

# HSBC Portfolios - World Selection 5

Share Class AC

31 Jan 2020

## Fund Objective and Strategy

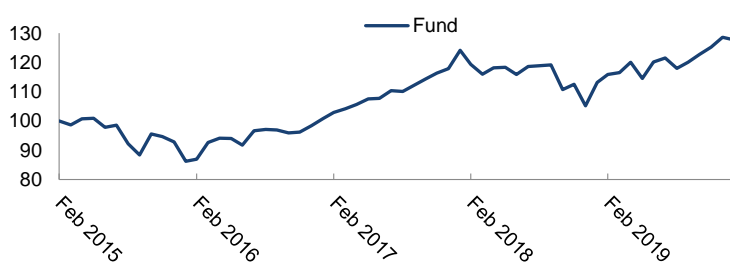
### Investment Objective

The Fund aims to provide long term total returns (meaning capital growth and income). It does so by investing in shares and bonds of companies or governments, either directly or through investing into other funds. The Fund seeks to apply a high risk investment strategy.

### Investment Strategy

Up to 100% of the fund's exposure is to shares. The Fund gains exposure to shares and equity-equivalent securities issued by companies in both developed and emerging markets. There aren't restrictions on the size of the companies held in the Fund. The Fund gains up to 20 % exposure to bonds that are investment and non-investment grade. These bonds can be issued/guaranteed by governments, government agencies or supranational bodies or by companies in both developed and emerging markets. These bonds can be denominated in various currencies. The Fund may gain exposure of up to 45% to alternative asset classes and strategies. Alternative asset classes include real estate, private equity and commodities. The Fund may invest up to 100% of its assets in other eligible funds. The Fund's exposure to such holdings will normally be between 50% and 100%. The fund's primary currency exposure is to the US dollar. See the Prospectus for a full description of the investment objectives and policy.

## Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>	Vol <sup>2</sup>	S.R. <sup>3</sup>
AC	-0.73	-0.73	4.00	12.85	8.19	6.00	12.36	0.38

Rolling Performance (%)	31 Jan 2019-31 Jan 2020	31 Jan 2018-31 Jan 2019	31 Jan 2017-31 Jan 2018	31 Jan 2016-31 Jan 2017	31 Jan 2015-31 Jan 2016
AC	12.85	-8.88	23.16	16.90	-9.62

## Share Class Details

UCITS V Compliant	Yes
Distribution Type	Accumulating
Dealing Frequency	Daily
Valuation Time	10:00 Luxembourg
Min. Initial Investment	USD 5,000
Ongoing Charge Figure <sup>4</sup>	1.528%
Share Class Base Currency	USD
Domicile	Luxembourg
ISIN	LU0447611657
Share Class Inception Date	20 Oct 2009
NAV per Share	USD 17.58
Fund Size	USD 326,625,163
Bloomberg Ticker	HSBC5AA LX
Manager	Kate Morrissey David McNay

**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 January 2020

## 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.

<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.

## Monthly Performance Commentary

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### Macro commentary

Global equities fell in January as a rally early in the month was offset amid uncertainty following the outbreak of the novel coronavirus in China. The MSCI ACWI index fell 1.1% in January. In the US, accommodative monetary policy and a robust labour market continue to support household spending. Activity in manufacturing, business investment and exports has been weak but there are now tentative signs these sectors are beginning to turn. The US Federal Reserve policy looks to be on hold but risks are still likely tilted to the downside – some loosening this year remains possible. A weak manufacturing sector continues to be a drag on growth in Europe; the services sector is showing resilience, despite some recent softening. The European Central Bank (ECB) could engage in more aggressive Quantitative Easing and/or deposit rate cuts (due to weak growth and inflation). But splits on the Governing Council may constrain action and a policy review is also underway. Brexit and political uncertainty has negatively impacted confidence and growth, but fiscal spending and looser monetary policy stands ready to offset this. Weak growth and inflation led to two Bank of England (BoE) MPC members voting for a rate cut in January but interest rates remain on hold. Policy could be eased in the coming months. In China, economic activity has picked up in recent months amid monetary policy loosening in 2019. However, the impact of the coronavirus remains highly uncertain. Private sector activity data continues to be weak in India, although policy easing efforts have been stepped up. Consumption growth may be bottoming and the long-term structural growth potential remains positive. In Japan, economic data continues to be impacted by the VAT tax hike in Q4 2019 but a recently-announced large fiscal package is encouraging for the outlook.

### Portfolio performance

Our tactical asset allocation detracted in January, as the broadly risk-off environment did not favour our slightly pro risk stance. Within equities, emerging markets underperformed, meaning our preference here was negative for portfolio returns. The World Selection portfolios are long-term investment solutions that seek to maximise risk-adjusted returns (Sharpe ratios) in the long run.

### Outlook

Our global Nowcast picked up throughout Q4 of 2019 and now sits at just above 2%. US growth remains robust at a “trend-like” pace and is expected to remain steady throughout the year amid a strong labour market and consumer sector. China’s Nowcast picked up in December, with further policy easing likely. However, any recovery is likely to stall in the near-term given the disruption from the recent coronavirus. The size and duration of the impact on the economy remains highly uncertain. The unbalanced nature of growth leaves the global economy vulnerable to negative shocks. The good news is that low inflation allows policy makers to continue to focus on macro stabilisation. Geopolitical risks and political uncertainty continue to create episodic volatility. But in our view, moving to a conservative allocation is likely to be costly, as it was in 2019. Stocks are not overvalued and there is room for a further rally, in our opinion. But we need to monitor profits trends closely, especially in the US. Selected EM risk premiums look relatively high and the economic scenario is becoming more supportive. We continue to overweight EM risk. The outlook is mildly bearish for the US dollar given the Fed is on hold. However, the dollar can act as a safe haven if uncertainties rise.

### Positioning

#### Fixed Income

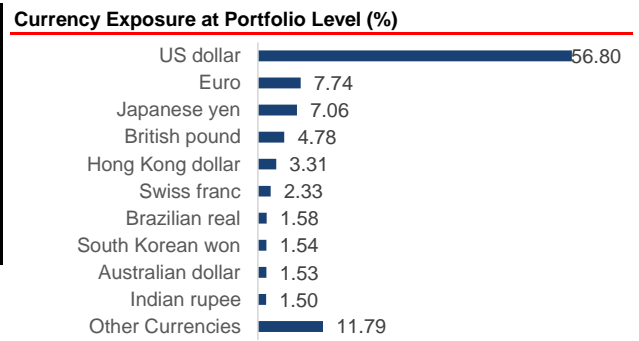
The portfolios have remained underweight fixed income assets as yields and potential returns have remained low. Most credit asset classes are overvalued in our view and investors are being penalised for bearing interest rate and inflation risks - we prefer equities. Fundamentals have started to come under pressure. With low prospective returns from fixed income, we look to liquid alternatives as a source of diversification.

#### Equities

We remain overweight given the wide valuation gap versus bonds. But, upside potential is likely to be capped by structural uncertainty while downside could be limited by proactive policy makers. The recent developments in US – China trade talks provide a slightly more positive outlook although near term volatility may result from disruption linked to the coronavirus. However, we remain diversified and maintain our overweight exposure to liquid alternatives at this time.

**Portfolio**

Portfolio Asset Allocation (%)	
Global Equity	81.09
Global Fixed Income	6.61
Global High Yield Bond	1.02
Emerging Market Debt - Hard Currency	1.52
Emerging Market Debt - Local Currency	4.07
Property	5.02
Trend Following	6.25
Cash	1.04



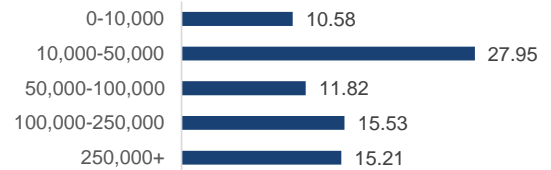
Portfolio Top 10 Holdings	Weight (%)
HSBC FTSE ALL-WORLD INDEX INSTL ACC	15.91
ISHARES CORE S&P 500 ETF USD ACC	13.30
HSBC AMERICAN INDEX INSTITUTIONAL ACC	11.61
HSBC ECONOMIC SCALE WORLDWIDE EQUITY ETF	7.54
HSBC EUROPEAN INDEX INSTITUTIONAL ACC	7.33
ISHARES CORE MSCI EM IMI ETF USD ACC	6.23
HSBC GIF GLOBAL RE EQ ZQ1	5.02
HSBC MULTI FACTOR WORLDWIDE EQUITY ETF	4.74
HSBC GIF GLOBAL EM LOCAL DBT ZQ1	4.07
HSBC JAPAN INDEX INSTL ACC	4.05

Source: HSBC Global Asset Management, data as at 31 January 2020.

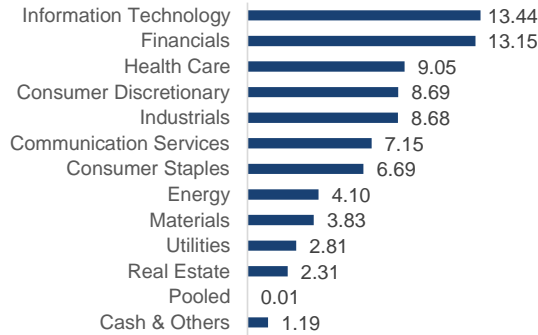
## Equity

Equity Characteristics	
P/E Ratio	15.15
Weighted Average Market Cap (USD Mil)	176,943.10
Dividend Yield	2.43

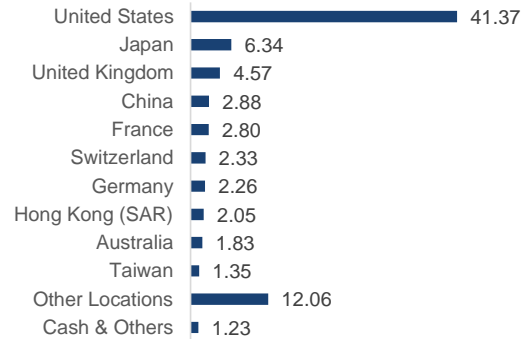
### Equity Average Market Cap Breakdown (USD Mil, %)



### Equity Sector Allocation (%)



### Equity Geographical Allocation (%)



Equity Top 10 Holdings	Location	Sector	Weight (%)
APPLE INC	United States	Information Technology	1.96
MICROSOFT CORP	United States	Information Technology	1.93
AMAZON.COM INC	United States	Consumer Discretionary	0.82
FACEBOOK INC-CLASS A	United States	Communication Services	0.71
JPMORGAN CHASE & CO	United States	Financials	0.61
BERKSHIRE HATHAWAY INC-CL B	United States	Financials	0.58
JOHNSON & JOHNSON	United States	Health Care	0.57
ALIBABA GROUP HOLDING-SP ADR	China	Consumer Discretionary	0.54
VISA INC-CLASS A SHARES	United States	Information Technology	0.52
NESTLE SA-REG	Switzerland	Consumer Staples	0.49

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

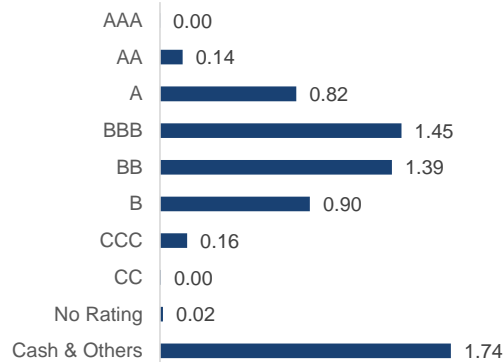
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

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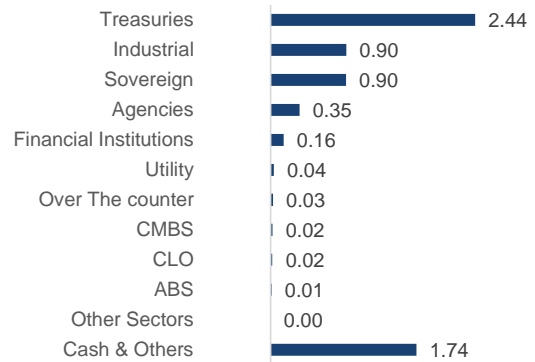
## Fixed Income

Fixed Income Characteristics		Fixed Income Characteristics	
Yield to Maturity (Gross)	4.96	Option Adjusted Duration	4.06
Yield to Worst (Gross)	4.86	Rating Average	A-/BBB+

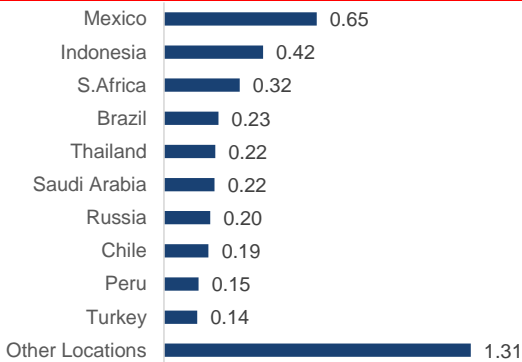
### Fixed Income Quality Rating Allocation (%)



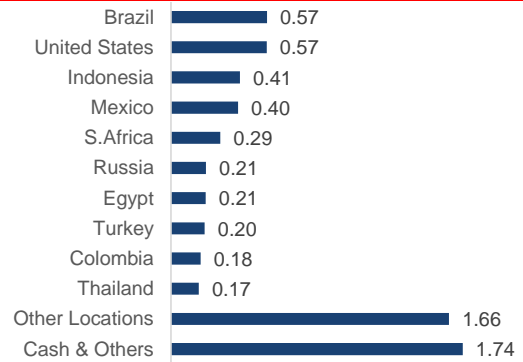
### Fixed Income Sector Allocation (%)



### Fixed Income Option Adjusted Duration Allocation by Location



### Fixed Income Geographical Allocation (%)



Fixed Income Top 10 Holdings	Location	Instrument Type	Weight (%)
LETRA TESOURO NACIONAL 0.0000 01-JUL-20	Brazil	Treasury Bills	0.34
INDONESIA GOVERNMENT 8.3750 15-MAR-24	Indonesia	Government Bond	0.11
REPUBLIC OF SOUTH AFRICA 7.0000 28-FEB-31	South Africa	Government Bond	0.09
POLAND GOVERNMENT BOND 4.0000 25-OCT-23	Poland	Government Bond	0.09
MEX BONOS DESARR FIX RT 8.5000 18-NOV-38	Mexico	Government Bond	0.09
TITULOS DE TESORERIA B 11.0000 24-JUL-20	Colombia	Government Bond	0.08
REPUBLIC OF PERU 6.3500 12-AUG-28	Peru	Government Bond	0.08
MALAYSIA GOVERNMENT 3.9550 15-SEP-25	Malaysia	Government Bond	0.06
INDONESIA GOVERNMENT 8.3750 15-SEP-26	Indonesia	Government Bond	0.05
RUSSIA GOVT BOND - OFZ 7.7000 23-MAR-33	Russian Federation	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.

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Source: HSBC Global Asset Management, data as at 31 January 2020.

**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