

HSBC Portfolios

World Selection 1

Monthly report 30 April 2022 | 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 low 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 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

- 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.

Share class details

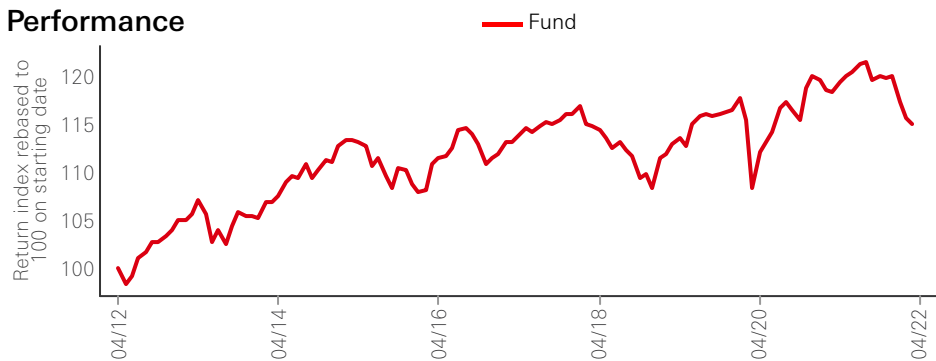
Key metrics	
NAV per share	EUR 12.41
Performance 1m	-3.58%
Sharpe ratio 3y	-0.04
Fund facts	
UCITS V compliant	Yes
Dividend treatment	Accumulating
Dealing frequency	Daily
Share class base currency	EUR
Domicile	Luxembourg
Inception date	20 October 2009
Fund size	USD 398,573,833
Managers	Kate Morrissey
Fees and expenses	
Minimum initial investment	EUR 5,000
Ongoing charge figure ¹	1.203%
Codes	
ISIN	LU0447610410
Bloomberg ticker	HSBC1AH 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.

Past performance does not predict future returns. Future returns will depend inter alia on market developments, the fund manager's skill, the fund's level risk and management costs and if applicable subscription and redemption costs. The return, the value of money invested in the fund may become negative as a result of price losses and currency fluctuations. There is no guarantee that all of your invested capital can be redeemed. Unless stated otherwise, inflation is not taken into account.

This is a marketing communication. Please refer to the prospectus and to the KIID before making any final investment decisions. Source: HSBC Asset Management, data as at 30 April 2022

Performance



Performance (%)	YTD	1m	3m	6m	1y	3y ann	5y ann	10 years ann
ACHEUR	-7.57	-3.58	-5.45	-7.56	-7.14	-0.76	-0.53	1.04

Rolling performance (%)	30/04/21-30/04/22	30/04/20-30/04/21	30/04/19-30/04/20	30/04/18-30/04/19	30/04/17-30/04/18	30/04/16-30/04/17	30/04/15-30/04/16	30/04/14-30/04/15	30/04/13-30/04/14	30/04/12-30/04/13
ACHEUR	-7.14	6.61	-1.26	-0.77	0.41	2.17	-1.54	5.27	0.40	7.10

Currency Allocation (%)

US Dollar	88.44
Chinese yuan	1.73
Euro	1.56
Japanese yen	1.48
Swiss Franc	1.42
Mexican Peso	1.12
Canadian Dollar	0.81
Hong Kong Dollar	0.38
Indian rupee	0.28
New Taiwan Dollar	0.25
Other Currencies	2.52

Asset allocation (%)

Asset allocation (%)	Fund
Global Equity	14.59
Global Government Bond	31.34
Global Corporate Bond	24.52
Global High Yield Bond	1.76
Global Asset Backed Bond	3.88
Emerging Market Debt - Hard Currency	1.68
Emerging Market Debt - Local Currency	3.92
Property	1.71
Style Factors	2.46
Trend Following	3.11
Commodities	2.31
Cash/Liquidity	8.72

Top 10 holdings

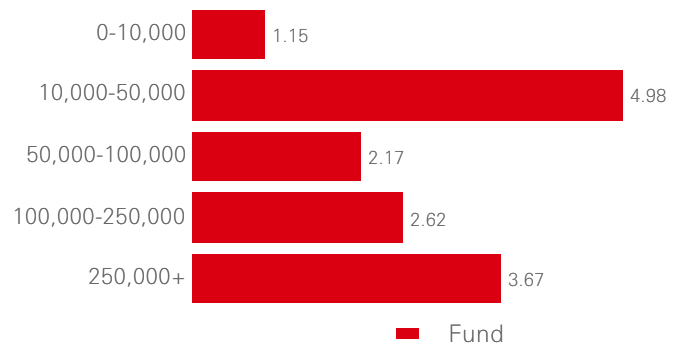
	Weight (%)
HSBC GIF Global Govt Bd ZQ1	7.51
HSBC FTSE All-World Index Instl Acc	5.48
HSBC GIF Global IG Sec Credit Bd ZC	3.88
HSBC Multi Factor Worldwide Eq ETF	3.18
STRUCT INV SI CRSS AST T-EU	3.11
iShares Edge MSCI USA Qual Fac ETF \$Dist	2.52
HSBC GIF Multi-Asset Style Factors ZC	2.46
HSBC GIF Global EM Local Dbt ZQ1	2.43
Lyxor MSCI World Financials TR ETF C USD	1.91
HSBC GIF Global RE Eq ZQ1	1.71

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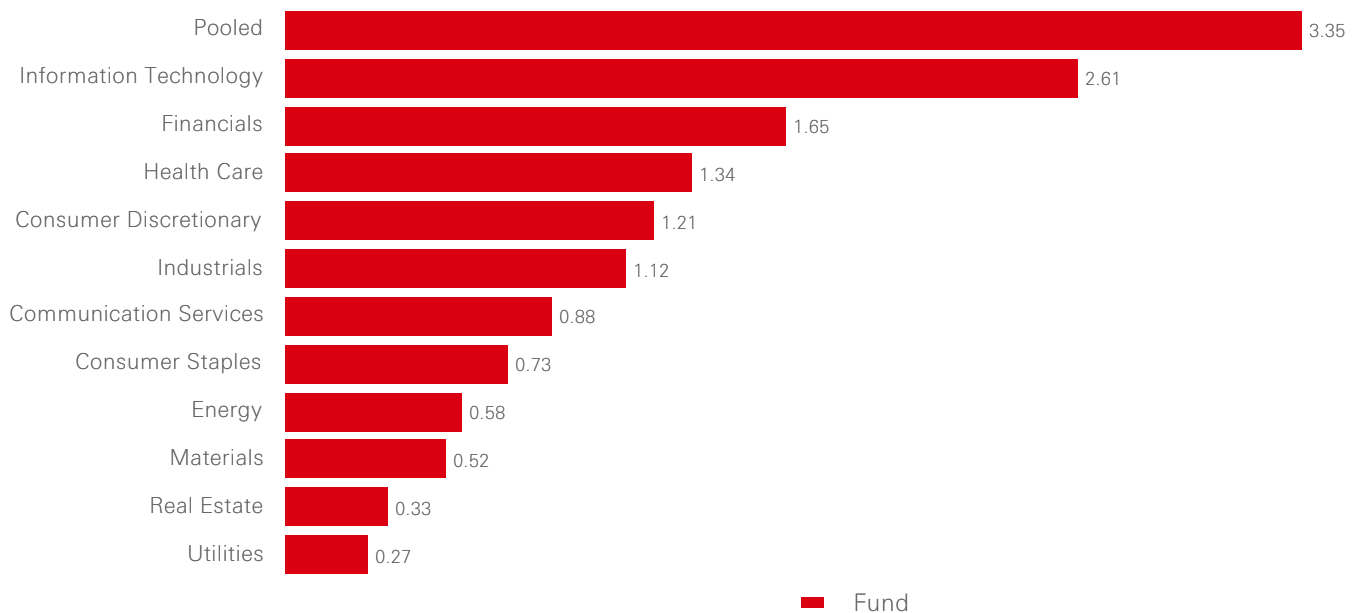
Equity top 10 holdings	Location	Sector	Weight (%)
Apple Inc	United States	Information Technology	0.43
Microsoft Corp	United States	Information Technology	0.36
Alphabet Inc	United States	Communication Services	0.27
Johnson & Johnson	United States	Health Care	0.21
Meta Platforms Inc	United States	Communication Services	0.14
Amazon.com Inc	United States	Consumer Discretionary	0.14
NIKE Inc	United States	Consumer Discretionary	0.09
Tesla Inc	United States	Consumer Discretionary	0.09
Costco Wholesale Corp	United States	Consumer Staples	0.08
Eli Lilly & Co	United States	Health Care	0.08

Equity characteristics	Fund	Reference Benchmark
Average market cap (USD Mil)	307,978	--
Price/earning ratio	15.00	--
Portfolio yield	2.05%	--

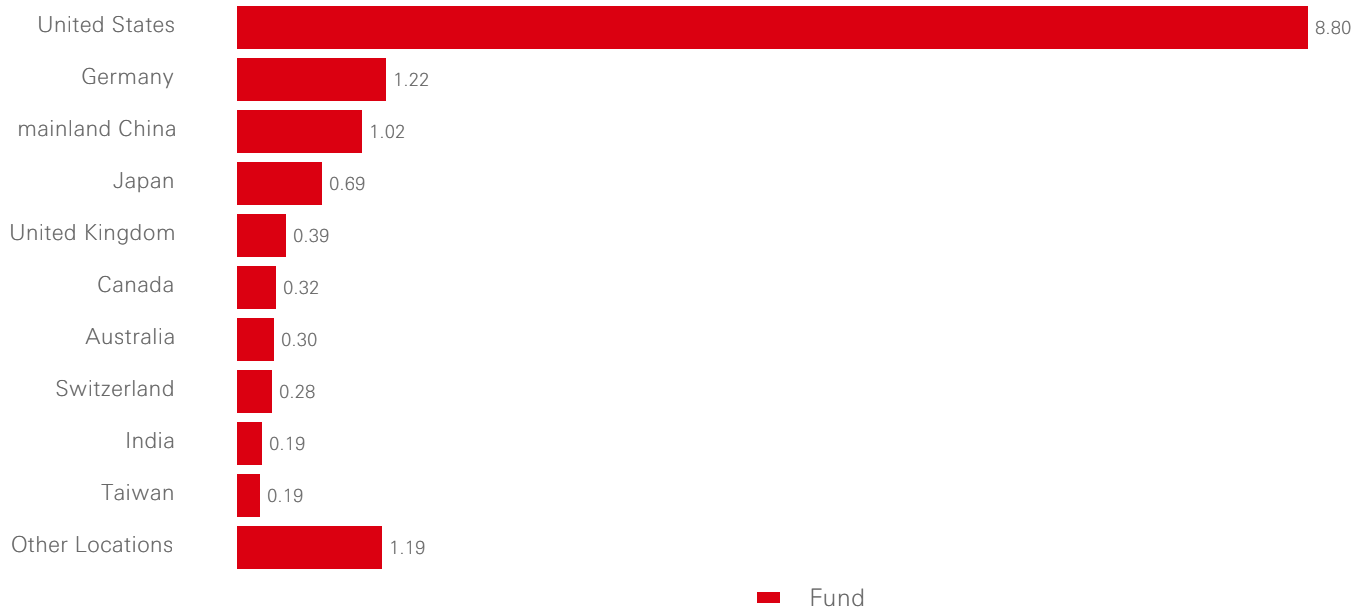
Market cap allocation (USD Mil %)



Equity sector allocation (%)



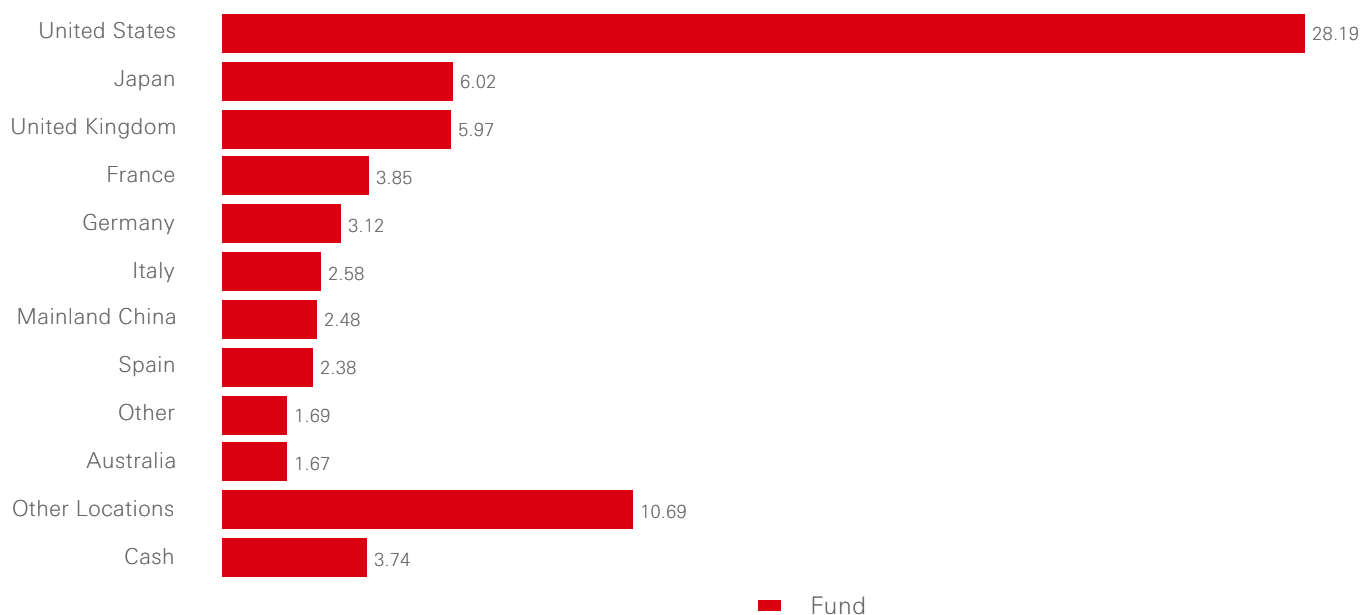
Equity geographical allocation (%)



Fixed Income Characteristics	Fund	Reference Benchmark	Relative	Credit rating (%)	Fund	Reference Benchmark	Relative
Yield to worst	3.72%	--	--	AAA	22.67	--	--
Yield to maturity	3.79%	--	--	AA	6.15	--	--
Option adjusted duration	6.12	--	--	A	16.47	--	--
Rating average	AA/AA-	--	--	BBB	17.27	--	--
				BB	4.14	--	--
				B	1.26	--	--
				CCC	0.18	--	--
				CC	0.02	--	--
				No Rating	0.47	--	--
				Cash	3.74	--	--

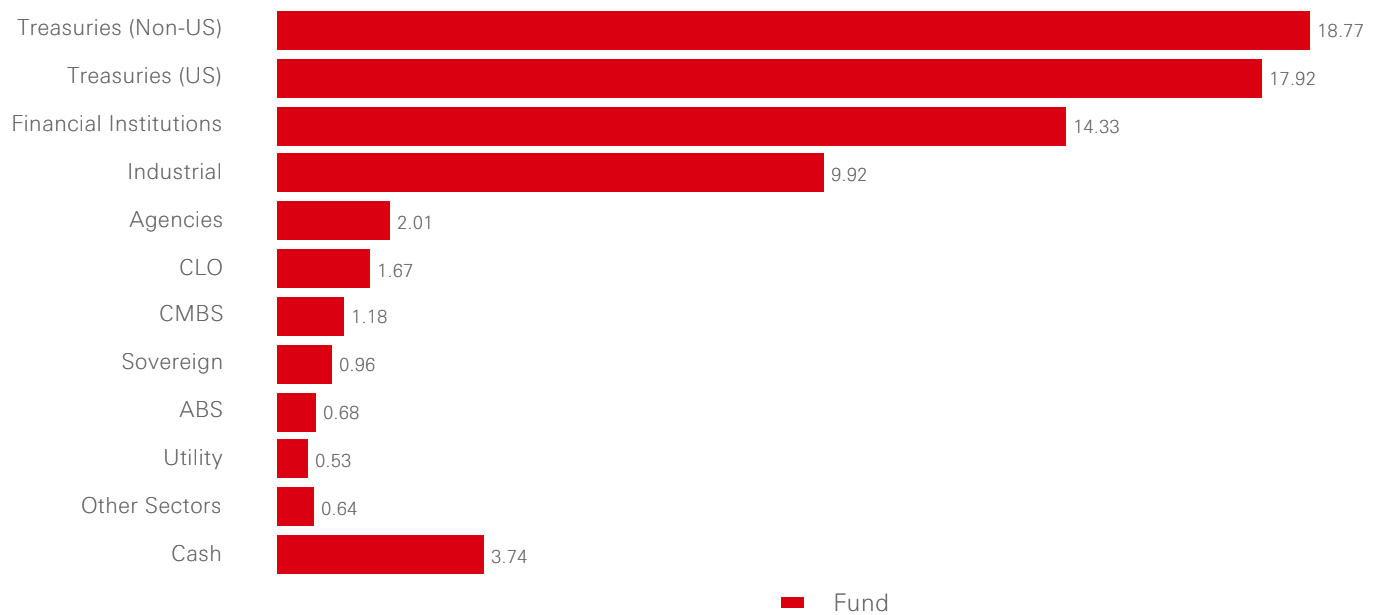
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B2.500 15/05/2024 USD	United States	Treasury Note	1.54
US TREASURY N/B3.375 15/05/2044 USD	United States	Government Bond	1.01
US TREASURY N/B0.125 28/02/2023 USD	United States	Treasury Note	1.01
US TREASURY N/B0.125 31/01/2023 USD	United States	Treasury Note	0.97
US TREASURY N/B1.375 15/11/2031 USD	United States	Treasury Note	0.91
JAPAN (20 YEAR ISSUE)1.800 20/03/2032 JPY	Japan	Government Bond	0.68
BUONI POLIENNALI DEL TES0.050 15/01/2023 EUR	Italy	Government Bond	0.65
US TREASURY N/B2.375 15/11/2049 USD	United States	Government Bond	0.61
US TREASURY N/B1.375 31/01/2025 USD	United States	Treasury Note	0.60
US TREASURY N/B0.125 15/02/2024 USD	United States	Treasury Note	0.59

Fixed income geographical allocation (%)



Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	2.66	--	--
Japan	0.89	--	--
United Kingdom	0.55	--	--
Germany	0.45	--	--
France	0.42	--	--
Spain	0.22	--	--
Mainland China	0.22	--	--
Australia	0.14	--	--
Belgium	0.09	--	--
Canada	0.09	--	--
Other Locations	0.80	--	--
Cash	0.00	--	--

Fixed income sector allocation (%)



	3 year total return (%)	Amount based on EUR 1000 invested	3 Year Volatility (%)
HSBC Portfolios - World Selection 1 ACHEUR	-0.76	977.50	5.82
Peer Group Average - EAA Fund EUR Cautious Allocation - Global	0.50	1,015.14	5.98
Lowest Returning Fund in Peer Group	-18.47	541.89	0.67
Highest Returning Fund in Peer Group	7.67	1,248.18	27.35
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 Commentary

Equity market volatility continued in April, as global equities retraced some of the gains seen in March. Growing risks of sustained monetary tightening by central banks, heightened concerns around slowing global growth and China's economic outlook, and the ongoing conflict in Ukraine have all led to sharp risk-off sentiment amongst investors. The sell-off in was mainly driven by Brazil, the US and Mexico, although the majority of major markets posted negative returns. Growth-oriented sectors continued to take the brunt of market falls as bond yields rise, while relatively defensive and value-inclined sectors outperformed. Fixed income markets continue to function effectively as volatility reducers in portfolios, protecting investors from the worst of the market falls, although absolute returns were negative over the period. The majority of the rise in yields was seen at the start of the month, with bonds recovering slightly in the final weeks of April. The negative price action was driven by rising inflation (CPI of 8.5% in the US) and hawkish rhetoric from Fed Chair Powell who proposed a 50bp hike at the May FOMC meeting. The convergence between China and US 10Y yields continued as the PBoC continued to loosen monetary policy (lowering the FX RRR by 25bp in April). Oil fell at the start of the month on News that the IEA's would release 60m barrels from strategic reserves, and China's ongoing lockdowns dragged Brent prices below USD 100/barrel. However, Oil rallied in the second half of April after China's PBoC pledged more policy support and the prospects of an EU ban on Russian crude rose. The DXY soared 4.7% in April. The dollar was boosted by a broad-based surge in US Treasury yields as Fed Chair Powell explicitly endorsed a 50bp rate hike in May and signalled further large moves to come. Heightened global growth concerns boosted the USD as investors sought out the 'safe haven' currency. In contrast, the EUR slumped 4.7% against the USD in April, dipping below 1.05 briefly, to the lowest level since January 2017. Sterling sank during April as UK consumer confidence fell and risk sentiment continued to wane.

Portfolio performance

The World Selection portfolio posted negative performance over the month, returns range from -3.48% in World Selection 1 to -6.75% in World Selection 5. Active positioning added value over April, with the headline underweight to equities and overweight to short dated government bonds contributing. Our overweight positions in Commodities and defensive FX added value, while the overweight to Gold detracted. Granular trades were more mixed. Within the equity portfolio our overweight to Swiss versus European equity added value, while the overweight to Global financials and China A shares detracted moderately. Within the fixed income portfolio our preference for Asia over Global High Yield added value, while the overweight to Chinese versus Global Government bonds detracted.

Current Positioning and Trades

Equities - Following the market rebound in March, we took some equity risk out of the portfolios at the start of April as we anticipated near term market volatility. We maintain our overweights to USA Quality versus USA equity, World Financials versus World Equity, Swiss versus Europe ex UK equity, and Chinese onshore equity versus emerging market equity.

Bonds - At a headline level we are underweight the bond cluster within portfolios, although during the month we slightly increased our exposure to US 2 Year Treasuries. We maintain our underweight to inflation linked bonds, while being neutral on Securitised credit and Corporate Bonds. We continue to have a preference for US over Global bonds given the yield differential.

Higher yielding fixed income - At a headline level we are overweight the higher yielding fixed income cluster. During April we closed our overweight to China Government bonds versus EMD in local currency after strong performance from the trade. We remain neutral EMD in hard currency and continue to hold an allocation to Asia High Yield funded from Global High Yield.

Alternatives - At a headline level we are overweight Alternatives. We are neutral Style Factors and marginally underweight Trend, although we maintain a preference for defensive trend strategies. We hold overweight positions in both Commodities and Gold.

Outlook

The Ukraine conflict and China's zero-covid policy risk prolonging global supply-side challenges. We expect the "stagflation tone" to macro data to ease later this year. Global growth remains above-trend, aided by still loose policy settings, tight labour markets, and a transition to the endemic stage of Covid. Geopolitical tensions and energy prices are key risk factors for inflation. Nevertheless, price pressures should moderate later in the year amid base effects, better news on autos prices, and cooling demand. Central bank tightening in 2022 will remain a key headwind to market performance, we expect the Fed to deliver 225bps of rate hikes this year. Notably we expect continued monetary easing in China and counter cyclical fiscal policy to boost credit growth. As a result of the above, we have become increasingly selective with where we take risk in portfolios: focusing on regional and style allocations in equities (e.g. value and quality factors), income strategies in fixed income (e.g. Asia fixed income, some parts of global credit), inflation protection and "real" strategies (e.g. commodities, infrastructure), and parts of EM ex Europe (e.g. opportunities in China and Latam).

Risk disclosures

- 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.
- UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES.
- Further information on the potential risks can be found in the Key Investor Information Document (KID) and/or the Prospectus or Offering Memorandum.

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www.assetmanagement.hsbc.com/fr.

Source: HSBC Asset Management, data as at 30 April 2022

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Glossary

