

HSBC Portfolios

World Selection 4

Monthly report 31 August 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 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

- Please remember that the value of investments, and any income received from them, can fall as well as rise, is not guaranteed and you may not get back the amount you 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	EUR 15.19
Performance 1 month	-2.80%
Sharpe ratio 3 years	0.17

Fund facts

UCITS V compliant	Yes
Dividend treatment	Accumulating
Dealing frequency	Daily
Valuation Time	10:00 Luxembourg
Share Class Base Currency	EUR
Domicile	Luxembourg
Inception date	20 October 2009
Fund Size	USD 657,109,883
Managers	Kate Morrissey

Fees and expenses

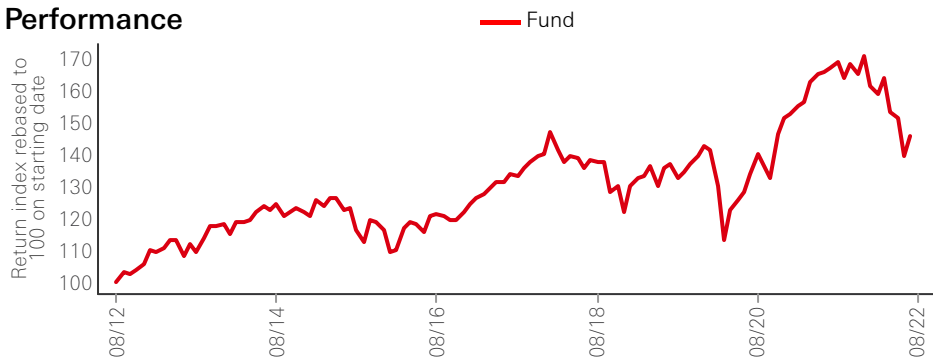
Minimum Initial Investment	EUR 5,000
Ongoing Charge Figure ¹	1.371%

Codes

ISIN	LU0447611491
Bloomberg ticker	HSBC4AH LX

¹Ongoing 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.

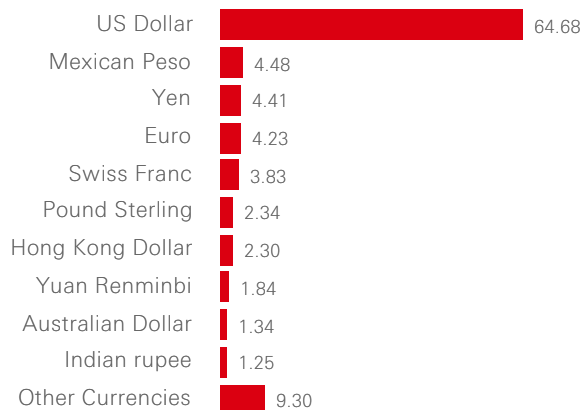
Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
ACHEUR	-17.10	-2.80	-6.79	-11.00	-16.40	2.11	1.15	3.51

Rolling Performance (%)	31/08/21-31/08/22	31/08/20-31/08/21	31/08/19-31/08/20	31/08/18-31/08/19	31/08/17-31/08/18	31/08/16-31/08/17	31/08/15-31/08/16	31/08/14-31/08/15	31/08/13-31/08/14	31/08/12-31/08/13
ACHEUR	-16.40	20.59	5.63	-3.45	3.01	9.82	4.18	-6.07	13.72	9.13

Currency Allocation (%)



Asset allocation (%)

Asset allocation (%)	Fund
Global Equity	66.68
Global Government Bond	3.19
Global Corporate Bond	1.55
Global High Yield Bonds	3.73
Emerging Market Debt - Hard Currency	2.50
Emerging Market Debt - Local Currency	6.10
Property	9.29
Trend Following	3.12
Commodities	1.78
Cash/Liquidity	2.05

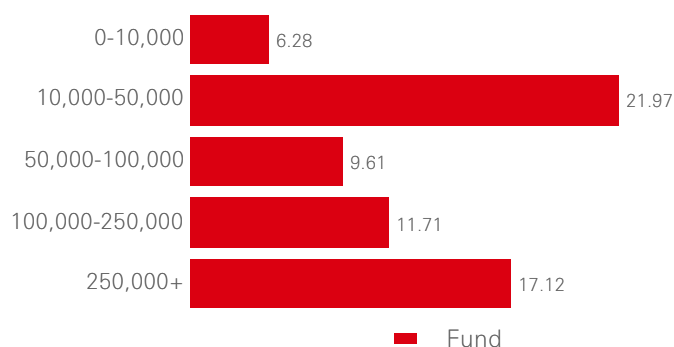
Top 10 Holdings

Top 10 Holdings	Weight (%)
HSBC Multi Factor Worldwide Eq ETF	13.11
Vanguard FTSE All-World UCITS ETF	11.00
HSBC GIF Global RE Eq ZQ1	9.29
HSBC S&P 500 UCITS ETF	8.18
HSBC FTSE All-World Index Instl Acc	7.88
HSBC American Index Institutional Acc	7.83
HSBC GIF Global EM Local Dbt ZQ1	5.01
iShares Edge MSCI USA Qual Fac ETF \$Dist	4.63
HSBC MSCI Emerg Mkts ETF	3.77
HSBC GIF Global Govt Bd ZQ1	3.19

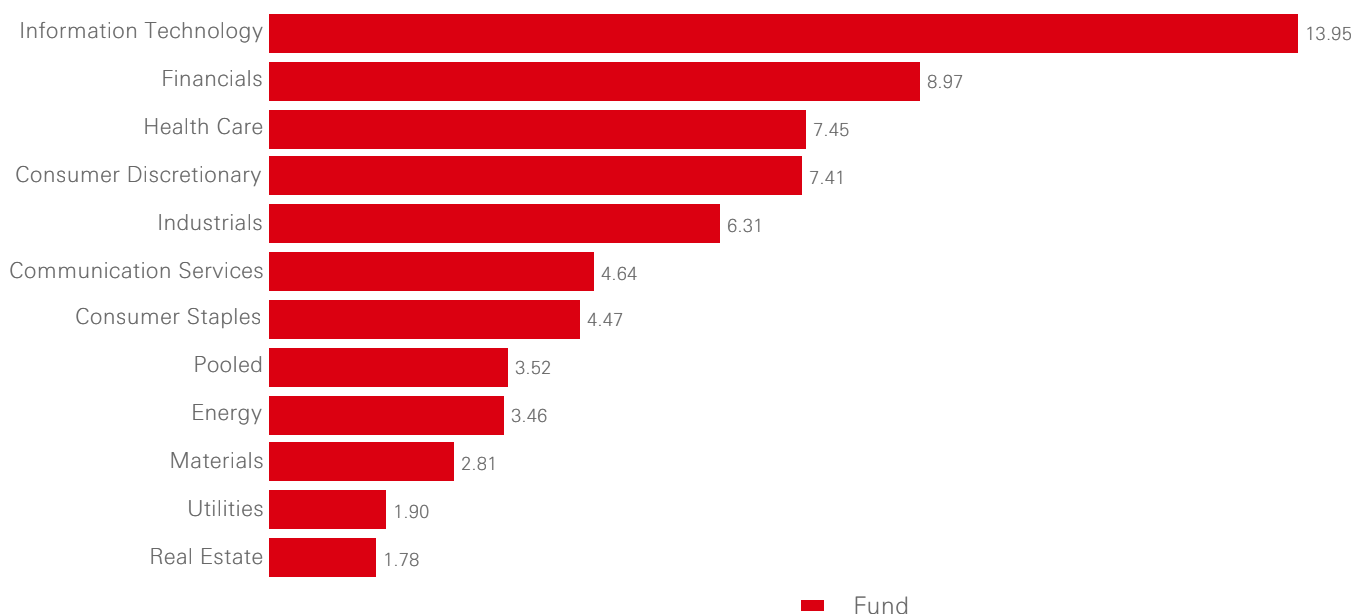
Equity top 10 holdings	Location	Sector	Weight (%)
Apple Inc	United States	Information Technology	2.75
Microsoft Corp	United States	Information Technology	2.18
Alphabet Inc	United States	Communication Services	1.41
Amazon.com Inc	United States	Consumer Discretionary	1.10
Johnson & Johnson	United States	Health Care	0.67
Tesla Inc	United States	Consumer Discretionary	0.55
Meta Platforms Inc	United States	Communication Services	0.51
Exxon Mobil Corp	United States	Energy	0.41
UnitedHealth Group Inc	United States	Health Care	0.39
Berkshire Hathaway Inc	United States	Financials	0.39

Equity characteristics	Fund	Reference benchmark
Average Market Cap (USD Mil)	318,668	--
Price/earning ratio	14.16	--
Portfolio yield	2.17%	--

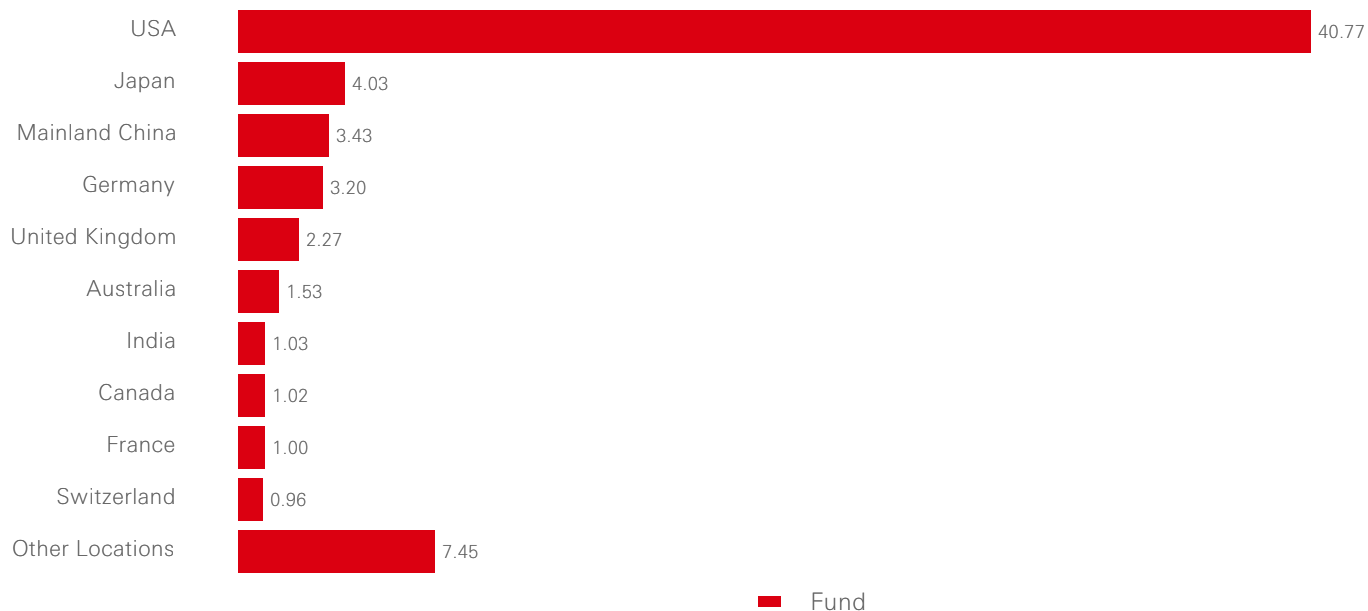
Market cap allocation (USD Mil %)



Equity sector allocation (%)



Equity geographical allocation (%)



Fixed Income Characteristics	Reference benchmark			Credit rating (%)	Reference benchmark		
	Fund	Reference benchmark	Relative		Fund	Reference benchmark	Relative
Yield to worst	7.04%	--	--	AAA	1.97	--	--
Yield to maturity	7.26%	--	--	AA	0.74	--	--
Option Adjusted Duration	4.57	--	--	A	3.22	--	--
Rating average	A/A-	--	--	BBB	2.55	--	--
				BB	3.07	--	--
				B	1.58	--	--
				CCC	0.28	--	--
				CC	0.04	--	--
				NR	0.44	--	--
				Cash	3.19	--	--

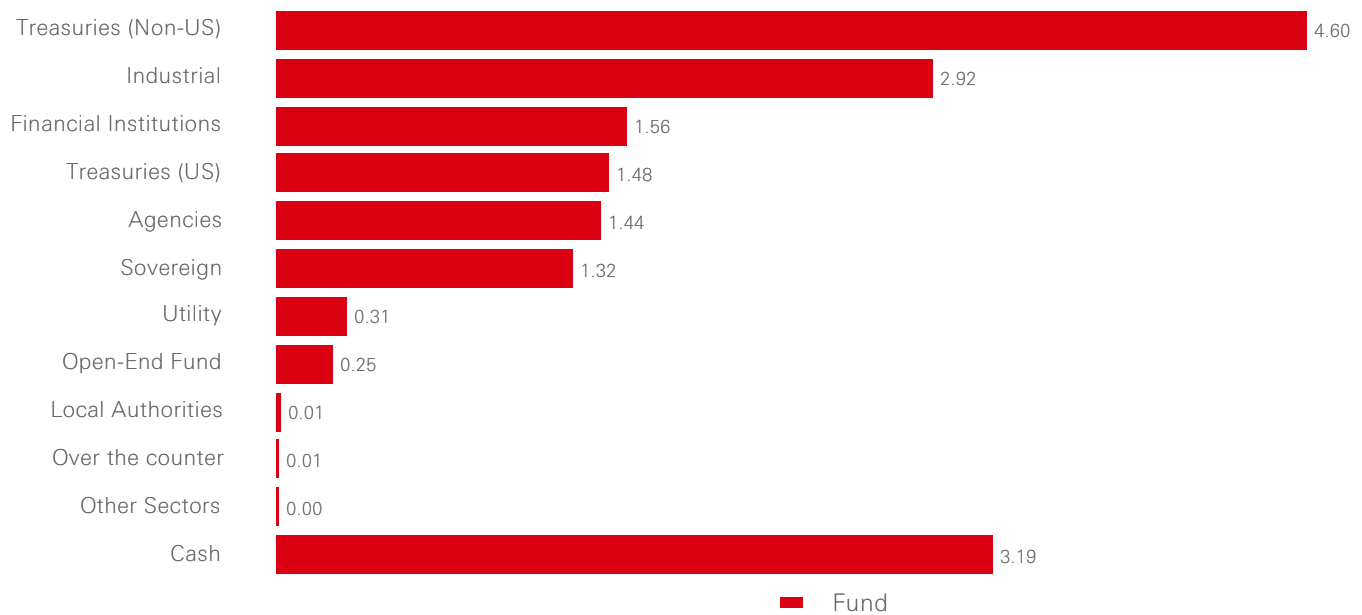
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
MEX BONOS DESARR FIX RT 7.500 03/06/2027 MXN	Mexico	Government Bond	0.26
US TREASURY N/B 3.000 15/07/2025 USD	United States	Treasury Note	0.17
POLAND GOVERNMENT BOND 2.500 25/07/2027 PLN	Poland	Government Bond	0.16
JAPAN (5 YEAR ISSUE) 0.100 20/06/2023 JPY	Japan	Government Bond	0.15
LETRA TESOURO NACIONAL 0.000 01/01/2024 BRL	Brazil	Government Bond	0.14
MEX BONOS DESARR FIX RT 8.500 31/05/2029 MXN	Mexico	Government Bond	0.13
REPUBLIC OF SOUTH AFRICA 6.250 31/03/2036 ZAR	South Africa	Government Bond	0.11
US TREASURY N/B 0.375 31/01/2026 USD	United States	Treasury Note	0.11
US TREASURY N/B 1.500 29/02/2024 USD	United States	Treasury Note	0.10
REPUBLIC OF SOUTH AFRICA 8.500 31/01/2037 ZAR	South Africa	Government Bond	0.09

Fixed income geographical allocation (%)



Geographical Allocation (Option Adjusted Duration)	Fund	Reference benchmark	Relative
United States	1.15	--	--
Mainland China	0.50	--	--
Japan	0.27	--	--
United Kingdom	0.24	--	--
Mexico	0.18	--	--
Indonesia	0.15	--	--
S.Africa	0.14	--	--
France	0.13	--	--
Malaysia	0.12	--	--
Germany	0.09	--	--
Other Locations	1.52	--	--
Cash	0.00	--	--

Fixed income sector allocation (%)



	3 year total return (%)	Amount based on EUR 1000 invested	3 Year Volatility (%)
HSBC Portfolios - World Selection 4 ACHEUR	2.11	1,064.79	15.48
Peer Group Average - EAA Fund EUR Aggressive Allocation - Global	4.31	1,134.91	13.47
Lowest Returning Fund in Peer Group	-13.46	648.17	5.90
Highest Returning Fund in Peer Group	43.50	2,955.29	31.04
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

During August, equities markets fell in dollar terms. However, as a result of sterling weakening over the period, equity returns were positive for GBP investors. The bearish turn in equity markets was triggered by hardening central bank rhetoric around the requirement for sustained monetary policy tightening. Falls were led by developed markets, with Europe ex-UK performing worst. Conversely, emerging markets delivered positive returns as Brazil, Indonesia, India, Taiwan, and Mainland China rallied. Government bond markets also sold-off during August. UK yields experienced the most significant rises as the Bank of England delivered a 50bp rate hike and a bleak forecast for domestic inflation. Notable rises were also seen in US rates as Jerome Powell reinforced the Fed's hawkish stance at the Jackson Pole symposium. In the Eurozone, the difference between German and Italian yields widened ahead of the Italian election on 25 September. Conversely, yields on Chinese bonds fell in August, as the PBoC delivered a surprise cut to the reserve requirement ratio. Oil markets fell over the month as signs of slowing global manufacturing, and hawkish Fed comments drove fears of a fall in demand. Gold also fell during the period, hit by higher US Treasury yields and a stronger USD.

Portfolio performance

As a result of the negative equity market performance over August, the portfolios delivered negative returns, with the lower risk portfolios providing more protection from market volatility than the higher risk portfolios. Returns range from -2.06% for World Selection 1 to -2.87% for World Selection 5. Active positioning was positive during August, most notably as a result of the position in Commodities, underweight to equity, and the overweight to Emerging Market Debt in local currency. Both of which delivered positive absolute returns over the period. Intra-equity positioning was modestly negative in August with the overweight to China versus broad emerging markets and US Quality versus broad US both detracting. Conversely, intra-bond positioning was firmly positive, with overweights to Asia versus Global High Yield, and Chinese versus Global Government Bonds both contributing very strongly.

Current Positioning and Trades

Equities - At the headline level we are underweight equities given a medium-term cautious outlook on growth. We maintain our overweights to USA Quality versus broad USA 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. During August we increased the exposure to Global Inflation Linked Bonds in the lower risk portfolios although we remain underweight. We are neutral on Securitised Credit and Corporate Bonds. We continue to have a preference for 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 August 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. In August, we sold out of our Gold holdings in the lower risk portfolios as real yields rose further. 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.

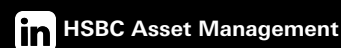
Outlook

Central banks have shown a commitment to continued policy tightening, raising the likelihood that inflation will begin to cool towards the end of the year. Tighter monetary policy opens up the possibility of a recession in the US, while the prospect of a winter energy crisis raises the probability of a recession in Europe. It should be noted that the depth and duration of any recession is likely to be limited as a result of healthy private sector balance sheets and moderate fiscal support. We expect a total of 325bps of Fed rate hikes in 2022, leaving policy moderately restrictive by the end of the year. Further US rate hikes are likely in early 2023 with policy makers adopting a 'hike-and-see' approach. In China, growth risks imply that further policy stimulus will be implemented, including infrastructure investment, and targeted monetary easing. However, policy divergence with the US will act as a constraint. We remain selective with where we take risk in portfolios: focusing on regional and style allocations in equities (e.g., value and quality factors), income strategies in fixed income (e.g., Asia fixed income), inflation protection and "real" strategies (e.g., commodities), and parts of EM ex Europe (e.g., China).

Risk Disclosure

- 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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Source: HSBC Asset Management, data as at 31 August 2022