

## HSBC Portfolios

# World Selection 4

Monthly report 31 October 2022 | Share class AC

### 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 medium to 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 50% 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 35% 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.
- Investing in assets denominated in a currency other than that of the investor's own currency exposes the value of the investment to exchange rate fluctuations
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.

### Share class details

#### Key metrics

NAV per share	<b>USD 17.28</b>
Performance 1 month	<b>3.34%</b>
Sharpe ratio 3 years	<b>0.04</b>

#### Fund facts

UCITS V compliant	<b>Yes</b>
UK reporting fund status (UKRS)	<b>Yes</b>
ISA eligible	<b>Yes</b>
Dividend treatment	<b>Accumulating</b>
Dealing frequency	<b>Daily</b>
Valuation time	<b>10:00 Luxembourg</b>
Share class base currency	<b>USD</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>20 October 2009</b>
Fund size	<b>USD 618,081,556</b>
Managers	<b>Kate Morrissey</b>

#### Fees and expenses

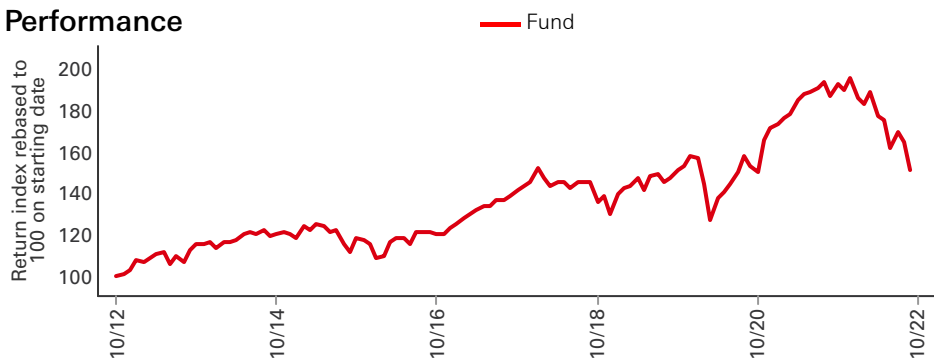
Minimum initial investment <sup>1</sup>	<b>USD 5,000</b>
Ongoing charge figure <sup>2</sup>	<b>1.363%</b>

#### Codes

ISIN	<b>LU0447611228</b>
Bloomberg ticker	<b>HSBC4AA LX</b>
SEDOL	<b>B99B6Y2</b>

<sup>1</sup>Please note that initial minimum subscription may vary across different distributors  
<sup>2</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.

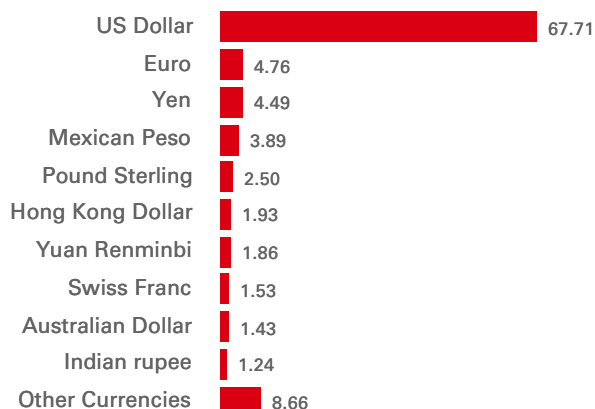
## Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
AC	-20.05	3.34	-7.52	-11.65	-18.91	1.22	2.05	4.56

Rolling performance (%)	31/10/21-31/10/22	31/10/20-31/10/21	31/10/19-31/10/20	31/10/18-31/10/19	31/10/17-31/10/18	31/10/16-31/10/17	31/10/15-31/10/16	31/10/14-31/10/15	31/10/13-31/10/14	31/10/12-31/10/13
AC	-18.91	28.64	-0.57	10.71	-3.62	17.35	1.57	-1.31	3.93	15.43

### Currency Allocation (%)



### Asset allocation (%)

Asset allocation (%)	Fund
<b>Global Equity</b>	<b>65.85</b>
Global Government Bond	2.13
Global Corporate Bond	2.96
Global High Yield Bonds	3.33
Emerging Market Debt - Hard Currency	2.32
Emerging Market Debt - Local Currency	5.58
Global Credit Short Duration	0.72
<b>Property</b>	<b>9.74</b>
<b>Trend Following</b>	<b>2.86</b>
<b>Commodities</b>	<b>1.66</b>
Cash/Liquidity	2.84

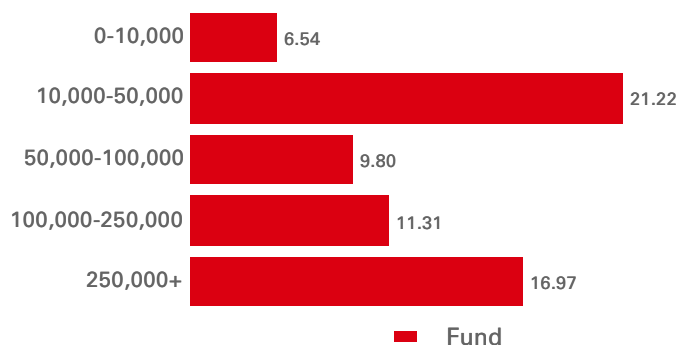
### Top 10 holdings

Top 10 holdings	Weight (%)
HSBC Multi Factor Worldwide Eq ETF	13.40
Vanguard FTSE All-World UCITS ETF	11.20
HSBC S&P 500 UCITS ETF	8.47
HSBC American Index Institutional Acc	8.14
HSBC FTSE All-World Index Instl Acc	7.86
HSBC GIF Global RE Eq ZQ1	5.62
HSBC GIF Global EM Local Dbt ZQ1	4.49
HSBC GIF Global Infrastructure Equity ZD	4.12
HSBC MSCI Emerg Mkts ETF	3.40
HSBC European Index Institutional Acc	2.44

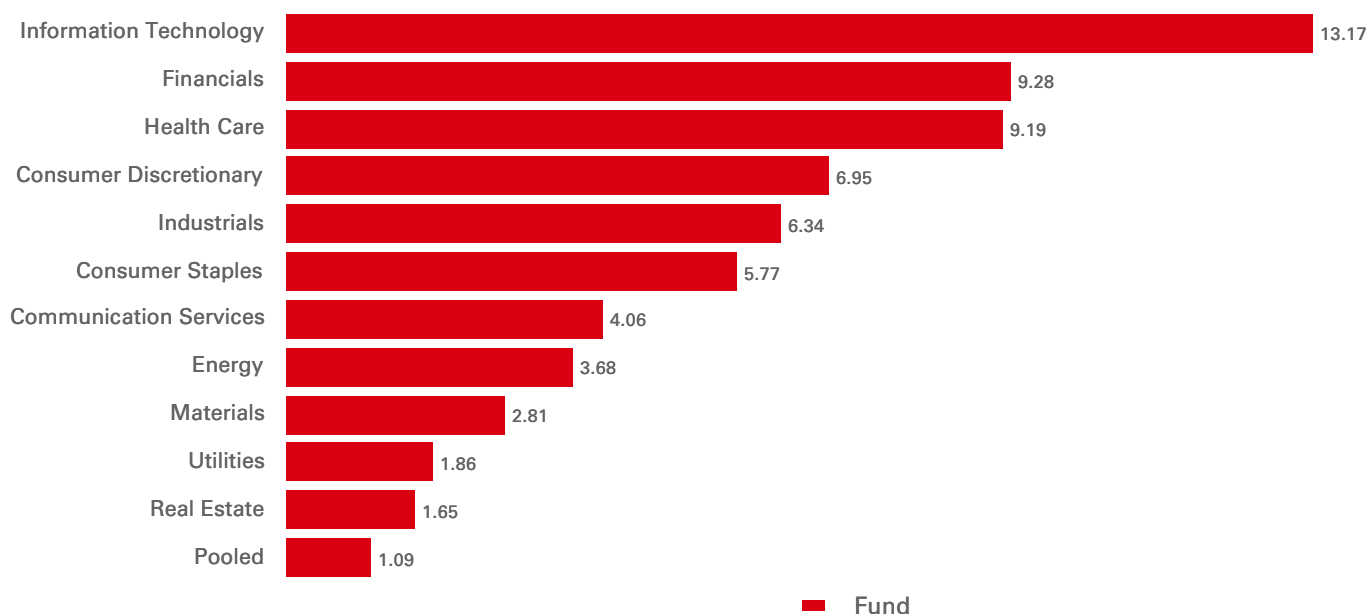
Equity top 10 holdings	Location	Sector	Weight (%)
Apple Inc	United States	Information Technology	2.69
Microsoft Corp	United States	Information Technology	1.97
Alphabet Inc	United States	Communication Services	1.19
Amazon.com Inc	United States	Consumer Discretionary	0.99
Johnson & Johnson	United States	Health Care	0.76
UnitedHealth Group Inc	United States	Health Care	0.54
Tesla Inc	United States	Consumer Discretionary	0.53
Exxon Mobil Corp	United States	Energy	0.50
Berkshire Hathaway Inc	United States	Financials	0.45
JPMorgan Chase & Co	United States	Financials	0.41

Equity characteristics	Fund	Reference Benchmark
Average market cap (USD Mil)	287,190	--
Price/earning ratio	13.83	--
Portfolio yield	2.28%	--

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

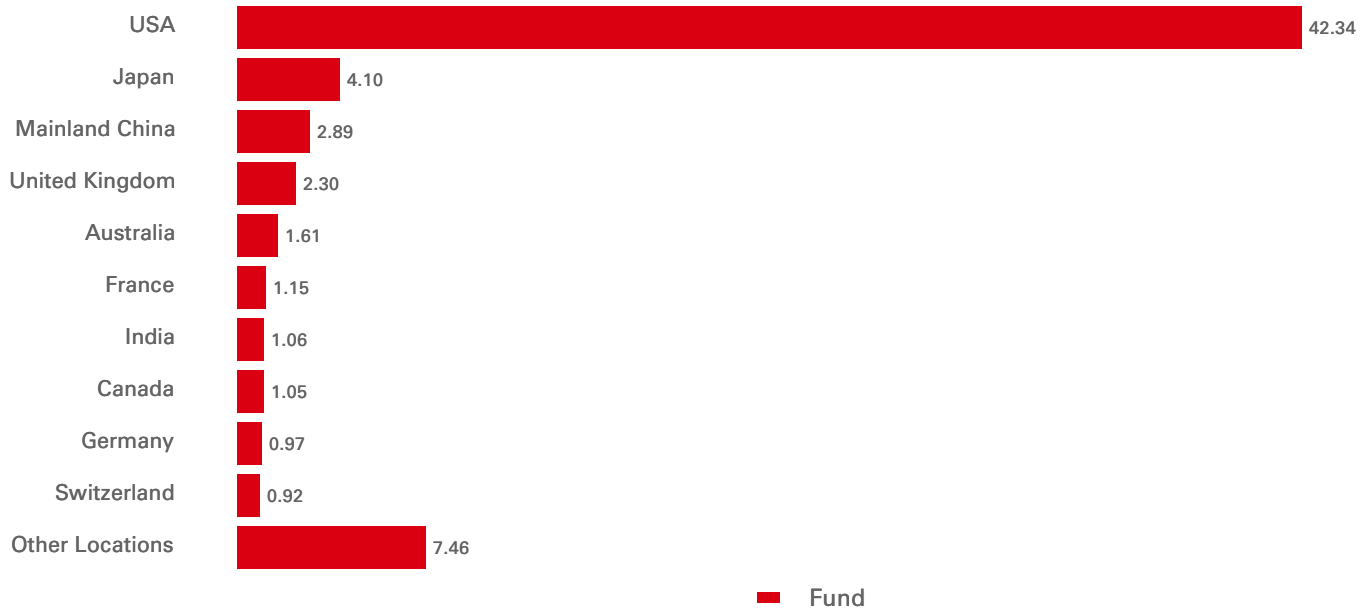


#### Equity sector allocation (%)



**Equity geographical allocation (%)**

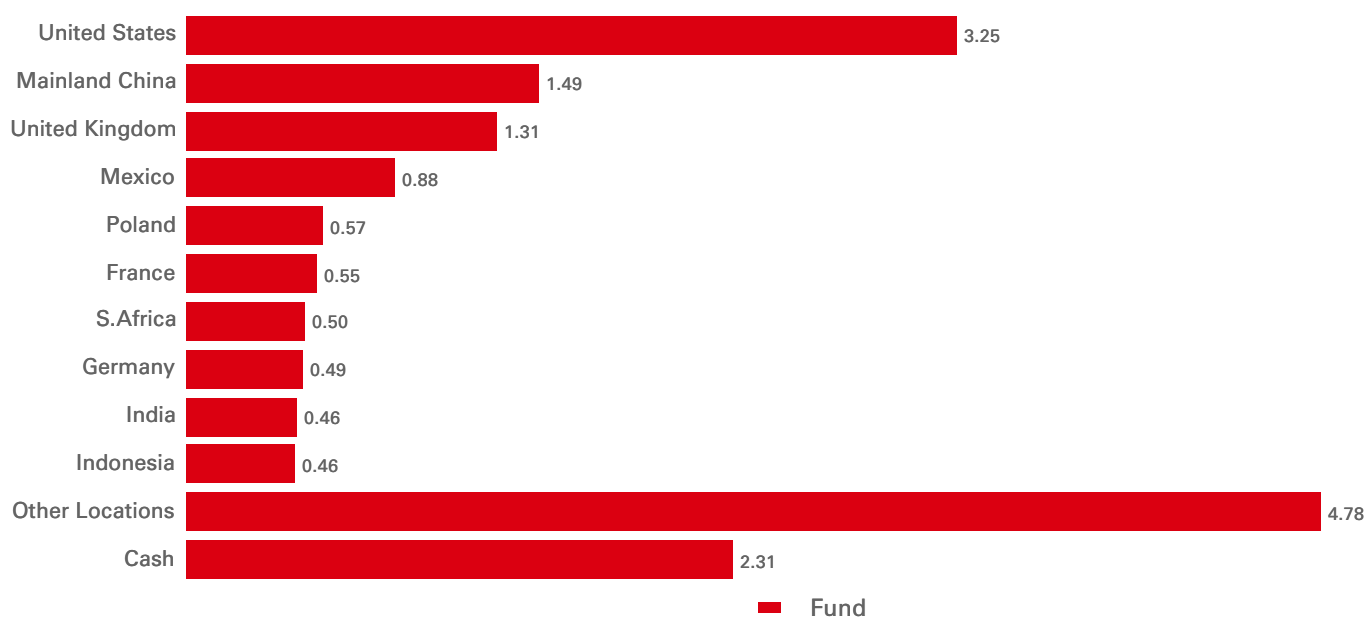
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Fixed Income Characteristics	Reference			Credit rating (%)	Reference		
	Fund	Benchmark	Relative		Fund	Benchmark	Relative
Yield to worst	7.73%	--	--	AAA	1.77	--	--
Yield to maturity	7.89%	--	--	AA	0.97	--	--
Option adjusted duration	4.46	--	--	A	3.43	--	--
Rating average	A-/BBB+	--	--	BBB	3.51	--	--
				BB	3.00	--	--
				B	1.42	--	--
				CCC	0.24	--	--
				CC	0.03	--	--
				NR	0.35	--	--
				Cash	2.31	--	--

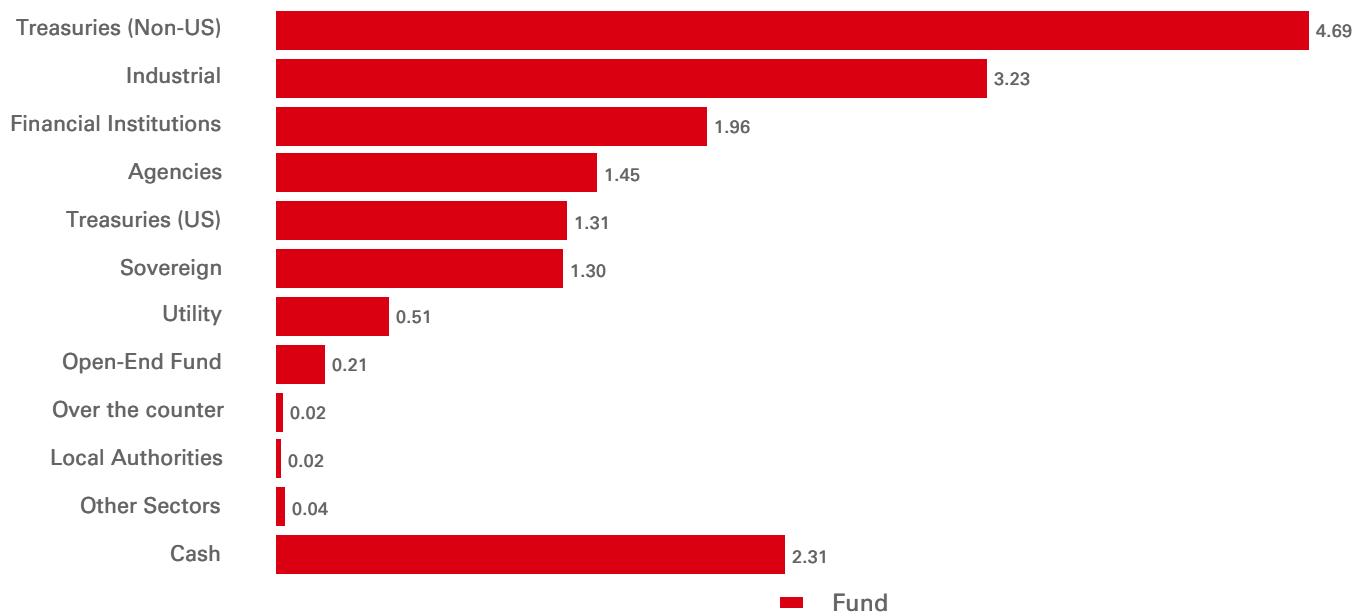
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
POLAND GOVERNMENT BOND 2.500 25/07/2027 PLN	Poland	Government Bond	0.34
MEX BONOS DESARR FIX RT 7.500 03/06/2027 MXN	Mexico	Government Bond	0.25
MEX BONOS DESARR FIX RT 5.750 05/03/2026 MXN	Mexico	Government Bond	0.17
LETRA TESOURO NACIONAL 0.000 01/01/2024 BRL	Brazil	Government Bond	0.14
US TREASURY N/B 3.000 15/07/2025 USD	United States	Treasury Note	0.12
JAPAN (5 YEAR ISSUE) 0.100 20/06/2023 JPY	Japan	Government Bond	0.10
REPUBLIC OF SOUTH AFRICA 6.250 31/03/2036 ZAR	South Africa	Government Bond	0.10
MEX BONOS DESARR FIX RT 8.500 31/05/2029 MXN	Mexico	Government Bond	0.08
REPUBLIC OF SOUTH AFRICA 8.500 31/01/2037 ZAR	South Africa	Government Bond	0.08
POLAND GOVERNMENT BOND 0.250 25/10/2026 PLN	Poland	Government Bond	0.08

#### Fixed income geographical allocation (%)



Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	1.13	--	--
United Kingdom	0.53	--	--
Mainland China	0.44	--	--
Japan	0.18	--	--
France	0.16	--	--
Mexico	0.15	--	--
Indonesia	0.14	--	--
S.Africa	0.14	--	--
Malaysia	0.09	--	--
India	0.08	--	--
Other Locations	1.33	--	--
Cash	0.00	--	--

**Fixed income sector allocation (%)**



	3 year total return (%)	Amount based on USD 1000 invested	3 Year Volatility (%)
<b>HSBC Portfolios - World Selection 4 AC</b>	<b>1.22</b>	<b>1,037.15</b>	<b>16.19</b>
Peer Group Average - EAA Fund USD Aggressive Allocation	1.14	1,034.53	14.42
Lowest Returning Fund in Peer Group	-9.43	743.00	8.16
Highest Returning Fund in Peer Group	41.43	2,828.93	45.68
Cash	0.93	1,028.22	0.31

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

Global Equities delivered strong returns in October as markets reacted positively to the month's inflation prints and began to price in a potential slowing in monetary tightening. The bounce was led by US equities which were further supported by the start of the Q4 earnings season. UK equities delivered positive absolute returns, but were a notable laggard among developed markets, as political uncertainty weighed on the market. Conversely, negative returns from mainland China equity dragged Emerging Markets into negative territory.

Global Government Bonds delivered negative returns in October. UK political turbulence dominated UK bond markets at the start of October, although this calmed with the appointment of new Prime Minister Rishi Sunak. In Europe, the ECB delivered a 75bp hike and both Germany and France released modestly higher than expected CPI prints. Ten-year Bund yields were little changed on the news. Bund-BTP spreads fell after reports of possible further common issuance and the deferral of any QT announcement to December. Treasury yields rose modestly as US CPI also saw a mild surprise to the upside in September at 8.2% compared to consensus of 8.1%. The dollar fell over the month as investors digested the possibility of a slowdown in Fed policy tightening. Sterling rallied as the UK rowed back from the 'mini' budget delivered under ex-Prime Minister Liz Truss. The Euro also strengthened over the month, although this was primarily because of dollar weakness. Finally, Yen continued to weaken despite the MoF's reported USD43bn intervention in the FX market. The BoJ left its ultra-low interest rates policy unchanged and revised down its forecast for economic growth in the current fiscal year.

### Portfolio performance

As equity markets rose, but bond markets fell, the lower risk World Selection portfolios delivered negative performance, while the higher risk portfolios delivered positive performance. Returns range from -0.47% for World Selection 1 to +3.83% for World Selection 5. The portfolio's active positioning detracted over the period. The largest detraction came from the underweight to Global Equities. Conversely, the overweight to commodities added value, as the position rallied, supported by rising oil prices. Intra-Equity positioning was also negative in October. Primary detractors included the overweight to Chinese versus Emerging Market Equity, and the overweights to Property and Swiss Equity versus Global Equity. Meanwhile, the newly introduced positions in US Minimum Volatility, US Consumer Staples and US Healthcare all added value.

Intra-Bond positioning detracted because of the overweights to Asia versus Global High Yield, and China versus Global Government Bonds. Conversely, the overweight to Sterling versus Global credit added value as the market rebounded.

Equities - At the headline level we are underweight equities given a medium-term cautious outlook on global GDP growth. During October we introduced a defensive slant to the equity holdings, adding: US Minimum Volatility Equity, US Consumer Staples, and US Health Care. We closed our overweight to Swiss versus European equity and trimmed our exposure to US Quality. We maintained our overweight to Chinese onshore equity versus emerging market equity and Global Property versus Global Equity, while we are neutral Global Infrastructure.

Lower risk bonds - At a headline level we remain underweight lower risk bonds. During October we added to Sterling Corporate Bonds and Short Duration Corporate Bonds, funded from Government Bonds and Cash. This resulted in a modest reduction in portfolio duration. We liked UK corporate bonds as the UK's min budget resulted in appealing valuations in the asset class. Finally, we closed the sterling overweight introduced last month after the currency rallied. We remain neutral Securitised Credit 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. 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

Inflation remains sticky in the US, driven by the services side of the economy. Nonetheless, signs of cooling inflation are becoming more apparent as supply chains normalise and goods demand eases. Weakening economic activity may also provide disinflationary impetus towards year-end, particularly in the Eurozone. US growth held up in Q3, but a 2023 US recession remains highly probable. Central banks remain hawkish amid persistently high inflation and have signalled a willingness to raise rates in the face of slower economic growth. Major tightening may be limited as the effects of earlier rate hikes begin to filter into the wider economy. We expect a total of 425bp of Fed rate hikes in 2022, leaving policy restrictive by the end of the year. Further rate hikes are likely in early 2023 with policymakers adopting a hike-and-see approach. Fiscal policy will have an important role in limiting broader economic challenges including the cost-of-living crisis. This includes targeted fiscal policy support for households and businesses in Europe and increased infrastructure investment in China.

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

- 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.
- 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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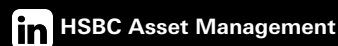
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Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at [www.assetmanagement.hsbc.co.uk](http://www.assetmanagement.hsbc.co.uk)

**Source: HSBC Asset Management, data as at 31 October 2022**

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### Glossary

