

# HSBC Portfolios - World Selection 5

Share Class AC

28 Feb 2021

## Fund Objective and Strategy

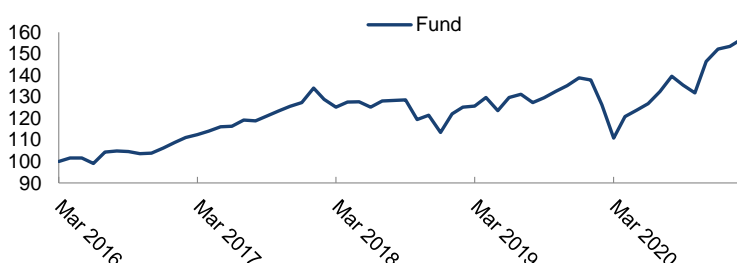
### Investment Objective

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 Policy

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.

### Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>	Vol2 <sup>2</sup>	S.R. <sup>3</sup>
AC	2.80	2.01	6.86	23.84	6.68	10.77	13.52	0.40

Rolling Performance (%)	29 Feb 2020- 28 Feb 2021	28 Feb 2019- 29 Feb 2020	28 Feb 2018- 28 Feb 2019	28 Feb 2017- 28 Feb 2018	29 Feb 2016- 28 Feb 2017
AC	23.84	0.97	-2.89	16.03	18.38

### 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>	1.530%
Share Class Base Currency	USD
Domicile	Luxembourg
ISIN	LU0447611657
Share Class Inception Date	20 Oct 2009
NAV per Share	USD 19.96
Fund Size	USD 361,938,483
Bloomberg Ticker	HSBC5AA LX
Manager	Kate Morrissey

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

**UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES**

Source: HSBC Global Asset Management, data as at 28 February 2021

### 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.
- UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES.

<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.

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 Global 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 below 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\*.

	3 Year Net Return %	Amount based on USD 1,000 invested	3 Year Volatility %
<b>HSBC Portfolios - World Selection 5 AC</b>	<b>6.68</b>	<b>USD 1214.13</b>	<b>16.03</b>
Peer Group Average - EAA Fund USD Aggressive Allocation*	5.92	USD 1188.47	13.57
Lowest Returning Fund in Peer Group	-3.25	USD 905.68	5.57
Highest Returning Fund in Peer Group	19.52	USD 1707.48	43.66
Cash	0.59	USD 1017.87	0.09

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

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### Portfolio performance

Performance was strong in February, during a month in which risk sentiment rose before retreating sharply at the end of the month. The World Selection portfolios are long-term investment solutions that seek to maximise risk-adjusted returns (Sharpe ratios) in the long run.

### Outlook

February saw markets positioning for earlier than expected rises in central bank interest rates, reflected in a sell-off in government bonds. Equities saw modest gains overall with a considerable portion of the strong progress they had made through the month being tempered by the sharp rise in yields seen at the end of the period.

We remain in the restoration phase of the economic cycle, with activity still below pre-Covid levels in major economies, other than Mainland China. The pace of the recovery remains dependent on the vaccine delivery and continued policy support. For laggard economies, there is scope for cyclical catch-up in 2021.

Stressed corporate balance sheets, fragile confidence and risks around virus mutation mean the global economy needs ongoing policy support. Global central banks maintain accommodative policy, and deploy lower for even longer interest rates. Compared to the West, monetary policy in Mainland China is set to become relatively hawkish. Across Asia, incremental stimulus will be more limited.

Near-term volatility aside, inflation is likely to remain modest over the medium term, but upside risks have increased in the US. US-Mainland China relations are set to become more rules-based and collaborative under President Biden, with renewed co-operation in some areas.

Looking ahead, we remain moderately pro risk. US bond yields have moved higher, driven by rational re-pricing of inflation risks, and it will be important to monitor these yields closely. A key question now is the extent of the scope for a further rally in growth-sensitive assets.

There are downside risks of vaccine-resistant strains impacting market sentiment, and vaccine complacency or stimulus fatigue leading to the early withdrawal of stimulus support. With valuations now at more elevated levels, it would not take much to disappoint markets. On the upside, earlier availability of vaccines or greater than expected policy support could boost sentiment.

### Positioning

#### Fixed Income

We reduced our exposure to Asia high yield bonds and allocated this to global high yield bonds.

#### Equities

As the UK's successful vaccine rollout continues to drive the domestic recovery, we see mid and small caps outperforming their larger peers. Therefore, on a tactical basis, we have added a FTSE 250 position, funded from our FTSE 100 allocation. We remain overweight to equities and maintain our preference for emerging markets versus developed markets.

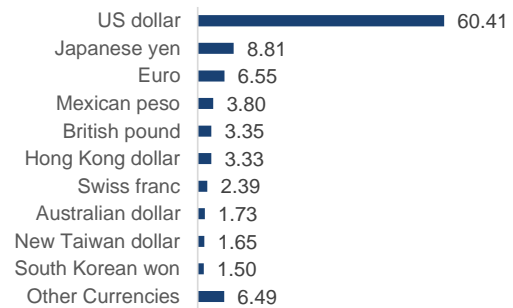
We maintain our recently-introduced broad commodities allocation, a position that should benefit from cyclical reflation as the global economy continues to recover from the pandemic.

We also maintain our defensive allocations with our positions in CHF and JPY currencies, which tend to strengthen in times of increased volatility.

## Portfolio

Portfolio Asset Allocation (%)	
Global Equity	80.76
Global Fixed Income	2.26
Emerging Market Debt - Local Currency	0.00
Emerging Market Debt - Hard Currency	0.90
Global High Yield Bond	0.94
Asia High Yield Bond	0.42
Property	8.92
Trend Following	6.89
Cash	1.18

## Currency Exposure at Portfolio Level (%)



Portfolio Top 10 Holdings	Weight (%)
HSBC S&P 500 UCITS ETF	16.70
HSBC MULTI FACTOR WORLDWIDE EQUITY ETF	14.51
HSBC FTSE ALL-WORLD INDEX INSTL ACC	12.87
HSBC GIF GLOBAL RE EQ ZQ1	8.92
ISHARES CORE S&P 500 ETF USD ACC	8.64
HSBC US DOLLAR LIQUIDITY Y	5.69
HSBC MSCI EMERG MKTS ETF	5.58
HSBC EUROPEAN INDEX INSTITUTIONAL ACC	5.19
HSBC JAPAN INDEX INSTL ACC	2.72
AQR MANAGED FUTUR UC-IAU3F	2.55

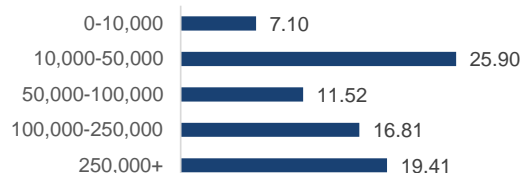
Source: HSBC Global Asset Management, data as at 28 February 2021.

## Equity

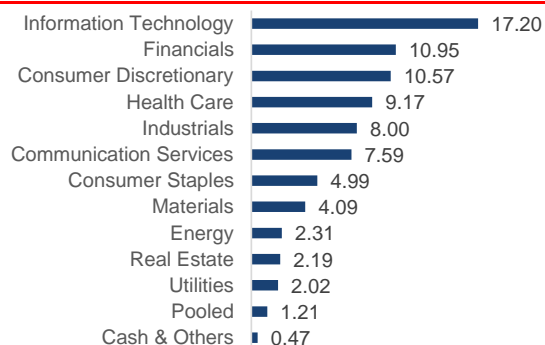
### Equity Characteristics

P/E Ratio	19.19
Weighted Average Market Cap (USD Mil)	290,580.40
Dividend Yield	1.88

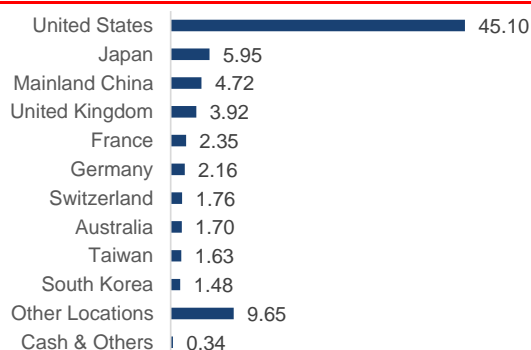
### Equity Average Market Cap Breakdown (USD Mil, %)



### Equity Sector Allocation (%)



### Equity Geographical Allocation (%)



### Equity Top 10 Holdings

Equity Top 10 Holdings	Location	Sector	Weight (%)
APPLE INC	United States	Information Technology	2.19
MICROSOFT CORP	United States	Information Technology	1.95
AMAZON.COM INC	United States	Consumer Discretionary	1.49
ALPHABET INC-CL A	United States	Communication Services	1.37
TAIWAN SEMICONDUCTOR CO LTD	Taiwan	Information Technology	0.74
FACEBOOK INC-CLASS A	United States	Communication Services	0.72
TESLA INC	United States	Consumer Discretionary	0.69
TENCENT HOLDINGS LTD	Mainland China	Communication Services	0.66
ALIBABA GROUP HOLDING LTD	Mainland China	Consumer Discretionary	0.60
BERKSHIRE HATHAWAY INC-CL B	United States	Financials	0.58

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

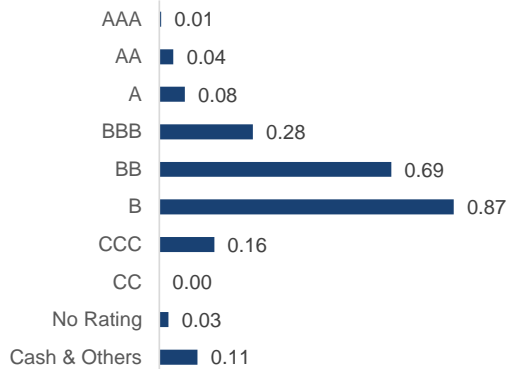
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

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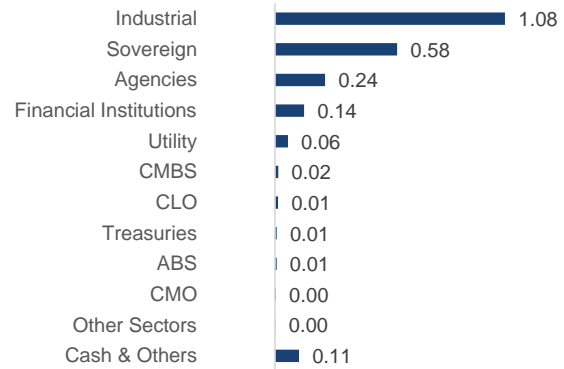
## Fixed Income

Fixed Income Characteristics		Fixed Income Characteristics	
Yield to Maturity (Gross)	5.46	Option Adjusted Duration	5.22
Yield to Worst (Gross)	5.19	Rating Average	BB/BB-

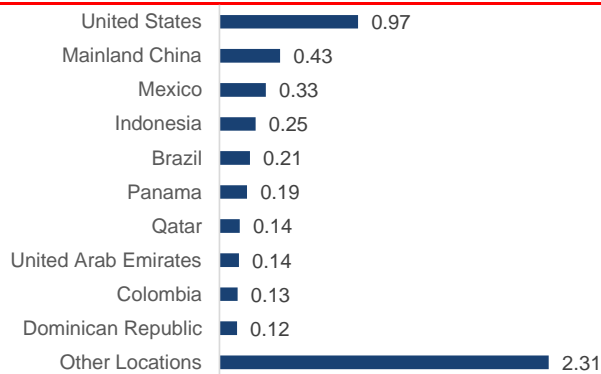
### Fixed Income Quality Rating Allocation (%)



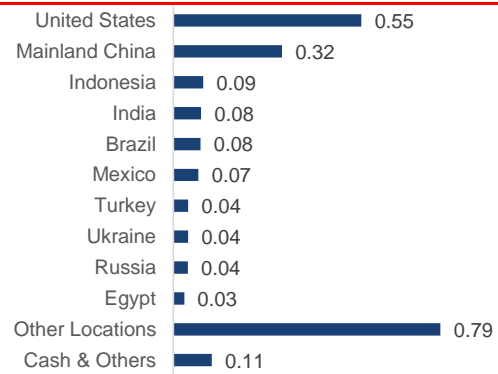
### Fixed Income Sector Allocation (%)



### Fixed Income Option Adjusted Duration Allocation by Location



### Fixed Income Geographical Allocation (%)



Fixed Income Top 10 Holdings	Location	Instrument Type	Weight (%)
TENNET HOLDING BV 2.995 PERP	Netherlands	Perpetual Bonds	0.02
REPUBLIC OF PANAMA 3.870 23/07/2060	Panama	Government Bond	0.02
IHO VERWALTUNGS GMBH 3.750 15/09/2026	Germany	Corporate Bond	0.01
UKRAINE GOVERNMENT 7.375 25/09/2032	Ukraine	Government Bond	0.01
LA BANQUE POSTALE 3.875 PERP	France	Perpetual Bonds	0.01
ERSTE GROUP BANK AG 4.250 PERP	Austria	Perpetual Bonds	0.01
UBS GROUP AG 5.750 PERP	Switzerland	Perpetual Bonds	0.01
REPUBLIC OF CAMEROON 9.500 19/11/2025	Cameroon	Government Bond	0.01
NIDDA HEALTHCARE HOLDING 3.500 30/09/2024	Germany	Corporate Bond	0.01
BNP PARIBAS 6.125 PERP	France	Perpetual Bonds	0.01

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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## **Important Information**

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[www.assetmanagement.hsbc.com/fr](http://www.assetmanagement.hsbc.com/fr).

## 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