take. The table below gives an overview of some of the risks associated with this fund.

| risk type | description of risk | level of risk for this fund |
|--------------------------------|---|-----------------------------|
| Capital Risk | This is the risk that the value of your investments will fall. The younger you are, the less worried you might be about capital risk, because your investments have time to recover their value before you retire. | Med |
| Inflation Risk | This is the risk that the value of your investments will grow more slowly than prices rise. Inflation can be a problem for pension savings invested in cash funds particularly if the interest you're earning is less than the rate of inflation. | Med |
| Pension Conversion Risk | The price of an annuity changes on a regular basis. This means that the amount of income you can secure with the same amount of money will change. Pension conversion risk is the risk that the amount of income you can buy drops before you retire, because your money is invested differently to annuity funds. That's why putting more of your DC pension pot into bonds to try to match annuity prices as you get closer to retirement age can help protect against this risk. | Low |

About the factsheet

It is important to remember that the price of units can go down as well as up. There's no guarantee that you'll get back the amount that goes into your DC pension pot. Changes in rates of currency exchange, particularly where overseas securities are held, could also affect the value of your investment.

All funds are provided through FIL Life Insurance Ltd and may invest in securities issued by or hold deposits with HSBC Holdings plc and associated companies.

Valuation time: Business days at 5:00pm (UK time)

Dealing Process: The cut off time for switch instructions is 2:00pm each business day.

Contact us

You can find more Scheme information at:
www.futurefocus.staff.hsbc.co.uk

If you have any questions contact the HSBC Administration Team at:
 email: HSBCpension@willistowerswatson.com
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for members of the HSBC Bank (UK) Pension Scheme

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Charges

HSBC pays the investment management charges – not you. However, there may be costs within some of the funds and these will be reflected in the unit price. These nominal costs are variable and are likely to be between nil and 0.2% a year.