HSBC World Selection® Portfolio
Review and Outlook

April 2022

Key takeaways

- Investment markets continue to endure heightened volatility as the geopolitical crisis between Russia and Ukraine unfolds.
- With oil rising and natural gas prices spiking. Canada's strong energy sector is well placed to ride out the volatility and post positive growth numbers.
- While the stagflation tone of economic data—lower expectations for GDP growth and profits, along with high inflation—is a concern, we do not forecast a serious bout of stagflation.
- It is important to remember that on a historical basis interest rates are rising from an extremely low base.

Geopolitical risks come to the fore as markets remain volatile in the face of conflict

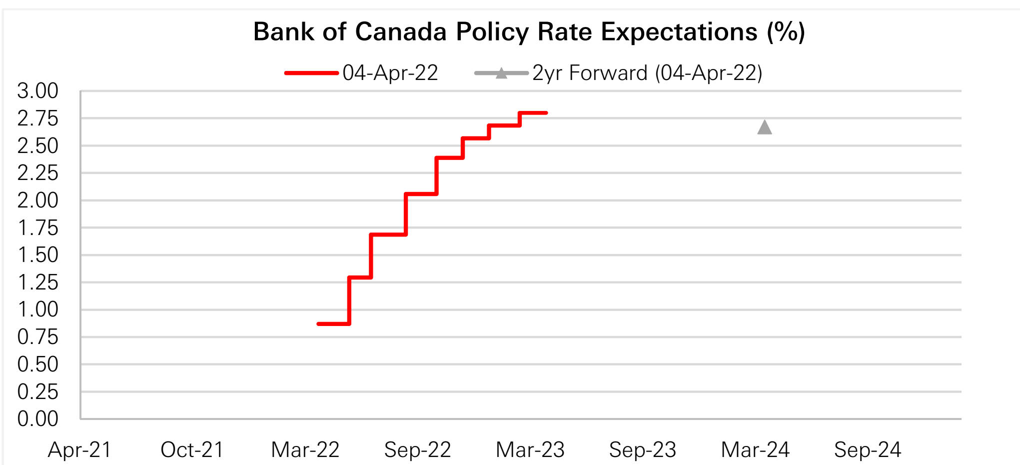
Q1 review and outlook

Investment markets continue to endure heightened volatility as the geopolitical crisis between Russia and Ukraine unfolds. Canadian equities continue to outperform, with the broader market trading at six-month highs, while US equities have yet to return to levels seen at the end of 2021. Canadian bonds finished lower on the first quarter and over the last 12 months.

At this stage, there are many uncertainties about how events will play out, and we are monitoring the evolving situation very closely. Meanwhile, global bond yields, the US dollar and gold have all rallied. Energy prices have been notably stronger, with oil rising and natural gas prices spiking. Canada's strong energy sector is well placed to ride out the volatility and post positive growth numbers. In addition, equity valuations in Canada have moved from reasonable to attractive levels.

Central banks committed to raising rates as inflation continues rising, but stagflation not forecast

Market participants now expect the Bank of Canada and the US Federal Reserve to increase rates significantly before year-end. Upward revisions to inflation and downward revisions to growth both reflect continued supply chain difficulties and higher commodity prices. In Canada, consumer price inflation hit 5.7% in February, and remains well above the Bank of Canada's target range.



Source: HSBC and Bloomberg, as at April 4, 2022. Any forecast, projection or target contained in this presentation is for information purposes only and is not guaranteed in any way. Past performance is not an indication of future returns

While the stagflation tone of economic data—lower expectations for GDP growth and profits, along with high inflation—is a concern, we do not forecast a serious bout of stagflation.

While markets may be troubled by the thought of central banks raising rates, we encourage investors to consider that these moves from policymakers show their increasing confidence that the long-term trajectory of economic growth still points to less need for stimulus. It is also important to remember that on a historical basis interest rates are rising from an extremely low base.

HSBC

- Over the first quarter of 2022, geopolitical events were a drag on performance. However, over the 12 months ending on March 31, 2022, all World Selection Portfolios posted solid performance.
- There were two tactical allocation moves in the first quarter to ensure the portfolios were properly positioned in current markets. We continue to run a pro-risk allocation.
- We favour equities connected to rising commodity prices such as basic materials, as well as those with resilience, quality and pricing power.
- We remain keenly focused on the long term and recommend clients remain invested, given the solid fundamentals that we expect will carry the markets through 2022.

Performance update

Over the first quarter of 2022, geopolitical events were a drag on performance with returns ranging from -3.22% for the Conservative Portfolio to -3.30% for the Aggressive Growth Portfolio. However, over the 12 months ending on March 31, 2022, all World Selection Portfolios posted solid performance, ranging from 2.76% for the Conservative Portfolio to 11.54% for the Aggressive Growth Portfolio.

Using the HSBC World Selection Balanced Portfolio as a proxy, our overweight to equities over fixed income continued to add value in the first quarter of 2022. Regionally, our relative overweight position in Canadian equities was a positive contributor to performance. This gain was slightly offset by our US equity exposure. Within fixed income, our overweight to mortgages and underweight to domestic bonds, and emerging market debt added value.

Tactical asset allocation moves

There were two tactical allocation moves in the first quarter to ensure the portfolios were properly positioned in current markets. We continue to run a pro-risk allocation. Overall, the return potential of Canadian equities still looks more attractive than that of Canadian fixed income on a relative basis. Within fixed income, we maintain our preference for mortgages on a relative basis.

As unemployment rates fall, and the economy and corporate earnings continue to expand, stocks should continue to provide positive returns and outperform bonds. That said, valuations in the bond market have improved in the last five quarters and we have begun reducing our underweight position.

Asset Class Positioning			
Asset Class	**Underweight**	**Neutral**	**Overweight**
Fixed Income	Canadian Bonds Global Inflation Linked Bonds Emerging Market Debt		Mortgages Global High Yield
Equities	Emerging Market		Canadian Equities US Equities International Equities
Other		Global Real Estate	

Our defensive allocation in today's environment means a selective approach to investing

A defensive allocation is appropriate, which means a selective approach rather than materially reducing equity exposures. We favour equities connected to rising commodity prices such as basic materials, as well as those with resilience, quality and pricing power. Canadian equities and US equities are two examples.

We would also caution against going into cash given the current backdrop of high inflation. We are bracing for continued volatility, being realistic about investment returns, and focusing on the long run.

Second-quarter outlook: Volatility will persist, but overall growth trending well

Making short-term investment decisions in a challenging geopolitical environment is usually not prudent. Responding to short-term volatility by deviating from long-term investment plans rarely yields positive results.

Achieving your investment goals is more likely with a patient, well-diversified approach. That's why we remain keenly focused on the long term and recommend clients remain invested, given the solid fundamentals that we expect will carry the markets through 2022.

Important Information

Issued by HSBC Investment Funds (Canada) Inc. ("HIFC")

HIFC is a direct subsidiary of HSBC Global Asset Management (Canada) Limited ("AMCA") and an indirect subsidiary of HSBC Bank Canada, and provides its services in all provinces of Canada except Prince Edward Island. AMCA is a wholly owned subsidiary of, but separate entity from, HSBC Bank Canada.

AMCA is the manager and primary investment advisor for the HSBC Mutual Funds and the HSBC Pooled Funds (collectively, the "HSBC Funds"). HIFC is the principal distributor of the HSBC Mutual Funds, which are also distributed through authorized dealers. HIFC also offers the HSBC Funds through the HSBC World Selection® Portfolio. This is a portfolio investment service under which client's assets are invested in model portfolios which are comprised of investments in the Funds. AMCA provides discretionary investment management services to the model portfolios in the HSBC World Selection Portfolio service. Commissions, trailing commissions, management fees, investment management fees and expenses all may be associated with investments in the HSBC Funds and/or the HSBC World Selection Portfolio service. Please read the prospectus, Fund Facts, applicable account opening documentation and any other disclosures before investing in the HSBC Funds and/or the HSBC World Selection Portfolio service. The HSBC World Selection Portfolio service and the HSBC Funds are not guaranteed or covered by the Canada Deposit Insurance Corporation, HSBC Bank Canada, or any other government deposit insurer or financial institution, their values change frequently and past performance may not be repeated. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you.

The performance data of the HSBC World Selection Portfolio service model portfolios ("Portfolios") is provided for illustration purposes only. Performance information is based on the performance of our standard Portfolios and not on a composite of actual client accounts. Past performance of the Portfolios is not indicative of future returns for the Portfolios or for actual client accounts. The indicated returns are the historical annual compounded total returns of the HSBC Funds including changes in unit value and reinvestment of all distributions and do not take into account sales, redemptions, distributions or optional charges, or income taxes payable by any unit holder in respect of the HSBC Funds that would have reduced returns. Any compounded rates of returns are used only to illustrate the effects of the compound growth rate and are not intended to reflect the future values of the HSBC Funds, the Portfolios or returns on investment.

The material in this quarterly fund report is based on sources believed to be reliable. However, we have not independently verified such information and make no guarantee, representation or warranty and accept no responsibility or liability as to its accuracy or completeness. Unless stated otherwise, all data and charts are sourced from Bloomberg and AMCA. You are advised to obtain appropriate professional advice where necessary and should consult your investment representative before considering a specific transaction.

The contents of this document may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. All non-authorized reproduction or use of this document will be the responsibility of the user and may lead to legal proceedings. The material contained in this document is for general information purposes only and does not constitute advice or a recommendation to buy or sell investments.

Some of the statements contained in this document may be considered forward-looking statements that provide current expectations or forecasts of future events. Such forward-looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. We do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. 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 in any jurisdiction in which such an offer is not lawful. The views and opinions expressed herein are those of AMCA at the time of preparation, and are subject to change at any time. These views may not necessarily indicate current portfolios' composition. Individual portfolios managed by AMCA primarily reflect individual clients' objectives, risk preferences, time horizon and market liquidity.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance contained in this document is not a reliable indicator of future performance, and any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Where overseas investments are held, the rate of currency exchange may cause the value of such investments to go down as well as up. All data is at December 31, 2021 and has been provided by AMCA unless stated otherwise.

We, our affiliates and our officers, directors and employees may hold a position in any securities mentioned in this document (or in any related investment) and may from time to time add to or sell any such securities or investment. As well, we and our affiliates may act as market maker or have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

Expiry date: July 31, 2022 DK2200113A / H202204034