

## HSBC Portfolios

# World Selection 5

Monthly report 30 September 2022 | Share class ACHEUR

### Investment objective

The Fund aims to provide long-term capital growth and income by investing in a portfolio of bonds and shares. The Fund seeks to apply a high risk investment strategy.

### Investment strategy

The Fund is actively managed and is not constrained by a benchmark. In normal market conditions, at least 90% of the Fund's exposure is to bonds, shares and alternative investment strategies. The Fund gains exposure to bonds that are investment grade, non-investment grade and unrated issued by the government, government-related entities, supranational entities and companies based in developed markets and emerging markets. The bonds can be denominated either in US dollar (USD), other developed markets currencies hedged into USD, or in emerging markets currencies. The Fund gains exposure to shares issued by companies of any size. The Fund may invest up to 100% in other funds although this investment will normally be between 50% and 100%. The Fund can have an exposure to bonds (or other similar securities) of up to 20% of its assets. The exposure to shares (or securities similar to shares) can be up to 100% of assets. The Fund may invest up to 20% in non-investment grade and unrated bonds, and up to 45% in alternative investment strategies. The Fund's primary currency exposure is to USD. See the Prospectus for a full description of the investment objectives and derivative usage.

### Main risks

- The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.
- The Fund invests in bonds whose value generally falls when interest rates rise. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality. The issuers of certain bonds, could become unwilling or unable to make payments on their bonds and default. Bonds that are in default may become hard to sell or worthless. The value of investible securities can change over time due to a wide variety of factors, including but not limited to: political and economic news, government policy, changes in demographics, cultures and populations, natural or human-caused disasters etc.
- The Fund may invest in Emerging Markets, these markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.

### Share class details

Key metrics	
NAV per share	<b>EUR 14.24</b>
Performance 1m	<b>-9.14%</b>
Sharpe ratio 3y	<b>-0.02</b>
Fund facts	
UCITS V compliant	<b>Yes</b>
Dividend treatment	<b>Accumulating</b>
Dealing frequency	<b>Daily</b>
Valuation time	<b>10:00 LU</b>
Share class base currency	<b>EUR</b>
Domicile	<b>LU</b>
Inception date	<b>20 October 2009</b>
Fund size	<b>USD 277,098,772</b>
Managers	<b>Kate Morrissey</b>
Fees and expenses	
Minimum initial investment	<b>EUR 5,000</b>
Ongoing charge figure <sup>1</sup>	<b>1.485%</b>
Maximum initial charge	<b>4.170%</b>
Codes	
ISIN	<b>LU0447611731</b>
Bloomberg ticker	<b>HSBC5AH LX</b>

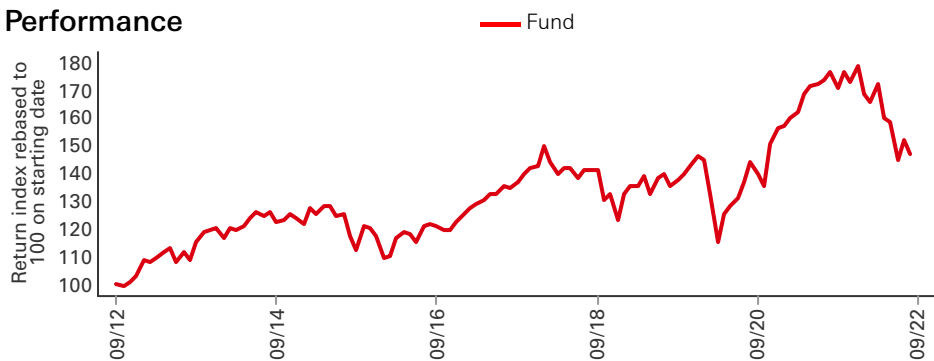
<sup>1</sup>Ongoing Charges Figure, is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

This is a marketing communication. Please refer to the prospectus and to the KIID before making any final investment decisions.

Source: HSBC Asset Management, data as at 30 September 2022

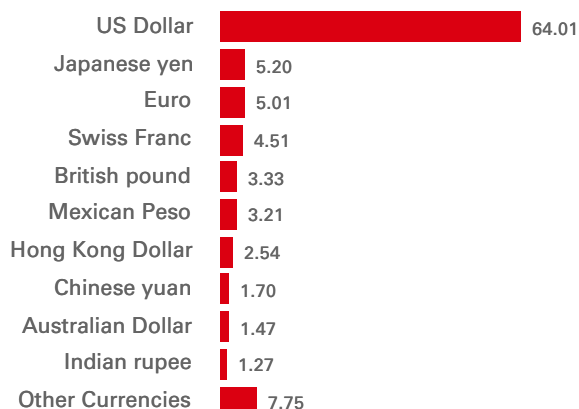
## Performance



Performance (%)	YTD	1m	3m	6m	1y	3y ann	5y ann	10 years ann
ACHEUR	-25.32	-9.14	-7.60	-22.26	-21.62	-0.89	-0.49	2.92

Rolling performance (%)	30/09/21-30/09/22	30/09/20-30/09/21	30/09/19-30/09/20	30/09/18-30/09/19	30/09/17-30/09/18	30/09/16-30/09/17	30/09/15-30/09/16	30/09/14-30/09/15	30/09/13-30/09/14	30/09/12-30/09/13
ACHEUR	-21.62	22.15	1.70	-2.68	2.96	13.20	7.90	-8.50	6.52	14.77

### Currency Allocation (%)



### Asset allocation (%)

Asset allocation (%)	Fund
<b>Global Equity</b>	<b>75.96</b>
Global Government Bond	1.11
Global High Yield Bond	1.42
Emerging Market Debt - Hard Currency	1.79
Emerging Market Debt - Local Currency	3.71
<b>Property</b>	<b>10.29</b>
<b>Trend Following</b>	<b>2.63</b>
<b>Commodities</b>	<b>1.72</b>
Cash/Liquidity	1.38

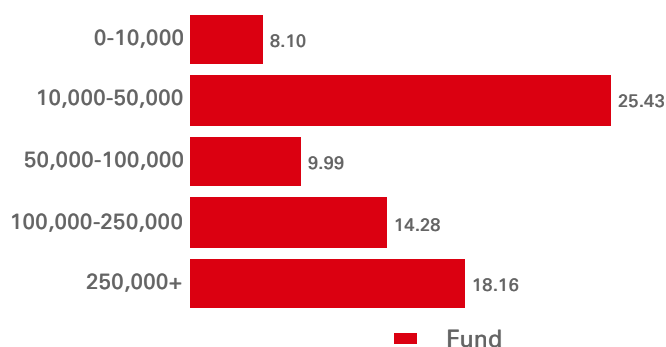
### Top 10 holdings

Top 10 holdings	Weight (%)
HSBC S&P 500 UCITS ETF	16.82
HSBC Multi Factor Worldwide Eq ETF	14.74
HSBC FTSE All-World Index Instl Acc	10.58
HSBC GIF Global RE Eq ZQ1	5.88
iShares Edge MSCI USA Qual Fac ETF \$Dist	5.55
HSBC American Index Institutional Acc	5.37
HSBC MSCI Emerg Mkts ETF	5.09
HSBC GIF Global Infrastructure Equity ZD	4.41
HSBC European Index Institutional Acc	3.87
HSBC Japan Index Instl Acc	3.07

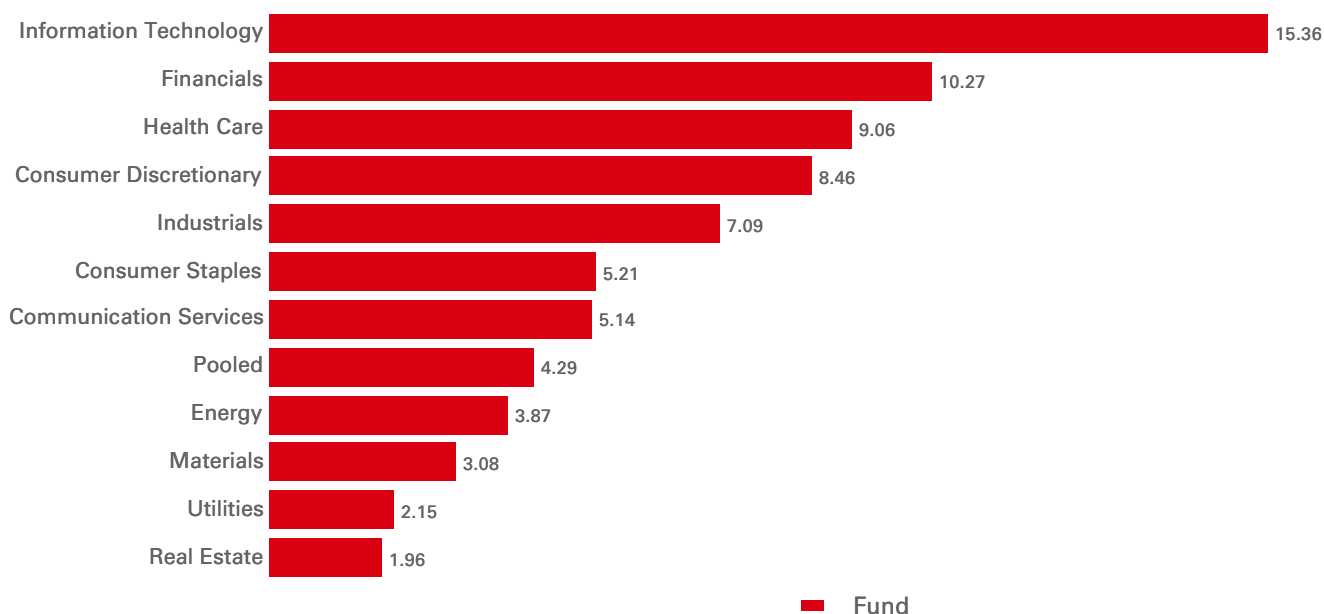
Equity top 10 holdings	Location	Sector	Weight (%)
Apple Inc	UNITED STATES	Information Technology	3.07
Microsoft Corp	UNITED STATES	Information Technology	2.47
Alphabet Inc	UNITED STATES	Communication Services	1.58
Amazon.com Inc	UNITED STATES	Consumer Discretionary	1.26
Johnson & Johnson	UNITED STATES	Health Care	0.87
Tesla Inc	UNITED STATES	Consumer Discretionary	0.85
Meta Platforms Inc	UNITED STATES	Communication Services	0.56
UnitedHealth Group Inc	UNITED STATES	Health Care	0.56
Exxon Mobil Corp	UNITED STATES	Energy	0.53
Berkshire Hathaway Inc	UNITED STATES	Financials	0.49

Equity characteristics	Fund	Reference Benchmark
Average market cap (USD Mil)	284,616	--
Price/earning ratio	13.01	--
Portfolio yield	2.38%	--

#### Market cap allocation (USD Mil %)

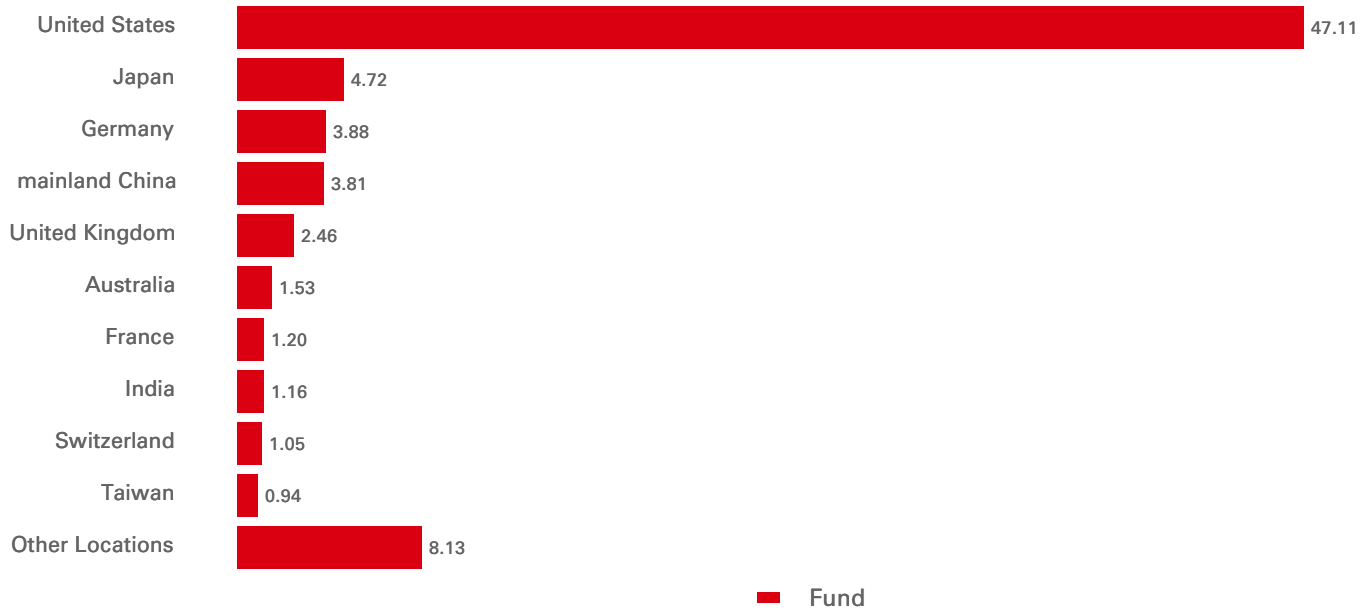


#### Equity sector allocation (%)



**Equity geographical allocation (%)**

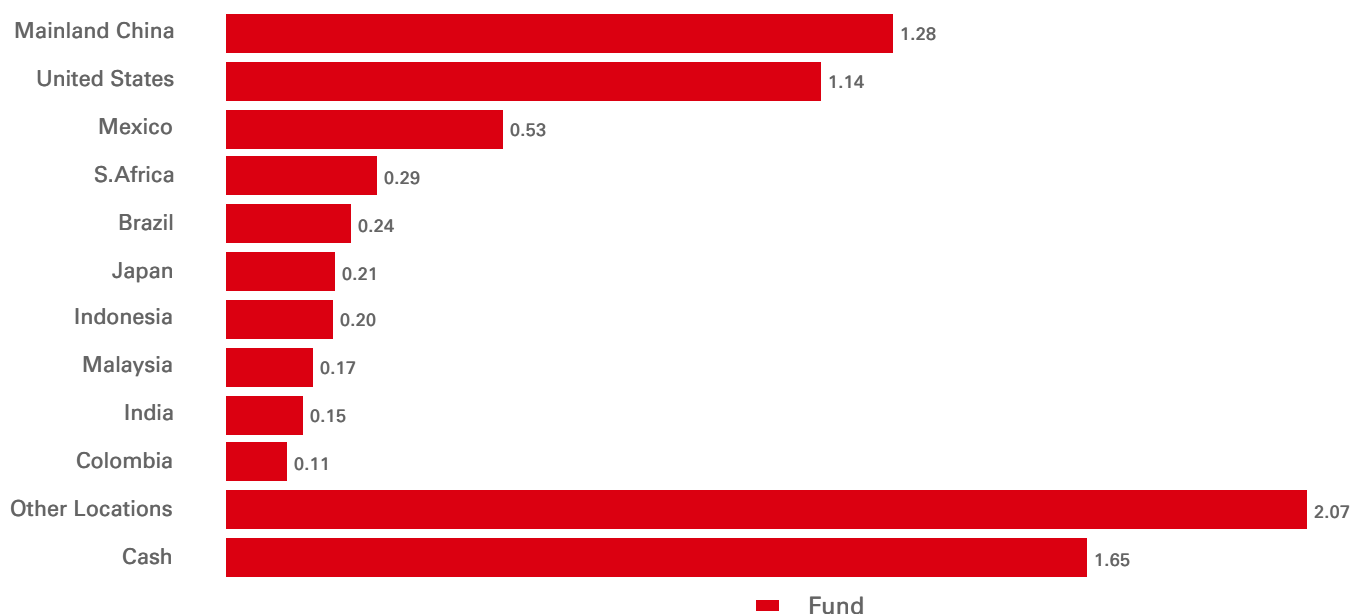
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Fixed Income Characteristics	Reference			Credit rating (%)	Reference		
	Fund	Benchmark	Relative		Fund	Benchmark	Relative
Yield to worst	7.61%	--	--	AAA	0.66	--	--
Yield to maturity	7.88%	--	--	AA	0.30	--	--
Option adjusted duration	4.53	--	--	A	1.77	--	--
Rating average	A-/BBB+	--	--	BBB	1.07	--	--
				BB	1.48	--	--
				B	0.79	--	--
				CCC	0.15	--	--
				CC	0.02	--	--
				No Rating	0.14	--	--
				Cash	1.65	--	--

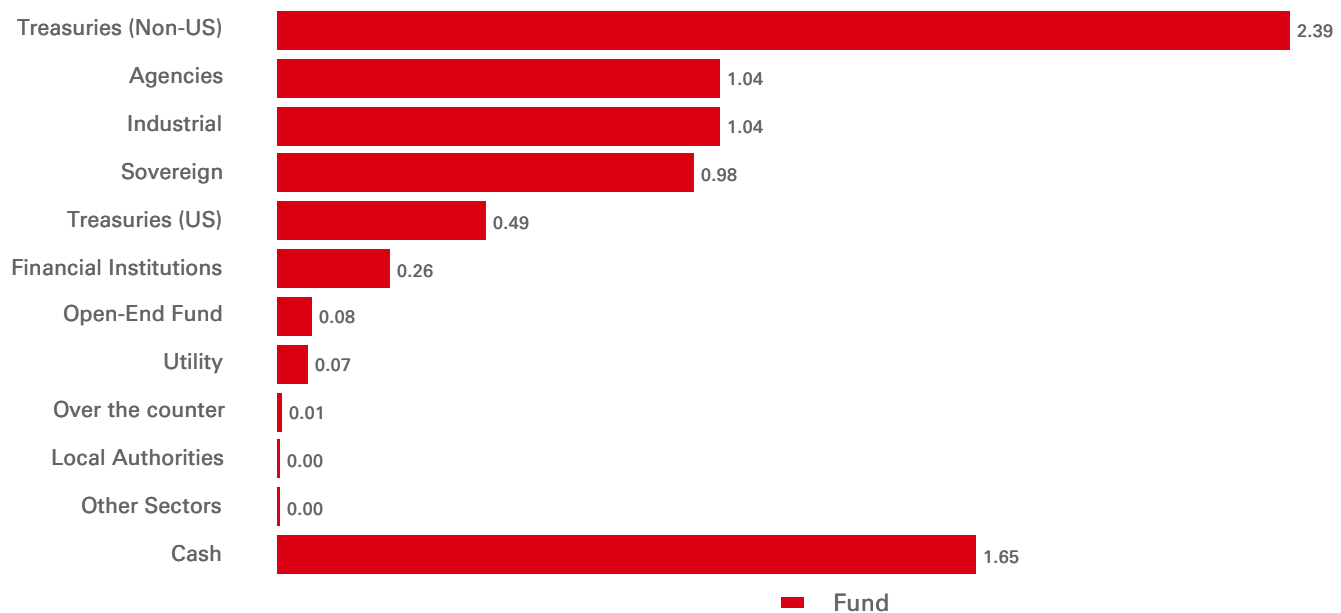
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
MEX BONOS DESARR FIX RT 7.500 03/06/2027 MXN	Mexico	Government Bond	0.15
MEX BONOS DESARR FIX RT 5.750 05/03/2026 MXN	Mexico	Government Bond	0.09
LETRA TESOURO NACIONAL 0.000 01/01/2024 BRL	Brazil	Government Bond	0.08
US TREASURY N/B 3.000 15/07/2025 USD	UNITED STATES	Treasury Note	0.06
REPUBLIC OF SOUTH AFRICA 6.250 31/03/2036 ZAR	South Africa	Government Bond	0.06
JAPAN (5 YEAR ISSUE) 0.100 20/06/2023 JPY	Japan	Government Bond	0.05
REPUBLIC OF SOUTH AFRICA 8.500 31/01/2037 ZAR	South Africa	Government Bond	0.05
MEX BONOS DESARR FIX RT 8.500 31/05/2029 MXN	Mexico	Government Bond	0.05
REPUBLIC OF SOUTH AFRICA 7.000 28/02/2031 ZAR	South Africa	Government Bond	0.04
US TREASURY N/B 0.375 31/01/2026 USD	UNITED STATES	Treasury Note	0.04

#### Fixed income geographical allocation (%)



Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	0.93	--	--
Mainland China	0.87	--	--
Mexico	0.22	--	--
Japan	0.20	--	--
S.Africa	0.17	--	--
Indonesia	0.16	--	--
Malaysia	0.13	--	--
Qatar	0.10	--	--
Colombia	0.09	--	--
United Arab Emirates	0.08	--	--
Other Locations	1.54	--	--
Cash	0.00	--	--

**Fixed income sector allocation (%)**



	3 year total return (%)	Amount based on EUR 1000 invested	3 Year Volatility (%)
<b>HSBC Portfolios - World Selection 5 ACHEUR</b>	<b>-0.89</b>	<b>973.66</b>	<b>17.23</b>
Peer Group Average - EAA Fund EUR Aggressive Allocation - Global	1.57	1,047.99	13.96
Lowest Returning Fund in Peer Group	-12.29	674.81	6.24
Highest Returning Fund in Peer Group	44.87	3,040.47	30.71
Cash	--	--	--

HSBC Portfolios offer a choice of five different risk levels, to be selected by investors depending on factors like their financial goals, time horizon and capacity for loss. Typically, the more risk investors take, the more return they would expect to see. At HSBC Asset Management, we measure risk by volatility – how sharply a Portfolio’s share price moves in any given time period (up or down). The higher the volatility, the higher the risk. The table above shows the Portfolio’s return (for the primary share class or hedged currency share class) per year over the last three years (known as annualised) and the level of volatility over the same period. This can be compared against other funds in the peer group, as defined by an independent research company\*. An example of a good outcome would be that the HSBC Portfolio return is higher than the peer group’s average return and the volatility (risk taken) is lower. However investors should consider their own priorities when it comes to returns and the risk taken to achieve them. \*Morningstar Categories are used to define the peer group comprising funds they deem similar based on fund objectives and holdings. The average is a median.

## Monthly performance commentary

### Market Commentary

In September, the continuation of hawkish monetary policy, the Russia-Ukraine war, and mainland China property market volatility triggered a further fall in equity markets. The MSCI ACWI fell -9.5% in dollar terms. Notably, sterling weakness cushioned the equity market falls for UK investors, MSCI ACWI fell only 5.7% in GBP terms. The falls were led by Asian and US equities, while European markets proved more stable.

Global Government bonds provided relative stability over the month, falling modestly over the period. Gilts were in the spotlight, as markets priced in further BoE tightening after the UK's 'mini' budget. While yields rose across the curve, pain was most acute at the long end. The market was somewhat mollified after the BoE announced a temporary long-dated gilt purchase programme. In the US, the Fed hiked 75bp as expected, although indicated that rates were likely to peak at a higher level than previously forecast. The ECB also raised rates by 75bps during September, while the election of a right-wing coalition in Italy triggered Bund-BTP spread widening. In EMD, Brazil continues to be a global outlier, with yields falling on market expectations of rate cuts next year. Yields rose across the remainder of the EM complex, although notably Chinese bonds experienced a relatively smaller move. The Fed's hawkishness and rising risk aversion in the market drove the DXY 3.1% higher in September. Better-than-expected US economic data combined with inflation readings that surprised to the upside, reinforced the view that the Fed would move more aggressively to rein in inflation. Cable continued its downward trend in September, as weak economic data, high inflation, and the announcement of the UK government's new fiscal strategy weighed on the currency. The EUR fell 2.5% against the USD in September given worse-than-expected economic data and double-digit inflation. USD-JPY jumped to nearly 146 after the BoJ's unchanged monetary policy decision on 22 September. This spike prompted the central bank to intervene in the market to support the JPY, which fell rapidly to 141.0 following the announcement. Commodity markets were down also. Brent crude fell 8.6%, as increasing fears over a global economic slowdown and a stronger USD overshadowed the prospect for tightening supply.

### Portfolio performance

As a result of the falling bond and equity markets in September, the World Selection portfolios delivered negative performance. Returns range from -4.33% for World Selection 1 to -8.77% in World Selection 5.

Active positioning was strongly positive during September. The largest contributor to relative returns was the funds' equity underweight, which added value as markets fell. Intra-equity positioning benefited from the overweight to Swiss versus European, although the preference for versus Emerging market detracted. Intra-bond positioning detracted as a result of the preference for Chinese versus Global Government bonds and Asia versus Global High Yield.

**Equities** - At the headline level we are underweight equities given a medium-term cautious outlook on growth

During the month we introduced an allocation to global listed infrastructure. The position was funded from holdings in global listed property. Listed infrastructure is expected to perform well in higher inflation environments, as well as providing an attractive level of income. We maintain our overweights to US Quality versus broad US equity, Swiss versus Europe ex-UK equity, and Chinese onshore equity versus emerging market equity. We also remain overweight Global Property

**Lower risk bonds** - At a headline level we remain underweight lower risk bonds. We are neutral on Securitised Credit and Corporate Bonds, and marginally underweight Inflation Linked Bonds. We continue to prefer US over Global Government Bonds given the yield differential.

**Higher yielding fixed income** - At a headline level we are overweight the higher yielding fixed income cluster. During September we marginally reduced our overweight to Asia versus Global high yield. We remain neutral EMD in hard currency, overweight EMD in local currency, and are neutral in High Yield, with a preference for Asian markets

**Alternatives** - At a headline level we remain overweight the Alternatives cluster. We are neutral Style Factors and marginally underweight Trend Following Strategies, although we maintain a preference for defensive trend strategies. We hold overweight positions in Commodities

### Outlook

Amid sticky inflation, central banks are continuing to maintain a hawkish stance. Nonetheless, many indicators are pointing towards cooling inflation towards the end of this year and into early next year. We expect a total of 425bps of Fed rate hikes in 2022, leaving policy moderately restrictive by year end. Further US rate hikes are likely in early 2023 with policy makers adopting a 'hike-and-see' approach. Fiscal policy will have an important role to tackle growth headwinds. This includes targeted support for households and businesses in Europe and increased infrastructure investment in China. Recession concerns are beginning to mount with a US recession looking increasingly probable towards the second half of 2023. The European energy crisis will dent growth, while policy and geopolitical developments are likely to continue to keep global market volatility high. We remain defensively positioned. High inflation, recession, and monetary policy tightening raise the risk of financial stress and heightened market volatility. A profits slowdown is the next big risk to navigate. However, it is critical to focus on how much bad news is already priced in. Wider spreads and higher risk premiums can offer up income opportunities.



## Risk disclosures

- Derivatives may be used by the Fund, and these 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.
- 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.
- Further information on the potential risks can be found in the Key Investor Information Document (KID) and/or the Prospectus or Offering Memorandum.

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### Glossary



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The Fund is manufactured by HSBC Investment Funds (Luxembourg) S.A. 16, boulevard d'Avranches, L-1160 Luxembourg ('the Management Company'). The Management Company has appointed HSBC Global Asset Management (Malta) Limited, 80 Mill Street, Qormi, as Distributor of the Fund with the right to appoint sub-distributors. In Malta, the Fund is distributed to Investors through HSBC Bank Malta p.l.c. (a sub-distributor of HSBC Global Asset Management (Malta) Limited).

Approved by HSBC Global Asset Management (Malta) Limited, 80 Mill Street, Qormi, which is regulated by the Malta Financial Services Authority under the Investment Services Act.

**Source: HSBC Asset Management, data as at 30 September 2022**