

## HSBC Portfolios

# World Selection 1

Monthly report 29 February 2024 | Share class BCHGBP



## 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 low 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 25% and 75%. The Fund can have an exposure to bonds (or other similar securities) of up to 100% of its assets. The exposure to shares (or securities similar to shares) can be up to 25% of assets. The Fund may invest up to 20% in non-investment grade and unrated bonds, and up to 25% 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	<b>GBP 11.81</b>
Performance 1 month	<b>-0.24%</b>
Sharpe ratio 3 years	<b>-0.84</b>

### Fund facts

UCITS V compliant	<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>GBP</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>5 December 2012</b>
Fund Size	<b>USD 259,931,829</b>
Managers	<b>Kate Morrissey</b>

### Fees and expenses

Minimum Initial Investment	<b>GBP 5,000</b>
Ongoing Charge Figure <sup>1</sup>	<b>0.741%</b>

### Codes

ISIN	<b>LU0843951616</b>
Bloomberg ticker	<b>HWS1BCH 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.

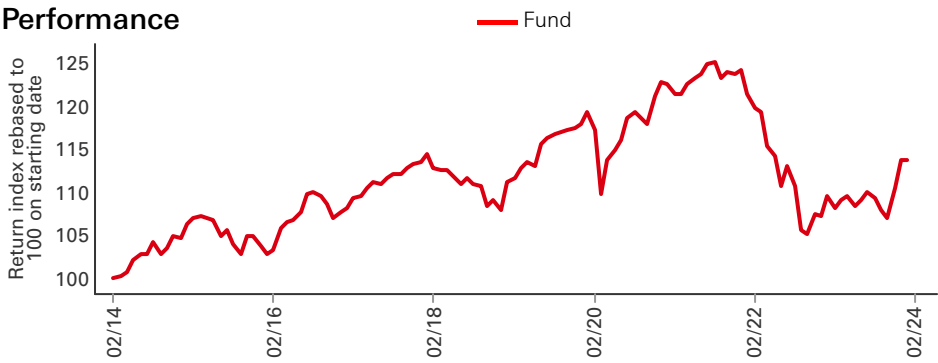
Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

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

For definition of terms, please refer to the Glossary QR code and Prospectus.

Source: HSBC Asset Management, data as at 29 February 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
BCHGBP	-0.31	-0.24	2.54	3.58	4.90	-2.26	0.29	1.25

Rolling Performance (%)	28/02/23-29/02/24	28/02/22-28/02/23	28/02/21-28/02/22	29/02/20-28/02/21	28/02/19-29/02/20	28/02/18-28/02/19	28/02/17-28/02/18	29/02/16-28/02/17	28/02/15-29/02/16	28/02/14-28/02/15
BCHGBP	4.90	-9.83	-1.28	3.49	4.97	-0.93	3.09	6.00	-3.46	6.86

Currency Allocation (%)	
US Dollar	88.16
Pound Sterling	3.17
Mexican Peso	1.84
Japanese Yen	1.69
Indian rupee	0.94
Norwegian Krone	0.70
Euro	0.56
Zloty	0.53
Korean Won	0.32
Swedish Krona	0.28
Other Currencies	1.81

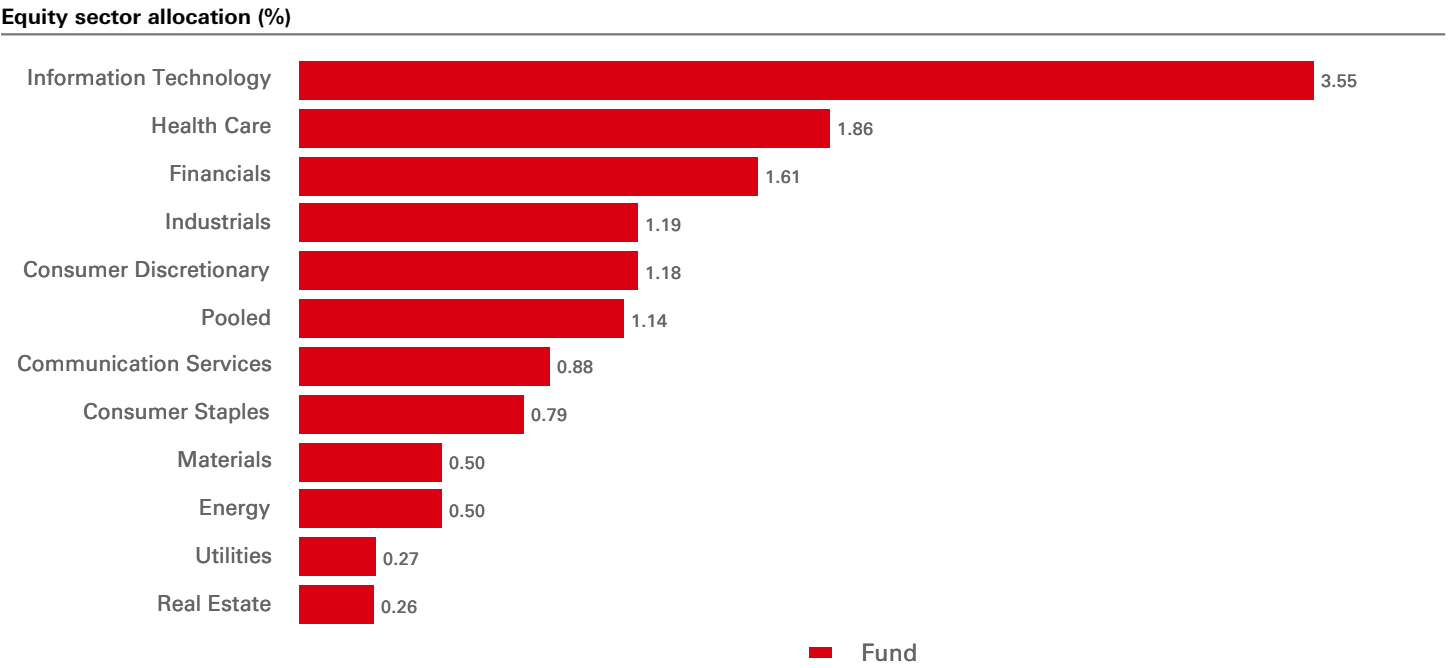
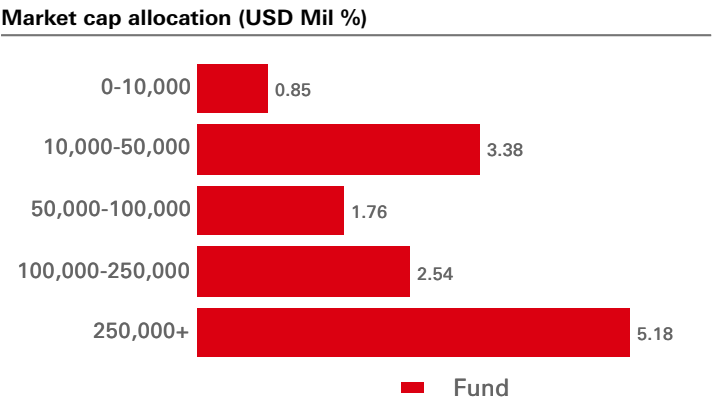
Asset allocation (%)	Fund
<b>Global Equity</b>	<b>13.71</b>
Global Government Bond	47.14
Global Corporate Bond	19.17
Global High Yield Bonds	0.84
Global Asset Backed Bonds	3.73
Emerging Market Debt - Hard Currency	1.43
Emerging Market Debt - Local Currency	1.86
Global Inflation Linked Bonds	3.71
<b>Property</b>	<b>0.46</b>
<b>Style Factors</b>	<b>3.04</b>
<b>Trend Following</b>	<b>2.63</b>
<b>Commodities</b>	<b>1.70</b>
Cash/Liquidity	-0.24
Listed Infrastructure	0.81

Top 10 Holdings	Weight (%)
HSBC GIF Global Govt Bd ZQ1	10.21
HSBC GIF Global IG Sec Credit Bd ZC	3.73
HSBC GIF Global Infl Lnkd Bd ZQ1	3.71
HSBC GIF Multi-Asset Style Factors ZC	3.04
US TREASURY N/B 4.625 15/10/2026 USD	2.96
Struct GS Cross Asset Trend E USD Acc	2.63
HSBC American Index Institutional Acc	2.42
Amundi US Curve Stpng 2-10 ETF Acc	2.38
HSBC FTSE All-World Index Instl Acc	2.14
iShares Edge MSCI USA Qual Fac ETF \$Dist	2.10

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 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 29 February 2024

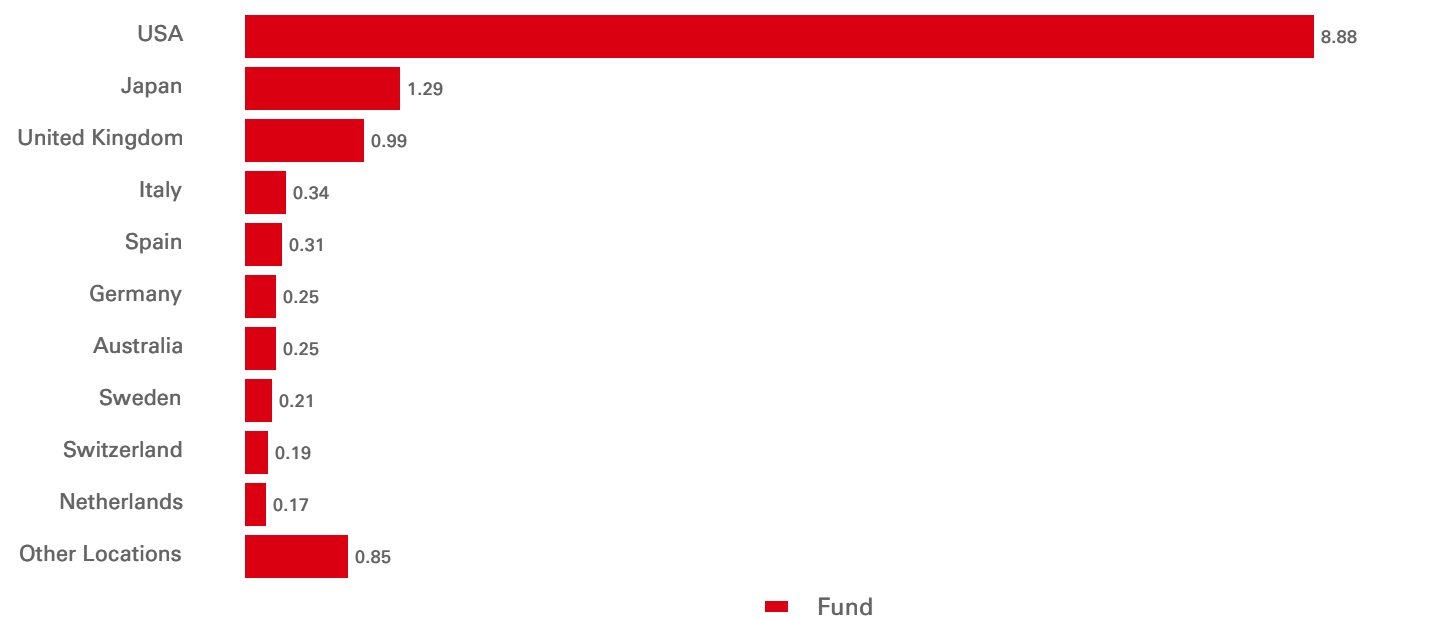
Equity top 10 holdings	Location	Sector	Weight (%)
Apple Inc	United States	Information Technology	0.62
Microsoft Corp	United States	Information Technology	0.61
NVIDIA Corp	United States	Information Technology	0.47
Alphabet Inc	United States	Communication Services	0.28
Meta Platforms Inc	United States	Communication Services	0.24
Broadcom Inc	United States	Information Technology	0.23
Amazon.com Inc	United States	Consumer Discretionary	0.21
Eli Lilly & Co	United States	Health Care	0.19
VISA INC-CLASS A SHARES 10127271	United States	Financials	0.15
Novo Nordisk A/S	Denmark	Health Care	0.13

Equity characteristics	Fund	Reference benchmark
Average Market Cap (USD Mil)	570,354	--
Price/earning ratio	19.12	--
Portfolio yield	1.78%	--



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Equity geographical allocation (%)

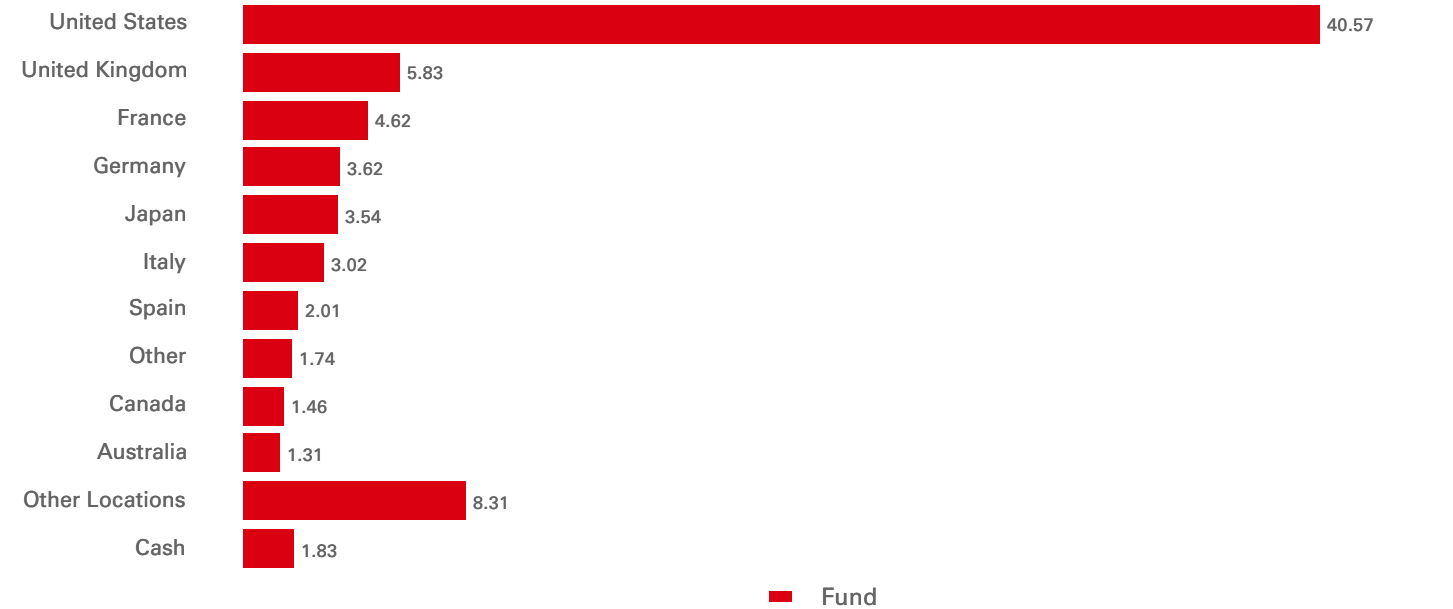


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Fixed Income Characteristics	Fund	Reference benchmark	Relative	Credit rating (%)	Fund	Reference benchmark	Relative
Yield to worst	5.22%	--	--	AAA	19.60	--	--
Yield to maturity	5.26%	--	--	AA	26.66	--	--
Option Adjusted Duration	4.88	--	--	A	10.76	--	--
Rating average	A+/A	--	--	BBB	15.67	--	--
				BB	2.39	--	--
				B	0.59	--	--
				CCC	0.13	--	--
				CC	0.01	--	--
				C	0.00	--	--
				D	0.05	--	--
				NR	0.18	--	--
				Cash	1.84	--	--

Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B 4.625 15/10/2026 USD	United States	Treasury Note	2.96
US TREASURY N/B 3.000 30/06/2024 USD	United States	Treasury Note	1.54
US TREASURY N/B 1.750 15/03/2025 USD	United States	Treasury Note	1.51
US TREASURY N/B 1.000 15/12/2024 USD	United States	Treasury Note	1.50
US TREASURY N/B 2.875 15/06/2025 USD	United States	Treasury Note	1.21
US TREASURY N/B 4.250 30/09/2024 USD	United States	Treasury Note	1.17
US TREASURY N/B 5.000 31/08/2025 USD	United States	Treasury Note	1.16
JAPAN (5 YEAR ISSUE) 0.100 20/09/2025 JPY	Japan	Government Bond	1.16
UNITED KINGDOM GILT 3.500 22/10/2025 GBP	United Kingdom	Government Bond	1.09
US TREASURY N/B 0.750 31/08/2026 USD	United States	Treasury Note	1.06

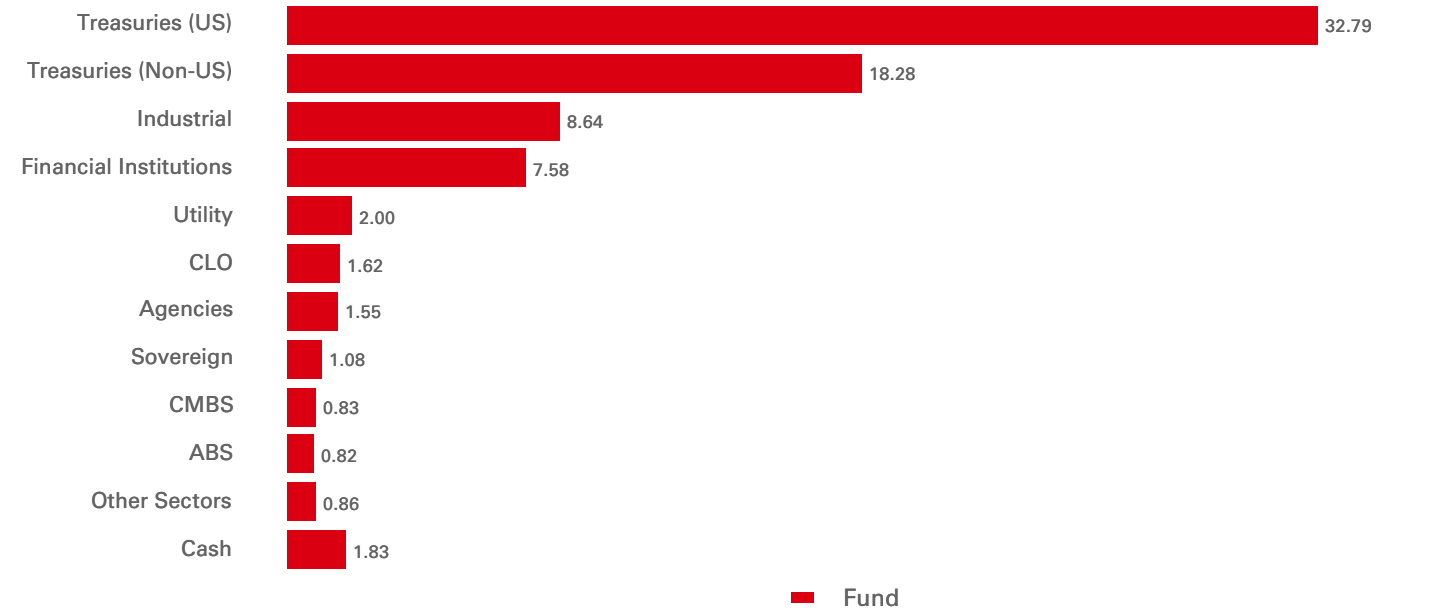
Fixed income geographical allocation (%)



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Geographical Allocation (Option Adjusted Duration)	Fund	Reference benchmark	Relative
United States	2.63	--	--
United Kingdom	0.49	--	--
France	0.25	--	--
Japan	0.19	--	--
Germany	0.17	--	--
Australia	0.14	--	--
Italy	0.14	--	--
New Zealand	0.10	--	--
Spain	0.10	--	--
European Union	0.09	--	--
Other Locations	0.50	--	--
Cash	0.00	--	--

Fixed income sector allocation (%)



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	3 year total return (%)	Amount based on GBP 1000 invested	3 Year Volatility (%)
HSBC Portfolios - World Selection 1 BCHGBP	-2.26	933.78	5.77
Peer Group Average - EAA Fund GBP Moderately Cautious Allocation	0.05	1,001.55	6.39
Lowest Returning Fund in Peer Group	-4.30	876.58	3.94
Highest Returning Fund in Peer Group	6.53	1,208.92	10.61
Cash	2.71	1,083.62	0.63

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 were up in February, driven by strong earnings reports and a rebound in Chinese equities. Fixed income markets fell over the month, with yields rising, following strong labour market and inflation data.

Across equities, emerging markets outperformed developed markets. This was driven by strong returns from China, following a number of supportive steps taken by the CCP to maintain market stability and another cut to mortgage policy rates. Other Asian markets associated with the Technology sector such as Taiwan and South Korea also rallied. Within developed markets, the US outperformed, driven by strong earnings reports from some of the “Magnificent 7” companies. The UK and Europe-ex UK equities underperformed the broader developed markets. In Japan, Yen weakness benefitted equity returns given the export-driven nature of the stock market. Within fixed income, US Treasuries prices fell over the month as inflation numbers came in stronger than anticipated while job numbers were also robust. This led to an increase in yields, as investors re-assessed the pace and timing of rate cuts. In the UK, Gilts sold off on continuing wage growth pressures despite data showing the economy fell into a technical recession during the second half of 2023. The US dollar gained modestly over the period, boosted by the higher yields and the broadly resilient economic data. The Euro and the Sterling fell against the US dollar given the relative strength of the US economy in comparison. In the commodity markets, Brent Oil pushed higher, on elevated geopolitical risk. Gold ended the month lower, facing downward pressure from hawkish economic data and the pushback on timing of policy rate cuts.

### Portfolio performance

Equities rallied in February, government bonds fell modestly, and higher risk areas of the fixed income markets were positive. This resulted in positive returns across most of the World Selection range, with higher risk profiles outperforming lower risk profile solutions. The World Selection portfolios are actively positioned against a long-term strategic asset allocation. During February, our active positioning detracted. The biggest negative contribution came from our tilt away from equity. In addition, our tilts towards Brazil, Spanish and UK equity detracted. Conversely, our allocation to Trend Following Hedge Funds added value over the month, together with our preference for quality companies in the US and our reduced exposure to Property.

### Investment Team Views and Portfolio Positioning

There are three key themes in markets that we are positioned to capture within the World Selection portfolios.

**Recession concerns easing** - The likelihood of a recession in the West has fallen, with the US economy looking particularly strong; providing support for equity markets. However, economic growth is still slowing, and as such we remain selective in our equity holdings. During February we increased our equity allocation, with a focus on the US and Japan. We have a preference for higher quality companies, where profits are likely to remain resilient in the face of slowing growth and persistent inflation. We are tilted towards Technology companies within the US, on the expectation that increased demand for Artificial Intelligence will support revenues for these companies. Finally, we prefer Spanish equity markets within Europe. Spain looks cheap, while the economy is strong in comparison to the rest of Europe and Germany in particular. Spain’s larger pool of renewable energy also insulates its industry from elevated oil and gas prices. We are still tilted away from High Yield bonds and Property, as we believe the full impact of higher borrowing costs has yet to be priced in for these asset classes.

**The rate cuts are coming** – In our view, the major central banks are likely to start cutting interest rates in the second half of 2024 as inflation continues to ease and economic growth slows. This encourages us back into government bonds, which are (for the first time in almost a decade) delivering an appealing stream of income for investors. We like US government bonds in particular given attractive yields and our view that the Fed will be a first mover in cutting interest rates. In February, we sold our UK Gilts position, following strong performance from the trade, and a narrowing of the interest differential. We maintain a holding in Gold, which has historically benefited as interest rates fall, while gold is a useful hedge against geopolitical risk. During February we closed our position in European healthcare and opened a position in European Banks. The banking sector is looks cheap, has strong profitability - benefiting from higher interest rates – and credit loss provisions are likely to be revised down on improving economic outlook. We are holding increased exposure to the Norwegian Krona and Polish Zloty as inflation remains elevated in these markets, and we expect to continue receiving high interest payments on these currencies as their respective central banks delay cutting interest rates.

**Outperformance in Eastern and Emerging Markets** - The economic backdrop in markets such as India, Japan and Brazil is very strong, monetary policy settings are accommodative and there is room for fiscal support. We maintain a number of positions to gain access to the specific opportunities we see in these markets: Japan versus developed market equity, given appealing valuations, strong flows from foreign investors, improved corporate governance, and weakening Yen supporting exports; Indian equity and government bonds: India remains one of the fastest growing economies globally, is making steady productivity improvements, has high foreign direct investments, and favourable demographics; Brazil versus emerging market equity given the country’s positive momentum, strong macroeconomic backdrop, and attractive fundamentals. We trimmed this position in February. Mexican peso currency positioning, given the currency is benefitting from the strong growth story in Mexico and is attractively valued against developed markets currencies Japanese Yen against Swiss Franc, given Japan’s stronger inflationary pressure and potential for interest rate policy shift



## 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.
- You should be aware of the potential risk of investing in a currency which is not your base currency and the effect any change in exchange rates may have, be it up or down, when converting your returns back to your base currency. The underlying investments may be made in local currencies which are subject to exchange rate fluctuations if converting returns back to the base currency.
- Further information on the potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

## Important Information

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The fund is a sub-fund of HSBC Portfolios, a Luxembourg domiciled SICAV. UK based investors are advised they may not be afforded some of the protections conveyed by the provisions of the Financial Services and Markets Act (2000), (the Act). The company is recognised in the UK by the Financial Conduct Authority under section 264 of the Act. The shares in the company have not been and will not be offered for sale or sold in the United States of America, its territories or possessions and all areas subject to its jurisdiction, or to United States Persons. All applications are made on the basis of the Prospectus, Key investor document (KID), Supplementary Information Document (SID) and most recent annual and semi-annual reports, which can be obtained upon request free of charge from HSBC Global Asset Management (UK) Limited, 8 Canada Square, Canary Wharf, London E14 5HQ UK; the local distributors or from our website (see below). Investors and potential investors should read and note the risk warnings in the Prospectus, KID and additionally, in the case of retail clients, the information contained in the supporting SID. Further information about the Company including the Prospectus, the most recent annual and semi-annual reports of the Company and the latest share prices, may be obtained free of charge, in English, from the Registrar and Transfer Agent by emailing [amgtransferagency@lu.hsbc.com](mailto:amgtransferagency@lu.hsbc.com), or by visiting [www.global.assetmanagement.hsbc.com](http://www.global.assetmanagement.hsbc.com).

The most recent Prospectus is available in English. Key Investor Information Document (KIID) are available in the local language where they are registered.

Term: The management company cannot terminate the Fund unilaterally. The Board of Directors may furthermore decide to liquidate the Fund in certain circumstances set out in the prospectus and articles of incorporation of the Fund. Further additional and complete information (including but not limited to) investor rights, costs and charges, please refer to the prospectus.

**Source: HSBC Asset Management, data as at 29 February 2024**

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