

HSBC Portfolios

World Selection 5

Monthly report 30 November 2021 | 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

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

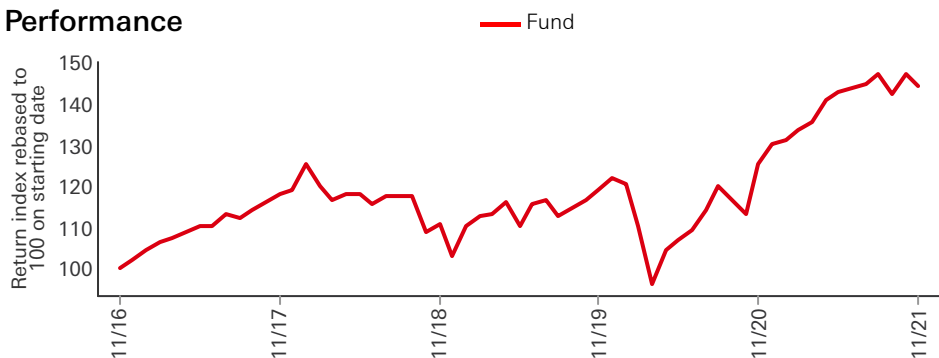
- Please remember that the value of investments, and any income received from them, can fall as well as rise, is not guaranteed and you may not get back the amount you invested.
- The Fund invests in bonds whose value generally falls when interest rates rise. This risk is generally greater the longer 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 18.46
Performance 1 month	-1.87%
Sharpe ratio 3 years	0.63
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 388,123,900
Managers	Kate Morrissey
Fees and expenses	
Minimum Initial Investment	EUR 5,000
Ongoing Charge Figure ¹	1.494%
Codes	
ISIN	LU0447611731
Bloomberg ticker	HSBC5AH 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.

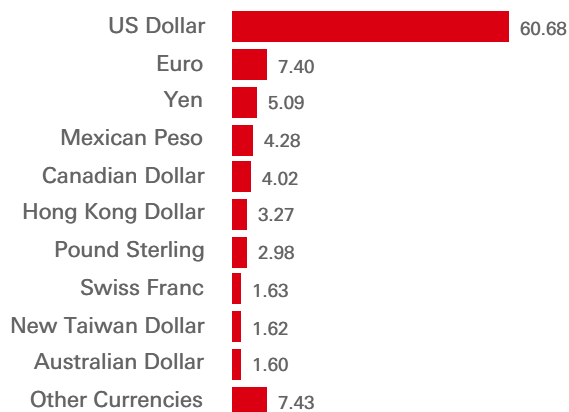
Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
ACHEUR	10.97	-1.87	-1.85	1.02	15.08	9.34	7.64

Rolling Performance (%)	30/11/2020-30/11/2021	30/11/2019-30/11/2020	30/11/2018-30/11/2019	30/11/2017-30/11/2018	30/11/2016-30/11/2017
ACHEUR	15.08	5.58	7.59	-6.43	18.15

Currency Allocation (%)



Asset allocation (%)

Asset allocation (%)	Fund
Global Equity	85.15
Global Fixed Income	1.04
Global High Yield Bonds	0.31
Emerging Market Debt - Hard Currency	0.24
Emerging Market Debt - Local Currency	0.48
Property	7.26
Trend Following	4.70
Cash	1.85

Top 10 Holdings

Top 10 Holdings	Weight (%)
HSBC S&P 500 UCITS ETF	16.86
HSBC Multi Factor Worldwide Equity ETF	16.68
HSBC FTSE All-World Index Instl Acc	12.36
HSBC GIF Global RE Eq ZQ1	7.26
HSBC MSCI Emerg Mkts ETF	6.92
iShares Edge MSCI USA Qual Fac ETF \$Dist	5.80
iShares Core S&P 500 ETF USD Acc	4.56
HSBC European Index Institutional Acc	3.48
HSBC American Index Institutional Acc	3.35
HSBC MSCI Canada UCITS ETF	3.07

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

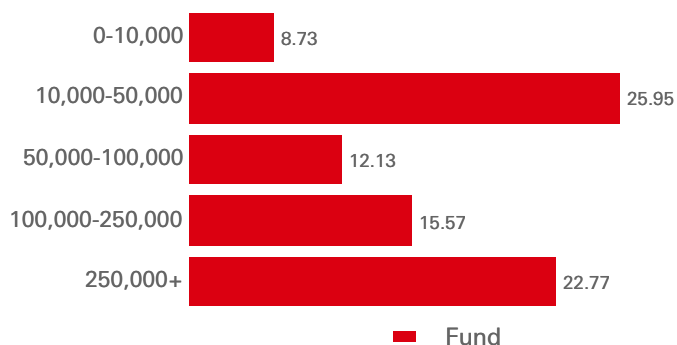
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

Source: HSBC Asset Management, data as at 30 November 2021

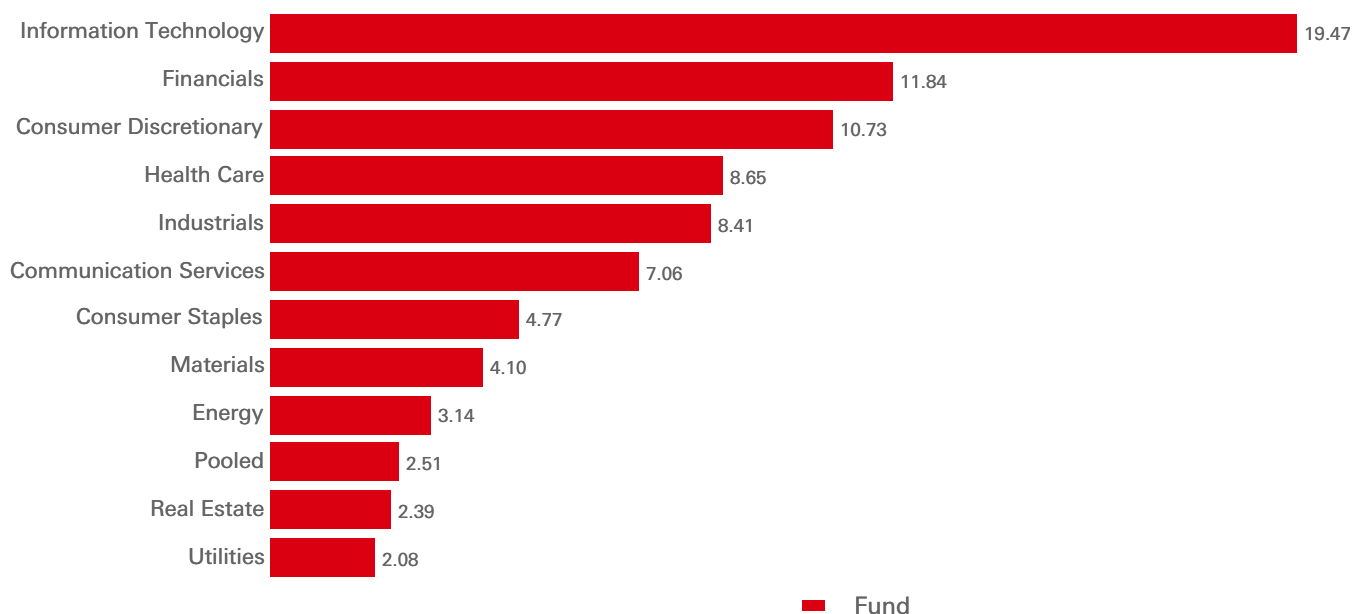
Equity top 10 holdings	Location	Sector	Weight (%)
APPLE INC	United States	Information Technology	3.00
MICROSOFT CORP	United States	Information Technology	2.86
ALPHABET INC-CL A	United States	Communication Services	2.13
AMAZON.COM INC	United States	Consumer Discretionary	1.62
META PLATFORMS INC-CLASS A	United States	Communication Services	1.14
TESLA INC	United States	Consumer Discretionary	0.96
TAIWAN SEMICONDUCTOR CO LTD	Taiwan	Information Technology	0.72
NVIDIA CORP	United States	Information Technology	0.72
BERKSHIRE HATHAWAY INC-CL B	United States	Financials	0.57
JPMORGAN CHASE & CO	United States	Financials	0.43

Equity characteristics	Fund	Reference benchmark
Average Market Cap (USD Mil)	368,508	--
Price/earning ratio	21.46	--
Portfolio yield	1.71%	--

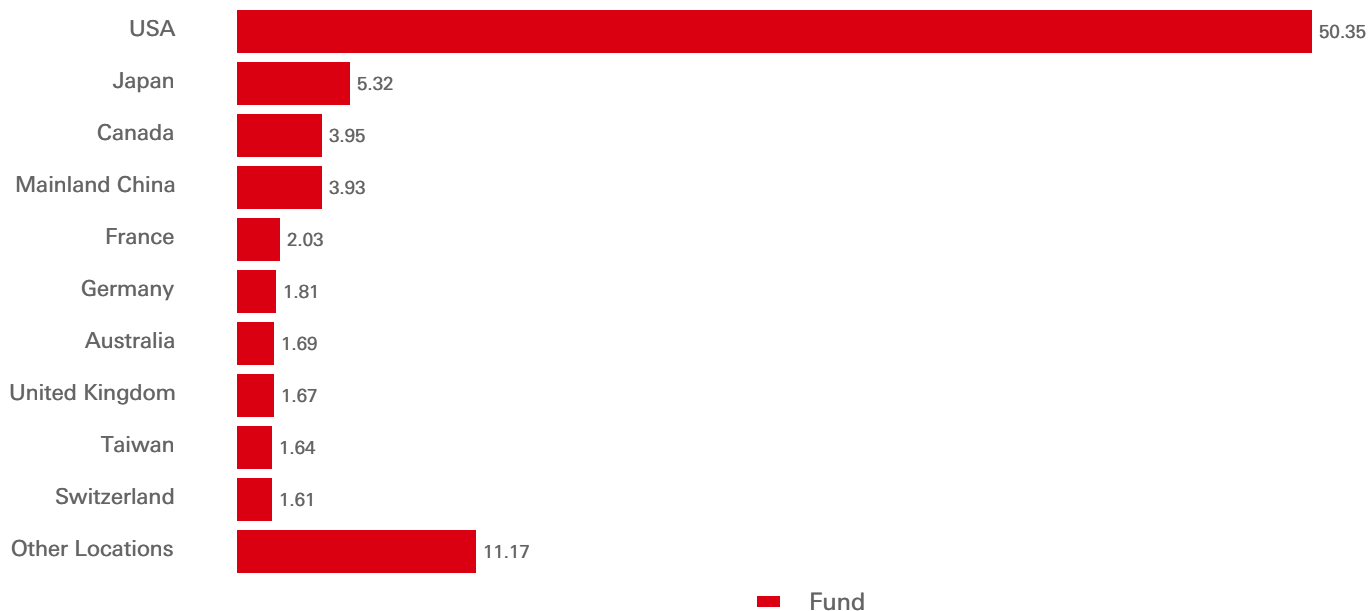
Market cap allocation (USD Mil %)



Equity sector allocation (%)



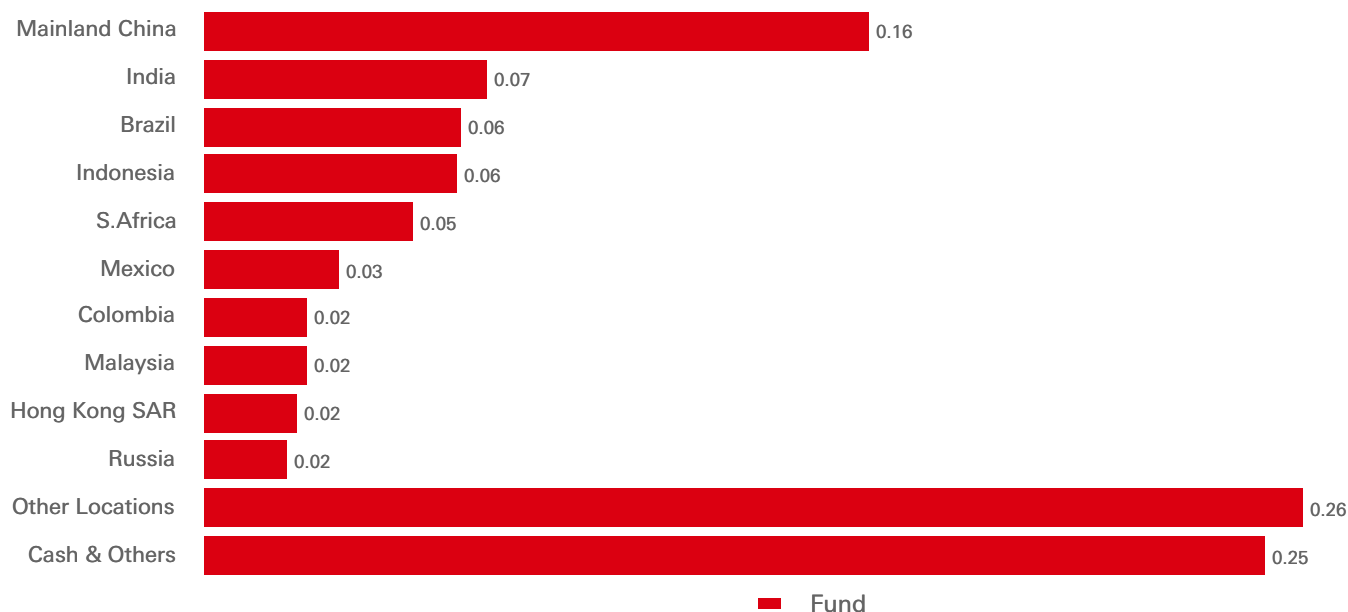
Equity geographical allocation (%)



Fixed Income Characteristics	Reference benchmark			Credit rating (%)	Reference benchmark		
	Fund	Relative	Relative		Fund	Relative	Relative
Yield to worst	6.84%	--	--	AAA	0.01	--	--
Yield to maturity	7.22%	--	--	AA	0.01	--	--
Option Adjusted Duration	3.82	--	--	A	0.09	--	--
Rating average	BBB+/BBB	--	--	BBB	0.16	--	--
				BB	0.32	--	--
				B	0.16	--	--
				CCC	0.01	--	--
				CC	0.00	--	--
				NR	0.02	--	--
				Cash & Others	0.25	--	--

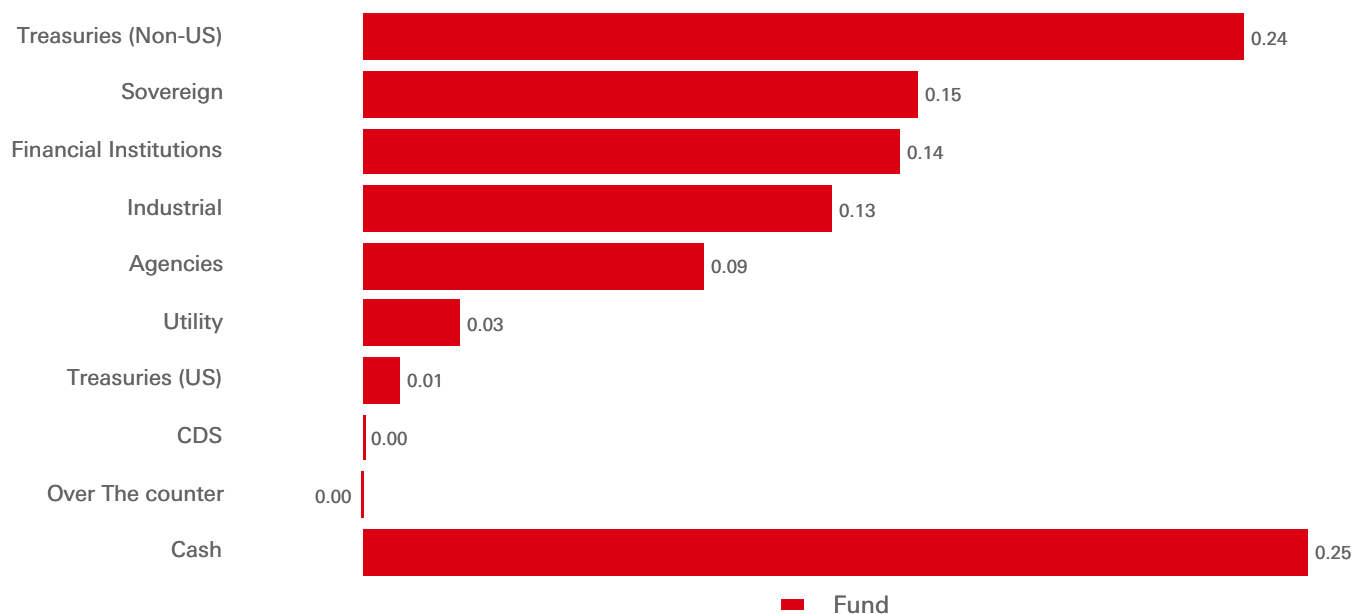
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
LETRA TESOURO NACIONAL 0.000 01/04/2022	Brazil	Government Bond	0.04
REPUBLIC OF SOUTH AFRICA 6.250 31/03/2036	SOUTH AFRICA	Government Bond	0.01
CHINA GOVERNMENT BOND 3.190 11/04/2024	Mainland CHINA	Government Bond	0.01
REPUBLIC OF SOUTH AFRICA 7.000 28/02/2031	SOUTH AFRICA	Government Bond	0.01
US TREASURY N/B 2.000 15/08/2051	United States	Government Bond	0.01
REPUBLIC OF SOUTH AFRICA 8.000 31/01/2030	SOUTH AFRICA	Government Bond	0.01
CHINA DEVELOPMENT BANK 3.090 18/06/2030	Mainland CHINA	Agency Bond	0.01
ROMANIA GOVERNMENT BOND 3.400 08/03/2022	Romania	Government Bond	0.01
REPUBLIC OF SOUTH AFRICA 10.500 21/12/2026	SOUTH AFRICA	Government Bond	0.01
CHINA GOVERNMENT BOND 2.360 02/07/2023	Mainland CHINA	Government Bond	0.01

Fixed income geographical allocation (%)



Geographical Allocation (Option Adjusted Duration)	Fund	Reference benchmark	Relative
Mainland China	0.40	--	--
Indonesia	0.33	--	--
Mexico	0.25	--	--
India	0.19	--	--
Colombia	0.19	--	--
S.Africa	0.18	--	--
Qatar	0.15	--	--
Malaysia	0.14	--	--
Russia	0.13	--	--
Brazil	0.13	--	--
Other Locations	1.72	--	--

Fixed income sector allocation (%)



	3 year total return (%)	Amount based on EUR 1000 invested	3 Year Volatility (%)
HSBC Portfolios - World Selection 5 ACHEUR	9.34	1,307.27	15.65
Peer Group Average - EAA Fund EUR Aggressive Allocation - Global	9.75	1,321.86	12.96
Lowest Returning Fund in Peer Group	-16.08	590.94	4.72
Highest Returning Fund in Peer Group	27.76	2,085.28	25.43
Cash	-0.46	986.27	0.03

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

Monthly Market Commentary

Global equity markets started the month strongly, but the emergence of the Omicron COVID variant in the last week of November resulted in equities retracing their gains. As a result, Global equities fell 2.41% in dollar terms, however sterling weakness resulted in a positive return of 1.11% in GBP terms. North America and Asia Pacific ex-Japan were the strongest performers, although both still posted negative returns. Taiwan led Asia's outperformance, while Canada and the US contributed to North America's. Europe underperformed on the back of weakening sentiment indicators, rising inflation concerns, and the worsening COVID-19 crisis as rapidly rising cases led Austria to impose a nationwide lockdown on 19 November. Emerging markets lagged developed. Among sectors, Technology and Utilities were the strongest performers while most cyclical sectors lagged. Global Government Bonds delivered positive returns over the period. At the start of the month US Treasuries had come under some selling pressure as a result of the 6.2% US CPI print on 10 November, as well as Biden's decision to re-nominate Powell for a second term as Fed Chair. However, the discovery of the new Omicron reversed this. Long term Bund yields ended the month in negative territory for the first time since August 2021. In the UK, Gilts were supported by the BoE's surprise decision to hold rates constant. China government bonds rallied over the period. In currency markets, the greenback outperformed most G10 currencies in as strong US economic data and hawkish FOMC commentary ramped up expectations for the Fed to hike rates earlier. The dollar received additional support towards the end of the month as markets became more cautious and "risk-on" currencies like the NOK and AUD posted hefty falls. The EUR was weak in November largely driven by widening policy divergence between the ECB and the Fed. Cable also weakened as a result of the BoE holding rates steady. Oil prices dropped significantly in November, moving below \$70 per barrel. The fall was due to a combination of Omicron, pressure on OPEC+ to raise supply, and a larger-than-expected rise in US crude inventories.

Portfolio performance

As a result of the market volatility experience towards the end of November, the World Selection portfolios delivered negative returns over the month, as our global equity exposure and diversified asset allocation helped to cushion the drawdown seen in some asset classes. Broadly our active positioning was negative during month: global government bonds outperformed global equities over the period, resulting in our 'risk-on' portfolio positioning detracting. Our intra-equity positions were mixed, with the overweight to USA Financials and Canada versus broad US exposure detracting, while the overweight to US Quality, and underweight to UK equity added value. Our active position in local currency China bonds relative to local emerging market debt was also additive.

Current Positioning and Trades

Equities

At a headline level we continue to be overweight the equity cluster within portfolios. We maintain our overweight to European small caps, Global Financials, Emerging Markets, USA Quality and Canada. Meanwhile we are underweight UK equity, funded from global equity, and marginally underweight US Market Cap equity as a result of the USA quality and Canada positions.

Bonds

At a headline level we are underweight the bond cluster within portfolios. We maintain our preference for Government bonds over investment grade credit and inflation linked bonds. We focus our Government bond holdings in the US, and towards the shorter end of the maturity curve (2Y and 10Y US treasuries). We are neutral securitised credit

Higher yielding fixed income

At a headline level we have a very marginal overweight to higher yielding fixed income within portfolios. At the start of November, we trimmed our allocation to EMD in local as our outlook on emerging markets softened, although we remain overweight the asset class given attractive valuations. We continue to hold an allocation to Chinese government bonds, funded from EMD in local currency, and Asia High Yield funded from Global High Yield. Finally, we remain underweight EMD in hard currency.

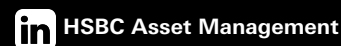
Monthly Market Outlook

With many economies such as the US and China now in the expansion phase of the economic cycle, global growth will slow in the coming quarters amid policy normalisation. The combination of slower growth and higher inflation is a challenge for central banks. But monetary policy is likely to remain supportive as they prioritise economic recovery. Governments continue to have headroom to increase fiscal support to counter growth risks if required. Inflation volatility continues in the near-term. But medium-term inflation is likely to remain contained. Upside risks are more apparent in the UK, US and some Emerging markets. Going forward we expect stocks to outperform bonds. Within equities Value and Cyclical factors have some space to perform, but given further upside growth surprises are less likely at this stage of the economic cycle it also makes sense to hold exposure to some more defensive equity styles (e.g. Quality). Valuations within Government bonds have recently improved amid a repricing of inflation and interest rate risks. However, we believe risks to yields remain tilted to the upside. Within credit markets low spreads and some uncertainties on the default outlook mean that risks of capital losses in the short term remain. For us, Asia bonds are preferable despite some risks related to deleveraging efforts in China. The key downside risks to markets are more persistent inflationary pressure triggering asset market sell-offs, the pandemic lasting longer than expected amid the impact of variants and slow vaccine rollout in some parts of the world and vaccine complacency or stimulus fatigue could mean premature policy withdrawal.

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 Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

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Glossary



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Source: HSBC Asset Management, data as at 30 November 2021