

# HSBC Portfolios - World Selection 4

Share Class ACHEUR

31 May 2021

## Fund Objective and Strategy

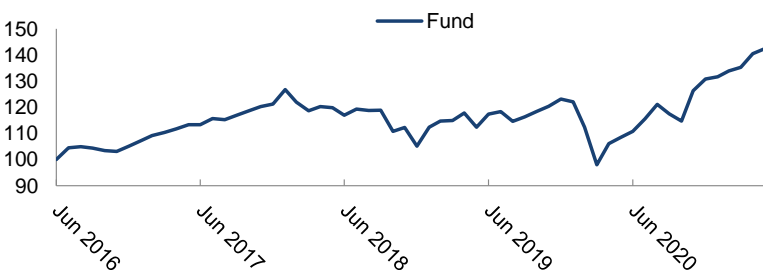
### Investment Objective

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 Policy

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.

### Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>	Vol22	S.R. <sup>3</sup>
ACHEUR	8.89	1.37	6.42	31.20	5.94	6.86	11.60	0.44

Rolling Performance (%)	31 May 2020- 31 May 2021	31 May 2019- 31 May 2020	31 May 2018- 31 May 2019	31 May 2017- 31 May 2018	31 May 2016- 31 May 2017
ACHEUR	31.20	-3.40	-6.18	5.70	10.86

**Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.**

Source: HSBC Global Asset Management, data as at 31 May 2021

### Risk Disclosure

- The Fund's unit value can go up as well as down, and any capital invested in the Fund may be at risk.
- 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 Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

### Share Class Details

UCITS V Compliant	Yes
Distribution Type	Accumulating
Dealing Frequency	Daily
Valuation Time	10:00 Luxembourg
Min. Initial Investment	EUR 5,000
Ongoing Charge Figure <sup>4</sup>	1.401%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0447611491
Share Class Inception Date	20 Oct 2009
NAV per Share	EUR 17.73
Fund Size	USD 852,554,139
Bloomberg Ticker	HSBC4AH LX
Manager	Kate Morrissey

<sup>1</sup>Result is annualised when calculation period is over one year.

<sup>2</sup>Volatility since inception, a measure of how much a fund's price goes up or down as a percentage of its average performance.

<sup>3</sup>Sharpe ratio since inception, a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations.

<sup>4</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.

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 Global 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 below 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\*.

	3 Year Net Return %	Amount based on EUR 1,000 invested	3 Year Volatility %
<b>HSBC Portfolios - World Selection 4 ACHEUR</b>	<b>5.94</b>	<b>EUR 1189.07</b>	<b>15.34</b>
Peer Group Average - EAA Fund EUR Aggressive Allocation -	6.35	EUR 1202.86	13.28
Lowest Returning Fund in Peer Group	-11.12	EUR 702.04	4.87
Highest Returning Fund in Peer Group	20.68	EUR 1757.74	27.61
Cash	0.54	EUR 1016.34	0.10

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

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### Portfolio performance

All of the World Selection portfolios posted positive returns in May, driven by strong equity and bond market returns over the period.

The World Selection portfolios are long-term investment solutions that seek to maximise risk-adjusted returns (Sharpe ratios) in the long run.

### Outlook

We remain in the restoration phase of the economic cycle. The pace of recovery will depend on vaccine delivery and continued policy support. The US is leading the recovery, boosted by supportive fiscal policy. However, Europe is likely to perform well in the coming quarters as its vaccine rollout gathers pace. Many Emerging Markets have so far struggled to control the virus however there should be scope for them to catch-up going forward. Finally, China and North Asian economies have largely recovered after suppressing COVID.

In the short-term, inflation numbers are likely to remain elevated given: energy price rises, supply chain disruption, and base effects, however the longer term inflation outlook still remains muted. Importantly, the Fed's policy framework implies a willingness to look through these short term CPI increases and delay interest rate rises. We expect further monetary policy innovation across DMs. We see China and other EM limiting its stimulus as it focusses on financial stability.

The key downside risks to the global recovery are vaccine-resistant strains impacting market sentiment, vaccine complacency, or stimulus fatigue leading to the early withdrawal of stimulus support. Short term increases in inflation may trigger a bond market sell-off.

### Positioning

#### Equities

During May we halved our headline equity overweight. We continue to hold several intra-equity positions: Canadian equities funded from our US equity exposure, developed market financials funded from our broader developed market equity exposure, and UK mid-caps funded from UK large caps.

#### Bonds

At the end of May, we increased our allocation to Global Government bonds, funded from a reduction in Global High Yield bonds. We remain underweight corporate and government bonds within the portfolios, with zero exposure to inflation linked bonds, and we are neutral Securitised Credit.

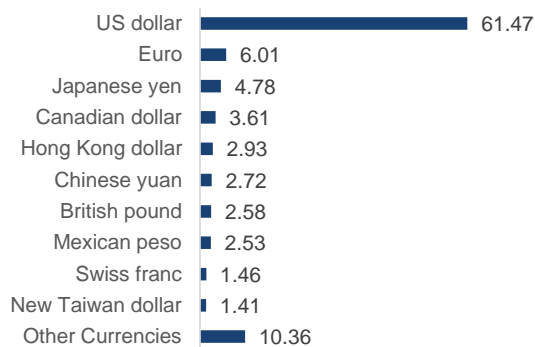
#### Risky Fixed Income

During the month we increased our allocation to Chinese government bonds. We continue to have a marginal overweight to risky fixed income within the portfolio; primarily driven by our overweight to EMD in local currency. We remain underweight EMD in hard currency and Global High Yield bonds.

## Portfolio

Portfolio Asset Allocation (%)	
Global Equity	73.43
Global Fixed Income	9.97
Global Government Bond	0.49
Global Corporate Bond	0.46
Global High Yield Bond	1.14
Emerging Market Debt - Hard Currency	2.22
Emerging Market Debt - Local Currency	4.00
Asia High Yield Bond	1.66
Property	7.89
Trend Following	4.79
Cash	3.91

## Currency Exposure at Portfolio Level (%)



Portfolio Top 10 Holdings	Weight (%)
HSBC MULTI FACTOR WORLDWIDE EQUITY ETF	14.92
HSBC S&P 500 UCITS ETF	12.37
VANGUARD FTSE ALL-WORLD UCITS ETF	10.80
HSBC FTSE ALL-WORLD INDEX INSTL ACC	9.86
HSBC GIF GLOBAL RE EQ ZQ1	7.89
HSBC AMERICAN INDEX INSTITUTIONAL ACC	5.41
HSBC GIF GLOBAL EM LOCAL DBT ZQ1	4.00
HSBC MSCI EMERG MKTS ETF	3.87
HSBC EUROPEAN INDEX INSTITUTIONAL ACC	3.28
HSBC MSCI CANADA UCITS ETF	2.82

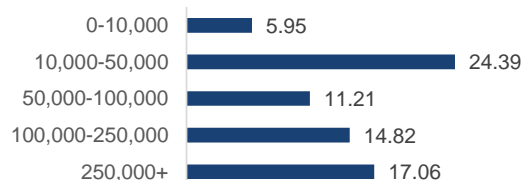
Source: HSBC Global Asset Management, data as at 31 May 2021.

## Equity

### Equity Characteristics

P/E Ratio	20.85
Weighted Average Market Cap (USD Mil)	287,076.50
Dividend Yield	1.78

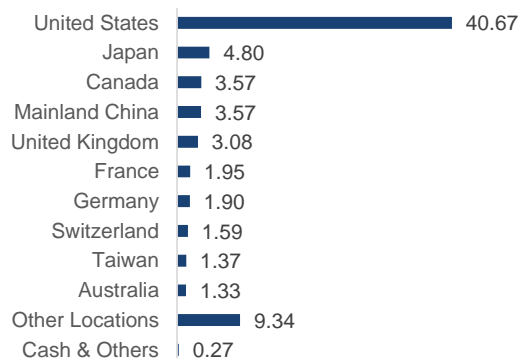
### Equity Average Market Cap Breakdown (USD Mil, %)



### Equity Sector Allocation (%)



### Equity Geographical Allocation (%)



Equity Top 10 Holdings	Location	Sector	Weight (%)
APPLE INC	United States	Information Technology	2.11
MICROSOFT CORP	United States	Information Technology	1.94
ALPHABET INC-CL A	United States	Communication Services	1.51
AMAZON.COM INC	United States	Consumer Discretionary	1.45
FACEBOOK INC-CLASS A	United States	Communication Services	0.86
TAIWAN SEMICONDUCTOR CO LTD	Taiwan	Information Technology	0.57
TESLA INC	United States	Consumer Discretionary	0.48
JPMORGAN CHASE & CO	United States	Financials	0.44
BERKSHIRE HATHAWAY INC-CL B	United States	Financials	0.44
TENCENT HOLDINGS LTD	Mainland China	Communication Services	0.41

Please note some securities are unclassified against these sector and/or country schemes and will therefore appear under the Cash & Others category.

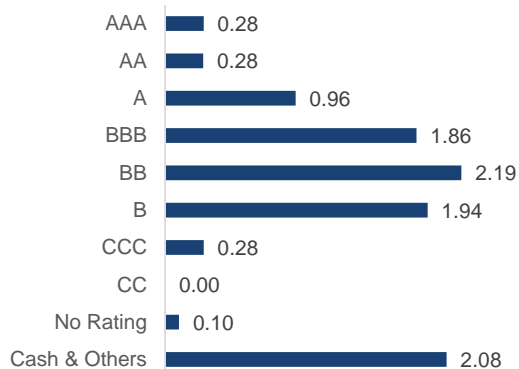
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

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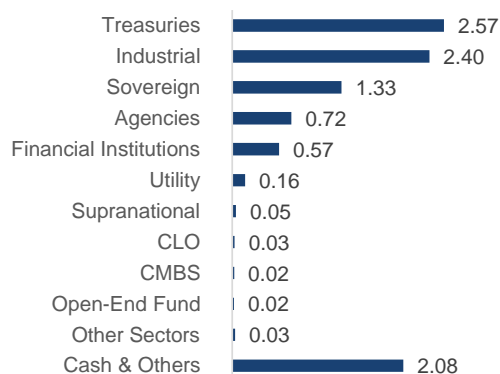
## Fixed Income

Fixed Income Characteristics		Fixed Income Characteristics	
Yield to Maturity (Gross)	4.67	Option Adjusted Duration	3.97
Yield to Worst (Gross)	4.53	Rating Average	BBB+/BBB

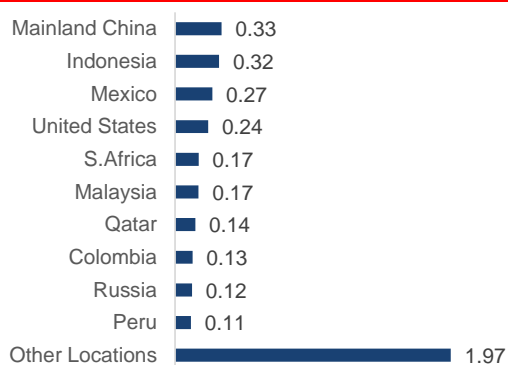
### Fixed Income Quality Rating Allocation (%)



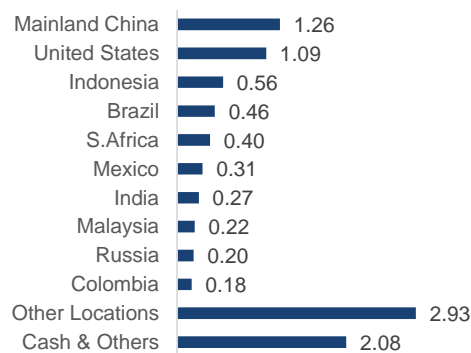
### Fixed Income Sector Allocation (%)



### Fixed Income Option Adjusted Duration Allocation by Location



### Fixed Income Geographical Allocation (%)



Fixed Income Top 10 Holdings	Location	Instrument Type	Weight (%)
LETRA TESOURO NACIONAL 0.000 01/10/2021	Brazil	Government Bond	0.22
INDONESIA GOVERNMENT 8.375 15/03/2024	Indonesia	Government Bond	0.10
REPUBLIC OF SOUTH AFRICA 10.500 21/12/2026	South Africa	Government Bond	0.10
REPUBLIC OF SOUTH AFRICA 6.250 31/03/2036	South Africa	Government Bond	0.07
REPUBLIC OF SOUTH AFRICA 7.000 28/02/2031	South Africa	Government Bond	0.07
CHINA GOVERNMENT BOND 3.190 11/04/2024	Mainland China	Government Bond	0.07
REPUBLIC OF SOUTH AFRICA 8.000 31/01/2030	South Africa	Government Bond	0.06
LETRA TESOURO NACIONAL 0.000 01/07/2021	Brazil	Government Bond	0.06
INDONESIA GOVERNMENT 7.000 15/05/2027	Indonesia	Government Bond	0.06
TITULOS DE TESORERIA 7.750 18/09/2030	Colombia	Government Bond	0.05

Please note that the fixed income allocation tables are calculated using contributions to the fixed income portion, with the equity portion excluded here.

The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

Source: HSBC Global Asset Management, data as at 31 May 2021.

## **Important Information**

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Further Information can be found in the prospectus.

## Terms of Glossary

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**Accumulation Share:** a type of share where the income earned by the Fund is retained in the Fund

**ACD:** HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director of the Company

**Actively Managed:** where the fund manager uses their expertise to pick investments to achieve the fund's objectives

**Bond(s):** a loan, usually to a company or government, that pays interest

**Bond Index Futures:** a contract stating that the holder agrees to purchase a bond index at a particular price on a specified future date

**Collective Investment Scheme:** a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property

**Credit Rating:** an assessment of the credit risk of a company, government or other organisation. It seeks to measure how likely it is that the issuer of a bond will be able to continue to make interest payments and repay the money loaned to it

**Developed Markets:** countries with relatively high levels of personal income and established economies

**Duration:** a measure of how long it takes in years for an investor in a bond to recoup the price they paid for the bond from its interest payments. It provides an indication of how much bond prices are likely to change if and when interest rates change

**Emerging Markets (EM):** countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body

**Equities:** shares issued by a company

**Futures:** a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price

**Growth:** the increase in the value of investments

**Government Bond or Gilt:** a loan to a national government in return for regular payments (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date. Gilts are loans to the UK government

**Hedge Funds:** an investment fund that pools money from investors and invests in a variety of assets, often with complex investment strategies and risk management techniques

**Hedge or Hedging:** using derivative type investments as a way to reduce risk

**High yield bond:** a bond paying a higher level of interest but which has a lower credit rating than investment grade

**Income:** money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or paid back into the fund and reinvested

**Income Share:** the type of Share where the income earned by the Fund is paid out to you

**Investment Grade:** a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it

**Market Capitalisation:** the total dollar market value of a company's outstanding shares. Commonly referred to as "market cap", it is calculated by multiplying a company's shares outstanding by the current market price of one share

**Maturity:** the period of time left for a bond or gilt to remain outstanding before the original loan and any final interest is repaid to the lender

**Net Asset Value (NAV):** the value of the scheme property of a fund less the liabilities of the fund

**Ongoing Charges Figure:** a measure of what it costs to invest in a fund. It includes the fee paid to the ACD and other operating costs

**Option adjusted duration (OAD):** a duration value based on the probability of early redemption call by the bond issuer

**Option adjusted spread duration (OASD):** estimates the price sensitivity of a bond to a 100 basis-point movement (either widening or narrowing) in its spread relative to treasuries, taking into account the likelihood of early redemption

**Price Earnings (P/E) Ratio:** the price paid for a share divided by the annual profit earned by the firm per share

**Preference Shares:** shares of a company which entitle the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends. Preference shares may be convertible to the ordinary shares of a company

**Property-related securities:** shares of property companies that own, manage or develop property and Real Estate Investment Trusts (REITs), which are investment companies that own buildings and land

**Return(s):** the money made or lost on an investment

**Share(s):** an equally valued holding in a fund of a company, representing part ownership of that fund, (including larger denomination shares and smaller denomination shares)

**Sharpe ratio:** a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations

**Volatility:** a measure of the size and frequency of changes in the value of an investment over a short space of time

**Yield:** the income from an investment, usually stated as a percentage of the value of the investment

**Yield to Maturity:** the total return anticipated on a bond if the bond is held until the end of its lifetime, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage

**Yield to Worst:** the lowest potential yield that can be received on a bond without the issuer actually defaulting, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage