

## HSBC Portfolios

# World Selection 3

Monthly report 31 July 2023 | Share class BCHEUR

### 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 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 40% and 90%. The Fund can have an exposure to bonds (or other similar securities) of up to 80% of its assets. The exposure to shares (or securities similar to shares) can be up to 85% of assets. The Fund may invest up to 20% in non-investment grade and unrated bonds, and invest up to 30% 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>EUR 13.04</b>
Performance 1 month	<b>2.38%</b>
Sharpe ratio 3 years	<b>0.19</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>EUR</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>7 August 2013</b>
Fund Size	<b>USD 959,689,102</b>
Managers	<b>Kate Morrissey</b>

#### Fees and expenses

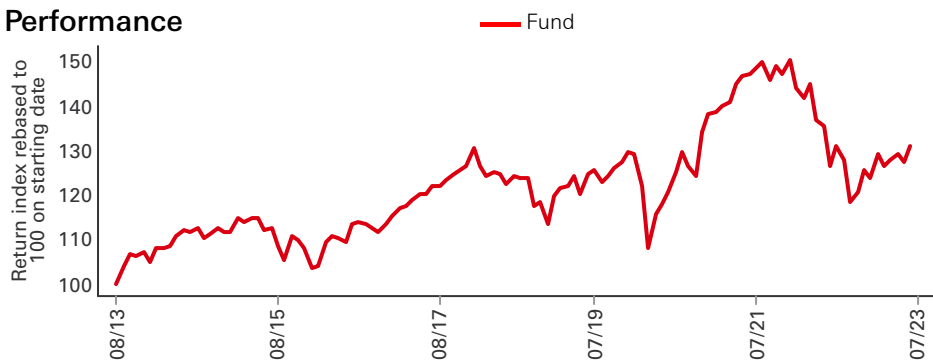
Minimum Initial Investment	<b>EUR 5,000</b>
Ongoing Charge Figure <sup>1</sup>	<b>0.927%</b>

#### Codes

ISIN	<b>LU0931136914</b>
Bloomberg ticker	<b>HSB3BHE LX</b>

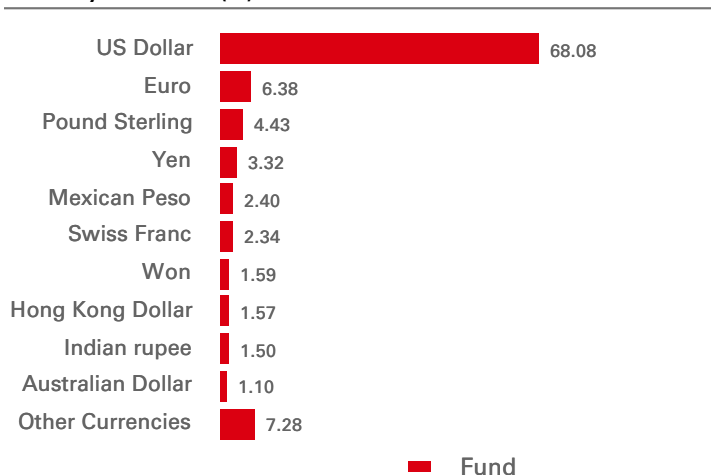
<sup>1</sup>Ongoing Charges Figure, is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

## Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann	Since inception ann	
<b>BCHEUR</b>	<b>8.08</b>	<b>2.38</b>	<b>3.54</b>	<b>3.59</b>	<b>2.22</b>	<b>2.30</b>	<b>1.49</b>	<b>--</b>	<b>2.74</b>	
<b>Rolling Performance (%)</b>	<b>31/07/22-31/07/23</b>	<b>31/07/21-31/07/22</b>	<b>31/07/20-31/07/21</b>	<b>31/07/19-31/07/20</b>	<b>31/07/18-31/07/19</b>	<b>31/07/17-31/07/18</b>	<b>31/07/16-31/07/17</b>	<b>31/07/15-31/07/16</b>	<b>31/07/14-31/07/15</b>	<b>31/07/13-31/07/14</b>
<b>BCHEUR</b>	<b>2.22</b>	<b>-11.63</b>	<b>18.54</b>	<b>-0.49</b>	<b>1.06</b>	<b>1.84</b>	<b>7.56</b>	<b>0.77</b>	<b>1.03</b>	<b>--</b>

### Currency Allocation (%)



### Asset allocation (%)

Asset Allocation	Fund
<b>Global Equity</b>	<b>54.50</b>
Global Government Bond	16.41
Global Corporate Bond	6.60
Global High Yield Bonds	2.09
Global Asset Backed Bonds	1.11
Emerging Market Debt - Hard Currency	2.09
Emerging Market Debt - Local Currency	4.05
Global Inflation Linked Bonds	1.08
<b>Property</b>	<b>2.06</b>
<b>Style Factors</b>	<b>2.06</b>
<b>Trend Following</b>	<b>3.35</b>
<b>Commodities</b>	<b>1.03</b>
Listed Infrastructure	2.51
Cash/Liquidity	1.07

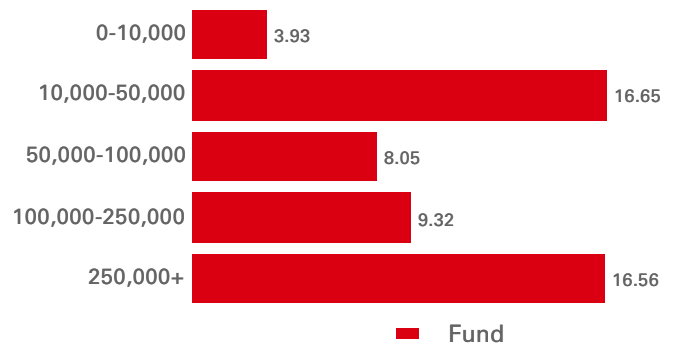
### Top 10 Holdings

Top 10 Holdings	Weight (%)
HSBC FTSE All-World Index Instl Acc	13.72
HSBC Multi Factor Worldwide Eq ETF	10.31
HSBC GIF Global Govt Bd ZQ1	8.38
HSBC American Index Institutional Acc	7.17
HSBC GIF Global Corp Bd ZQ1	6.60
HSBC S&P 500 UCITS ETF	4.89
HSBC GIF Global EM Local Dbt ZQ1	3.58
HSBC European Index Institutional Acc	3.29
Lyxor US Curve Stpng 2-10 ETF USD Acc	3.21
HSBC GIF Global Infrastructure Equity ZD	2.51

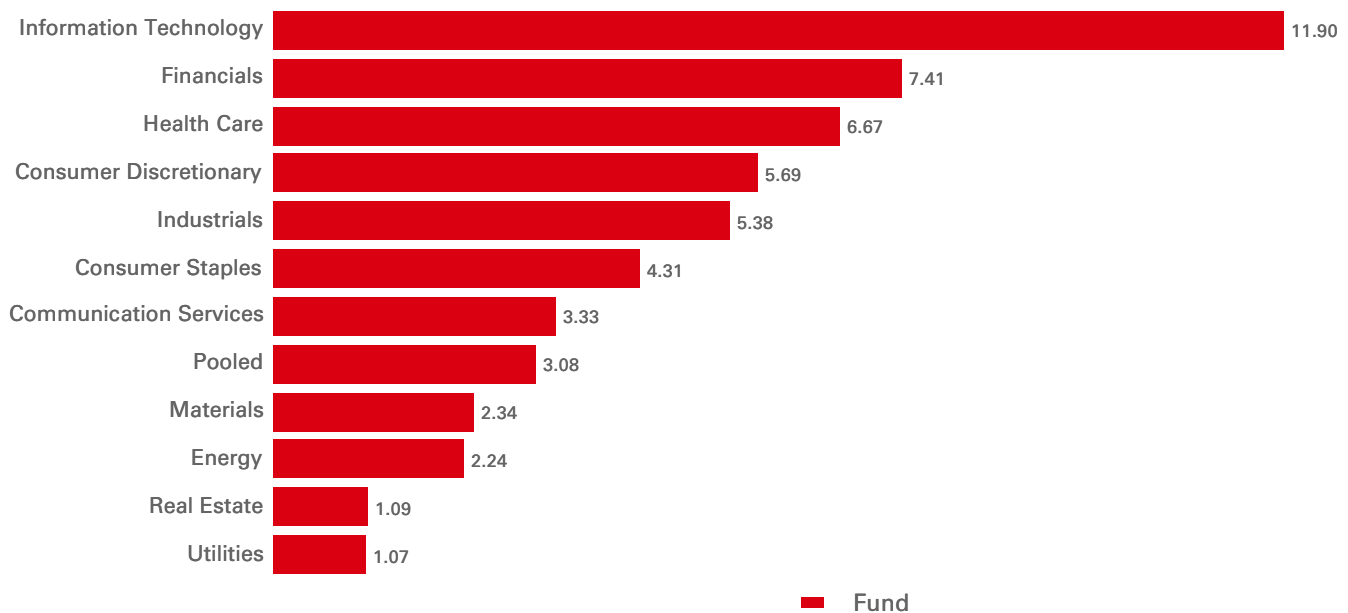
Equity top 10 holdings	Location	Sector	Weight (%)
Apple Inc	United States	Information Technology	2.52
Microsoft Corp	United States	Information Technology	2.01
Alphabet Inc	United States	Communication Services	1.06
NVIDIA Corp	United States	Information Technology	0.94
Amazon.com Inc	United States	Consumer Discretionary	0.81
Meta Platforms Inc	United States	Communication Services	0.52
UnitedHealth Group Inc	United States	Health Care	0.49
Tesla Inc	United States	Consumer Discretionary	0.47
Johnson & Johnson	United States	Health Care	0.45
Samsung Electronics Co Ltd	South Korea	Information Technology	0.45

Equity characteristics	Fund	Reference benchmark
Average Market Cap (USD Mil)	426,456	--
Price/earning ratio	14.93	--
Portfolio yield	2.09%	--

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

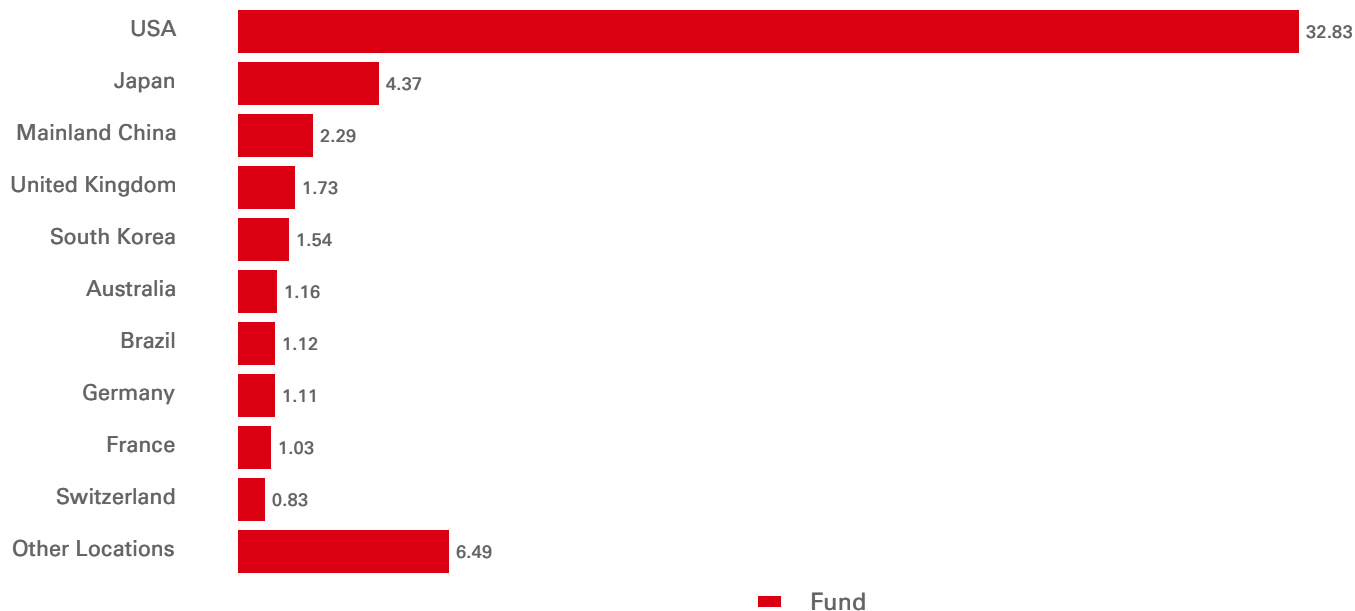


#### Equity sector allocation (%)



**Equity geographical allocation (%)**

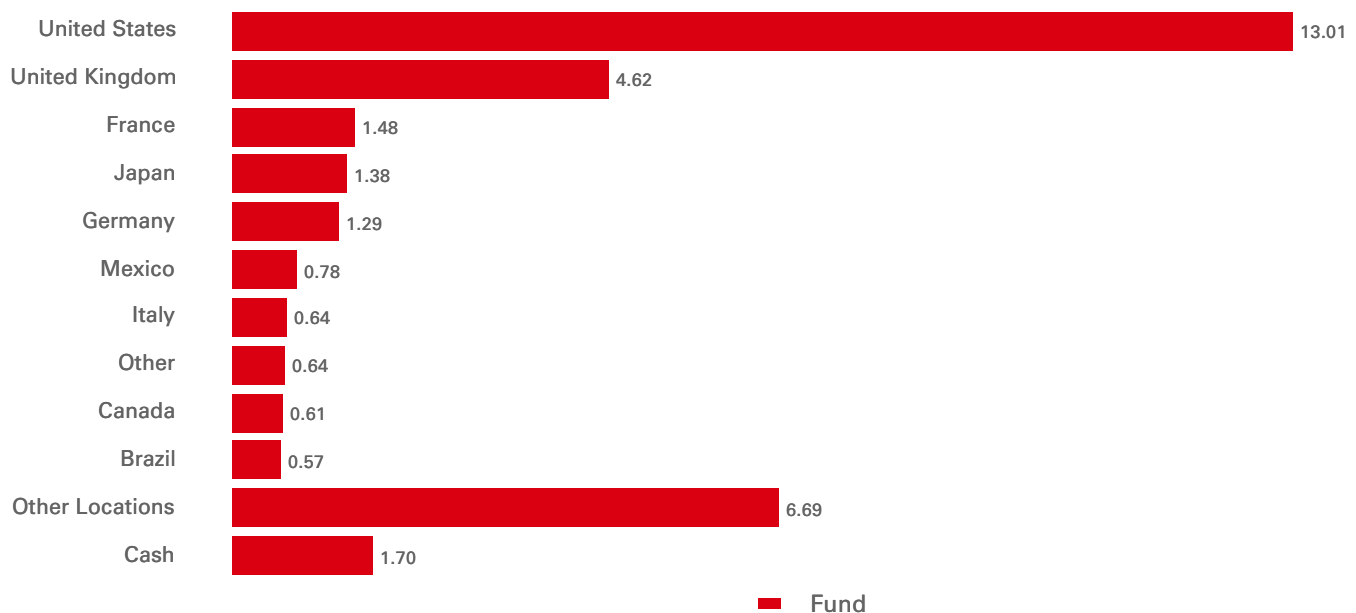
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Fixed Income Characteristics	Reference benchmark			Credit rating (%)	Reference benchmark		
	Fund	Reference benchmark	Relative		Fund	Reference benchmark	Relative
Yield to worst	5.62%	--	--	AAA	14.32	--	--
Yield to maturity	5.65%	--	--	AA	2.63	--	--
Option Adjusted Duration	6.72	--	--	A	4.78	--	--
Rating average	A+/A	--	--	BBB	6.27	--	--
				BB	2.16	--	--
				B	1.21	--	--
				CCC	0.15	--	--
				CC	0.05	--	--
				NR	0.15	--	--
				Cash	1.70	--	--

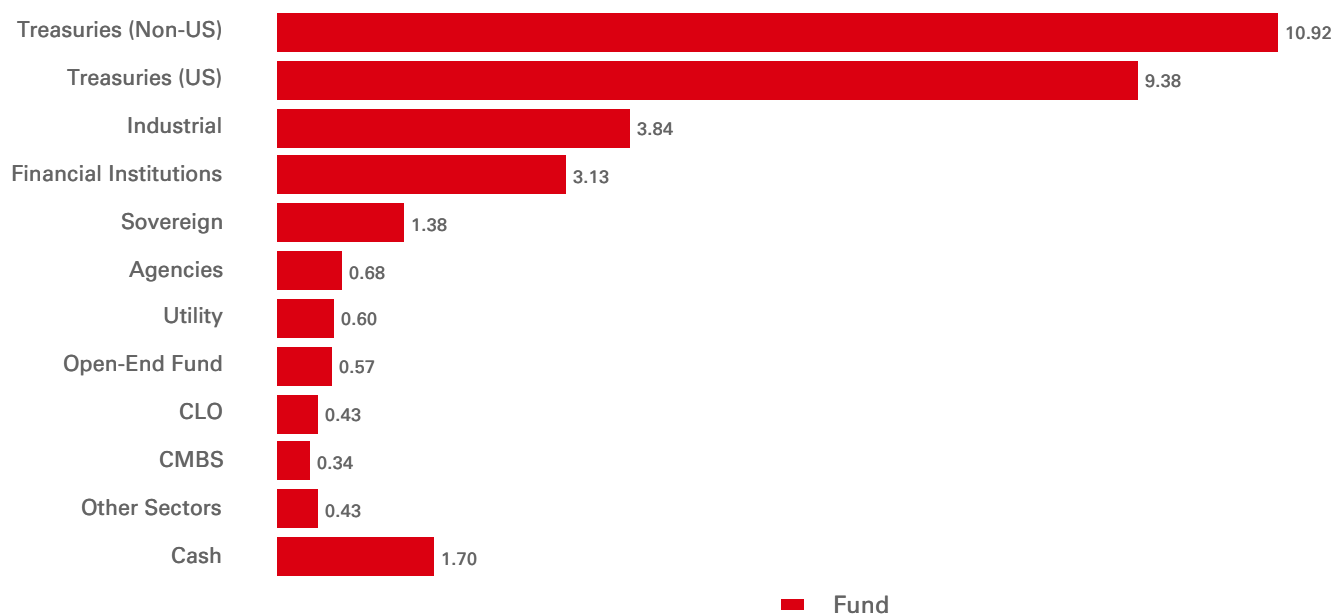
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B 1.625 15/05/2031 USD	United States	Treasury Note	0.67
US TREASURY N/B 2.375 15/11/2049 USD	United States	Government Bond	0.58
US TREASURY N/B 0.875 15/11/2030 USD	United States	Treasury Note	0.40
US TREASURY N/B 3.000 15/07/2025 USD	United States	Treasury Note	0.34
MEX BONOS DESARR FIX RT 7.500 03/06/2027 MXN	Mexico	Government Bond	0.33
TREASURY BILL 0.000 26/10/2023 USD	United States	Treasury Bill	0.30
TREASURY BILL 0.000 12/10/2023 USD	United States	Treasury Bill	0.29
US TREASURY N/B 0.375 31/01/2026 USD	United States	Treasury Note	0.29
US TREASURY N/B 1.375 15/11/2031 USD	United States	Treasury Note	0.28
US TREASURY N/B 0.500 28/02/2026 USD	United States	Treasury Note	0.22

#### Fixed income geographical allocation (%)



Geographical Allocation (Option Adjusted Duration)	Fund	Reference benchmark	Relative
United States	2.99	--	--
United Kingdom	1.36	--	--
Japan	0.35	--	--
France	0.25	--	--
Italy	0.15	--	--
Germany	0.13	--	--
Spain	0.11	--	--
Australia	0.10	--	--
India	0.10	--	--
Mexico	0.08	--	--
Other Locations	1.05	--	--
Cash	0.00	--	--

**Fixed income sector allocation (%)**



	3 year total return (%)	Amount based on EUR 1000 invested	3 Year Volatility (%)
<b>HSBC Portfolios - World Selection 3 BCHEUR</b>	<b>2.30</b>	<b>1,070.74</b>	<b>10.87</b>
Peer Group Average - EAA Fund EUR Moderate Allocation - Global	2.17	1,066.38	8.21
Lowest Returning Fund in Peer Group	-24.11	437.12	2.03
Highest Returning Fund in Peer Group	14.81	1,513.49	30.65
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 Review

Global equities posted another strong month in July, with Emerging Markets leading the rally. China delivered particularly strong returns, Key ASEAN markets also outperformed, including Singapore, Malaysia and Thailand. Meanwhile, the US continued to deliver strong returns as lower-than-expected inflation data (both headline and core CPI), fuelled hopes of an imminent peak in the rate tightening cycle. On the other hand, European equities underwhelmed, with Switzerland, France, Netherlands, Germany and UK all underperforming the MSCI World Index. Falling PMIs, worse than expected German IFO business climate, and other high frequency indicators pointed towards a weaker economic outlook for Europe. Returns in bond markets were mixed, US Treasury and UK Gilt yields fell over the period, as both economies reported lower than expected inflation. German Bund yields rose, as the ECB announced a rate rise of 25bp. In China, yields remained fairly stable across the month despite signs of increasing stimulus from the Politburo meeting. The Dollar continued its fall in July as US nonfarm payrolls were weaker than expected, and inflation prints softened. Euro and Sterling rallied, driven by a divergence in inflation momentum between the two regions and the US. Yen also rallied as the BoJ announced it would relax its Yield Curve Control program further. Commodity markets were strong over the period; Brent oil surged 13.5% in July. The strength in Oil was driven by announcements from Saudi Arabia and Russia indicating reduced global supply, as well as speculation around government stimulus in China boosting global energy demand. Gold also rose during the month as weaker US retail sales led to growing expectations around a slower pace of Fed tightening.

### Portfolio performance

Equity and credit markets posted positive returns in July, while Government Bonds fell marginally. This resulted in positive returns across the World Selection range. During July, the cautious positioning of the portfolios detracted. Notably, the decision to be underweight commodities, high yield bonds, and equities detracted. The portfolio's equity relative-value trades were broadly flat over the month, with the preference for emerging over developed markets, and underweight to property and infrastructure, all adding value. These were marginally off-set by detractions from the overweight to Japan, Brazil and the defensive sector basket. Finally, the underweight to global government bonds, US Steepener trade, overweight UK Gilts, and underweight to US dollar all added value over the period.

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

1. Slowing Growth in Developed Markets - We are conscious of the fragility of the global economy, resulting from high interest rates and tight financial conditions. As a result, we maintain an underweight to high yield bonds on concerns around potential corporate defaults, and underweight Commodities on concerns of a cyclical slowdown in demand. Finally, we hold a US curve steepening position; as the Fed approaches peak rates, we expect shorter dated bond yields to fall. During July, we increased our equity holding and trimmed investment grade corporate bonds as the global growth outlook gradually improved and equity markets continue to display strong positive momentum. We also moved underweight Property and Infrastructure as their return on equity has fallen and financing costs have increase. Finally, we added an allocation to the US Information Technology sector given strong momentum so far this year, and expectations that it will benefit from the growth in Artificial Intelligence.
2. Bumpy disinflation - While inflation has begun to fall, we expect price pressure to remain elevated this year, and are therefore overweight inflation sensitive areas of the market e.g. Quality and Defensive equities. Our expectation is that the pricing power wielded by these companies will ensure profits remain resilient even as inflation increases their costs. Within our fixed income holdings, we remain underweight duration, with a preference towards Treasuries, given the US's positive progress towards controlling inflation and in anticipation of the Fed Funds rate approaching its peak. We also hold an overweight to UK Gilts, given the highly attractive carry available from the bonds. Finally, we are underweight the US dollar on the currency's high valuations as well as an expectation of narrowing spreads between US and DM ex-US interest rates. We hold a preference for Swiss Franc, Euro and Sterling given their attractive valuations and strong momentum.

During July we added an allocation to Gold, the commodity maintains strong momentum, is expected to perform well given the heightened level of market risk and can function as an effective hedge while Government bonds remain challenged by sticky core inflation.

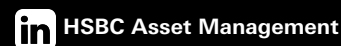
3. Divergence between East and West - While Western economies face slowing GDP growth and sticky inflation, the economic backdrop in Eastern markets such as India, Japan, Brazil and China is stronger. Additionally, more accommodative monetary policy settings and room for fiscal support in the East, make these markets more appealing for investors over the medium term. As a result, we are overweight emerging market equity versus developed market equity. We also hold a number of granular equity positions, to gain access to the specific opportunities we see in eastern markets: China A-Shares versus emerging market equity expected to benefit from China re-opening and room for fiscal stimulus; Brazil versus emerging market equity given the country's positive momentum, strong macroeconomic backdrop, and attractive fundamentals Japan versus developed market equity, given attractive valuations, strong flows from foreign investors, improved corporate governance, and weakening Yen supporting exports; During July we opened an overweight to South Korea versus emerging market equity given strong momentum this year and an expectation of improved earnings supported by increased demand for Artificial Intelligence. Finally, we maintain an overweight to local currency emerging market debt, and added a position in Indian local currency bonds. India remains one of the fastest growing economies globally (GDP growth of 7%), is making steady productivity improvements, has high FDI, and favourable demographics.



## 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 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 July 2023**