

# HSBC Portfolios - World Selection 4

Share Class AC

30 Sep 2019

## Fund Objective and Strategy

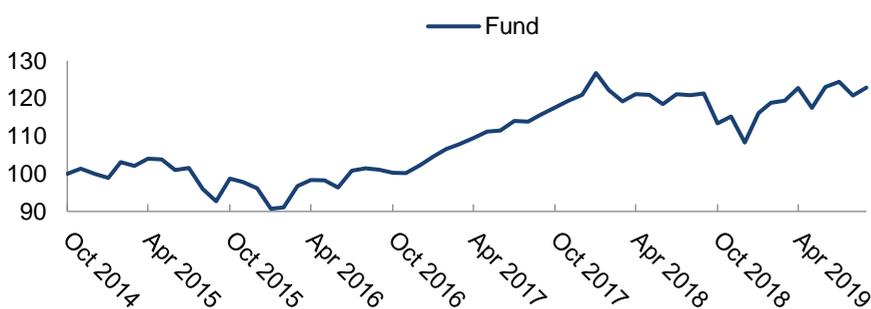
### Investment Objective

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 medium to high risk investment strategy.

### Investment Strategy

At least 90% of the fund's exposure is to bonds, shares and other asset classes (for example, real estate, private equity, hedge fund strategies and commodities). The Fund gains 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 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 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	13.48	1.72	-0.12	1.31	6.74	4.39	10.42	0.40

Rolling Performance (%)	30 Sep 2018-30 Sep 2019	30 Sep 2017-30 Sep 2018	30 Sep 2016-30 Sep 2017	30 Sep 2015-30 Sep 2016	30 Sep 2014-30 Sep 2015
AC	1.31	4.81	14.52	9.05	-6.52

### 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>	1.420%
Share Class Base Currency	USD
Domicile	Luxembourg
ISIN	LU0447611228
Share Class Inception Date	20 Oct 2009
NAV per Share	USD 16.32
Fund Size	USD 712,316,860
Bloomberg Ticker	HSBC4AA 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 30 September 2019

### 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 rose in September amid an easing of US-China trade tensions, and upbeat US economic data releases. The MSCI All Countries World Index rose by 2.1% over the month. In the US, a solid labour market continues to support consumer spending, which contrasts to a weak picture for investment and exports amid slower global growth and elevated political uncertainty. Labour market indicators are still consistent with employment growth, but data will be scrutinised for any further signs of softening. The US Federal Reserve (Fed) is likely to continue its gradual easing of policy in the near term to reduce the chance that US growth is dragged lower by soft global growth and persistent geopolitical uncertainty. Recent PMI data suggest Germany could enter a mild technical recession this year. For now, services are sustaining overall eurozone activity. The European Central Bank delivered a substantial easing package at its September meeting, including the restarting of net asset purchases. UK GDP contracted in Q2, although this was mainly due to the unwinding of Brexit related stockpiling in Q1. Labour market strength remains a key support. The Bank of England remains non-committal on the policy outlook, with future decisions ultimately affected by upcoming political developments. In Asia, data releases remain soft in China which is likely to result in further policy easing. In India, GDP growth disappointed in Q2, while risks remain tilted to the downside with a slow transmission between monetary policy easing and the real economy. Growth remains sluggish in Japan given external headwinds and a loss of momentum in business investment; October's consumption tax hike also presents a risk. Stressing downside risks from abroad, the Bank of Japan has signalled it could ease policy if activity cools. A further trigger could be yen strength. The backdrop for emerging markets is supported by a dovish Fed and more accommodative EM central banks. However, corporate profitability has disappointed this year which justifies a more cautious stance on a tactical basis.

### Portfolio performance

Our tactical asset allocation was broadly positive as corporate bonds underperformed equities and emerging market debt. Within equities, the UK led developed markets so our overweight position here added value. In fixed income, our underweight to corporate bonds added the most value. Emerging market bonds in local currency generated positive returns so our overweight here added value. There were no significant changes to the asset allocation in September. The World Selection portfolios are long-term investment solutions that seek to maximise risk-adjusted returns (Sharpe ratios) in the long run.

### Outlook

Global growth continues to face headwinds from a downturn in the industrial cycle and uncertainty related to trade tensions. Nevertheless, our global Nowcast for economic growth remains stable at around 2%. US growth remains above trend but has become more dependent on robust consumer spending. The recent softening in some labour market data needs to be monitored closely. Growth elsewhere is broadly below trend. Europe remains the main underperformer while China has shown further signs of stabilisation, with credit dynamics improving and industrial/trade indicators levelling off. The unbalanced nature of growth leaves the global economy vulnerable to negative shocks. However, policy makers are now making a concerted effort to limit the risk of a further sharp slowdown. The valuation gap between bonds and equities continues to increase so dynamically we continue to be modestly pro-risk. But we are wary of the outlook in the near term as the economy remains vulnerable to shocks so we have positioned the portfolios accordingly.

### Positioning

#### Fixed Income

The portfolios have remained underweight fixed income assets as yields and potential returns have remained low. Corporate bonds are looking relatively expensive and prospective returns are still not high enough in our view. We look elsewhere for better ways to back global growth. Riskier, EM debt securities remain attractive in our view, especially in local currencies where potential currency appreciation could provide a tailwind to performance. However, we have reduced our tactical allocation modestly given near term risks.

#### Equities

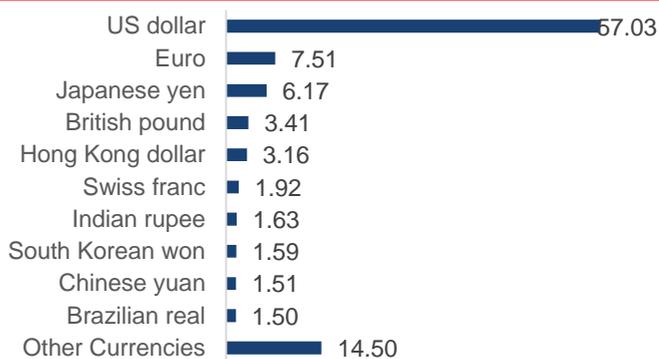
We retain our view that the most effective way to access the global growth story is through equities, particularly from a relative valuation perspective versus bonds. However, we acknowledge heightened risks in the near term so we have recently reduced our overweight in equities and added to liquid alternatives to add resilience to portfolios.

## Portfolio

### Portfolio Asset Allocation (%)

Global Equity	72.58
Global Fixed Income	11.77
Global Government Bond	-2.49
Global Corporate Bond	0.57
Global High Yield Bond	3.25
Emerging Market Debt - Hard Currency	2.42
Emerging Market Debt - Local Currency	8.02
Property	5.02
Trend Following	5.83
Cash	4.80

### Currency Exposure at Portfolio Level (%)



### Portfolio Top 10 Holdings

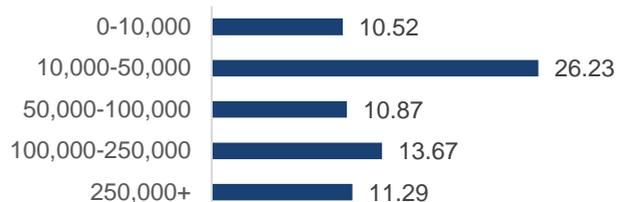
	Weight (%)
HSBC FTSE ALL-WORLD INDEX INSTL ACC	15.16
HSBC AMERICAN INDEX INSTITUTIONAL ACC	14.03
VANGUARD FTSE ALL-WORLD UCITS ETF	10.83
HSBC GIF GLOBAL EM MKTS LOCAL DBT ZQ1	8.02
HSBC ECONOMIC SCALE WORLDWIDE EQUITY ETF	7.05
HSBC GIF GLOBAL REAL ESTATE EQ ZQ1	5.02
HSBC EUROPEAN INDEX INSTITUTIONAL ACC	4.97
HSBC MULTI FACTOR WORLDWIDE EQUITY ETF	4.24
ISHARES CORE MSCI EM IMI ETF USD ACC	4.01
STRUCT GS CROSS ASSET TREND E USD ACC	3.49

Source: HSBC Global Asset Management, data as at 30 September 2019.

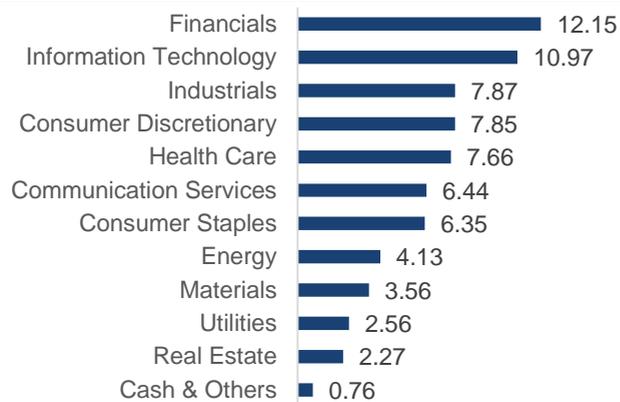
## Equity

Equity Characteristics	
P/E Ratio	14.48
Weighted Average Market Cap (USD Mil)	139,999.20
Dividend Yield	2.55

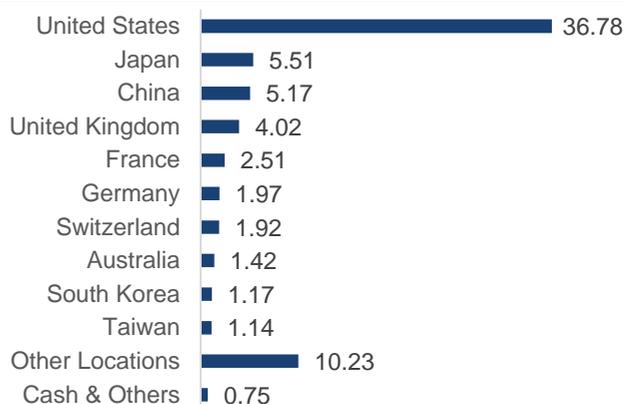
### Equity Average Market Cap Breakdown (USD Mil, %)



### Equity Sector Allocation (%)



### Equity Geographical Allocation (%)



Equity Top 10 Holdings	Location	Sector	Weight (%)
MICROSOFT CORP	United States	Information Technology	1.48
APPLE INC	United States	Information Technology	1.39
AMAZON.COM INC	United States	Consumer Discretionary	0.90
FACEBOOK INC-CLASS A	United States	Communication Services	0.60
JPMORGAN CHASE & CO	United States	Financials	0.53
ALPHABET INC-CL A	United States	Communication Services	0.48
BERKSHIRE HATHAWAY INC-CL B	United States	Financials	0.48
JOHNSON & JOHNSON	United States	Health Care	0.47
ALPHABET INC-CL C	United States	Communication Services	0.47
AT&T INC	United States	Communication Services	0.44

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

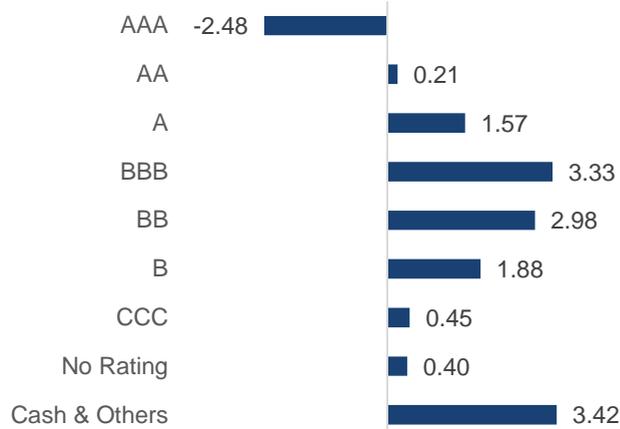
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

Source: HSBC Global Asset Management, data as at 30 September 2019.

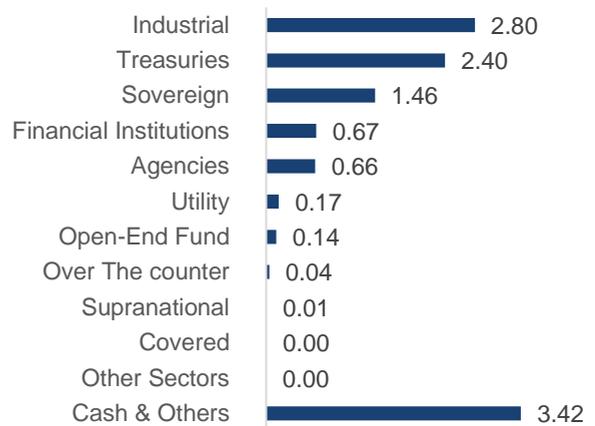
## Fixed Income

Fixed Income Characteristics		Fixed Income Characteristics	
Yield to Maturity (Gross)	7.51	Option Adjusted Duration	2.71
Yield to Worst (Gross)	7.23	Rating Average	BBB/BBB-

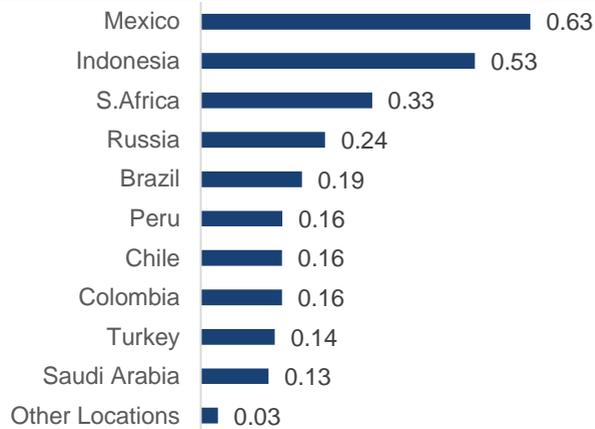
### Fixed Income Quality Rating Allocation (%)



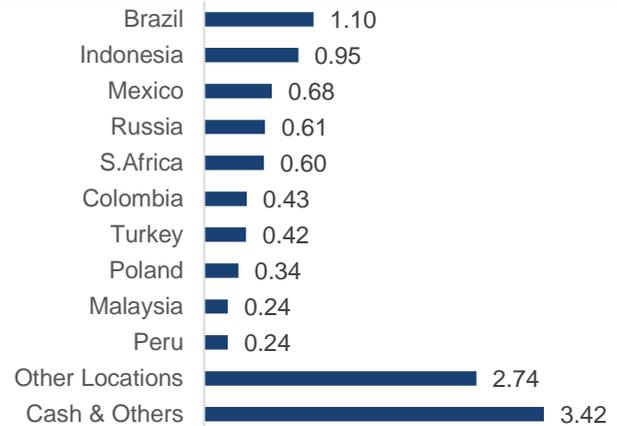
### Fixed Income Sector Allocation (%)



### 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-JAN-20	Brazil	Treasury Bills	0.68
INDONESIA GOVERNMENT 8.3750 15-MAR-24	Indonesia	Government Bond	0.19
REPUBLIC OF SOUTH AFRICA 7.0000 28-FEB-31	South Africa	Government Bond	0.17
TITULOS DE TESORERIA B 11.0000 24-JUL-20	Colombia	Government Bond	0.16
REPUBLIC OF PERU 6.3500 12-AUG-28	Peru	Government Bond	0.15
REPUBLIC OF SOUTH AFRICA 10.5000 21-DEC-26	South Africa	Government Bond	0.14
MEX BONOS DESARR FIX RT 8.5000 18-NOV-38	Mexico	Government Bond	0.14
INDONESIA GOVERNMENT 8.2500 15-MAY-29	Indonesia	Government Bond	0.13
TITULOS DE TESORERIA 6.0000 28-APR-28	Colombia	Government Bond	0.12
TURKEY GOVERNMENT BOND 10.7000 17-FEB-21	Turkey	Government Bond	0.12

Please note that the fixed income allocation tables are calculated using contributions to the fixed income portion, with the equity portion excluded here.

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 Global Asset Management, data as at 30 September 2019.

## **Important Information**

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Further Information can be found in the prospectus.

## Terms of Glossary

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**Convertible bond:** a type of bond that the holder can convert into a specified number of shares of common stock in the issuing company or cash of equal value.

**Corporate bond:** a bond issued by a company in order to raise financing.

**Coupon:** the annual interest rate paid on a bond, expressed as a percentage of the face value.

**Credit quality:** one of the principal criteria for judging the investment quality of a bond or bond mutual fund.

**Developed markets:** countries that are most developed in terms of its economy and capital markets.

**Duration:** a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates.

**Emerging markets (EM):** nations' economies in the process of fast economic growth. Investments in emerging markets are generally considered to be with higher risk.

**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.

**High yield bond / Non-investment grade bond:** fixed income security with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default, but have the potential for higher rewards.

**Information ratio:** ratio of portfolio returns above/under the returns of a benchmark to the volatility of those returns.

**Investment grade bond:** considered investment grade or IG if its credit rating is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's.

**Maturity:** the period of time for which a financial instrument remains outstanding.

**Modified duration to worst:** the lowest potential duration that will achieve on a bond without the issuer actually defaulting.

**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.

**Sharpe ratio:** a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations.

**Tracking error:** a measure of how closely a portfolio follows the index to which it is benchmarked.

**Volatility:** a measure of how much a fund's price goes up or down as a percentage of its average performance.

**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.

**Rating:** rating of a debtor (credit rating) by rating agencies is based on specific criteria such as debt situation, country risk etc. Ratings from Moody's and Standard & Poor's® is the most widely used systems in the international markets with range from AAA and Aaa (highest credit rating) to D ( Debtor in financial difficulties, repayment already distressed).

**NAV:** stands for net asset value. It is used on funds and represents the value of all assets and receivables less debt, liability and costs. Typically, it is reported as a value per share.

**Swap:** a derivative contract through which two parties exchange financial instruments. E.g. in an interest swap, typically one contracting party pays a fixed interest while the other pays a variable interest.

**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.

**Shares:** units of ownership interest in a corporation or financial asset that provide for an equal distribution in any profits, if any are declared, in the form of dividends. The two main types of shares are common shares and preferred shares. Physical paper stock certificates have been replaced with electronic recording of stock shares, just as mutual fund shares are recorded electronically.

**Bond:** a fixed income investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. Bonds are used by companies, municipalities, states and sovereign governments to raise money and finance a variety of projects and activities. Owners of bonds are debt holders, or creditors, of the issuer.

**Price Earnings (P/E) Ratio:** the price paid for a share divided by the annual profit earned by the firm per share.

**Dividend Yield:** represents the ratio of distributed income over the last 12 months to the fund's current Net Asset Value. □

**Market capitalization:** refers to 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.