

HSBC Portfolios

World Selection 3

Monthly report 31 March 2023 | Share class ACHSGD

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

- The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.
- Investing in assets denominated in a currency other than that of the investor's own currency exposes the value of the investment to exchange rate fluctuations
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.

Share class details

Key metrics

NAV per share	SGD 12.29
Performance 1 month	1.24%
Sharpe ratio 3 years	0.48

Fund facts

UCITS V compliant	Yes
UK reporting fund status (UKRS)	Yes
ISA eligible	Yes
Dividend treatment	Accumulating
Dealing frequency	Daily
Valuation time	10:00 Luxembourg
Share class base currency	SGD
Domicile	Luxembourg
Inception date	1 July 2014
Fund size	USD 939,556,634
Managers	Kate Morrissey

Fees and expenses

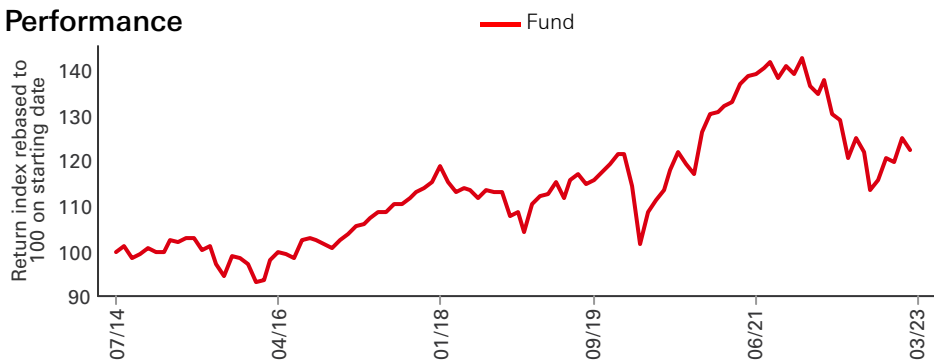
Minimum initial investment ¹	USD 5,000
Ongoing charge figure ²	1.447%

Codes

ISIN	LU1048558149
Bloomberg ticker	HSB3AHS LX
SEDOL	BLDRN05

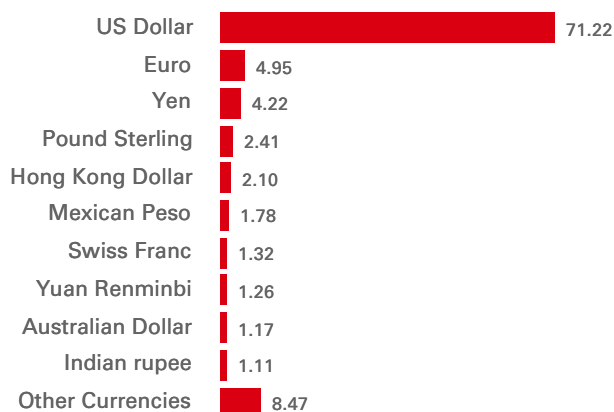
¹Please note that initial minimum subscription may vary across different distributors
²Ongoing Charges Figure, is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann	Since inception ann	
ACHSGD	3.53	1.24	3.53	9.10	-10.03	6.75	1.81	--	2.39	
Rolling performance (%)	31/03/22-31/03/23	31/03/21-31/03/22	31/03/20-31/03/21	31/03/19-31/03/20	31/03/18-31/03/19	31/03/17-31/03/18	31/03/16-31/03/17	31/03/15-31/03/16	31/03/14-31/03/15	31/03/13-31/03/14
ACHSGD	-10.03	3.46	30.71	-9.84	-0.27	6.49	8.15	-3.79	--	--

Currency Allocation (%)



Asset allocation (%)

Asset allocation (%)	Fund
Global Equity	52.97
Global Government Bond	14.18
Global Corporate Bond	5.26
Global High Yield Bonds	2.27
Global Asset Backed Bonds	1.10
Emerging Market Debt - Hard Currency	2.08
Emerging Market Debt - Local Currency	4.10
Global Inflation Linked Bonds	1.14
Global Credit Short Duration	0.98
Property	2.87
Style Factors	2.04
Trend Following	3.29
Commodities	1.97
Cash/Liquidity	2.67
Listed Infrastructure	3.08

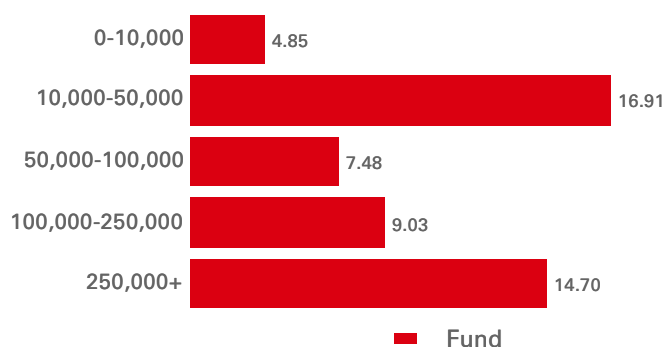
Top 10 holdings

Top 10 holdings	Weight (%)
HSBC FTSE All-World Index Instl Acc	12.24
HSBC Multi Factor Worldwide Eq ETF	10.08
HSBC GIF Global Govt Bd ZQ1	9.88
HSBC American Index Institutional Acc	7.43
HSBC S&P 500 UCITS ETF	5.60
HSBC GIF Global Corp Bd ZQ1	5.26
HSBC GIF Global EM Local Dbt ZQ1	4.10
HSBC MSCI Emerg Mkts ETF	3.84
Lyxor US Curve Stpng 2-10 ETF USD Acc	3.40
HSBC GIF Global Infrastructure Equity ZD	3.08

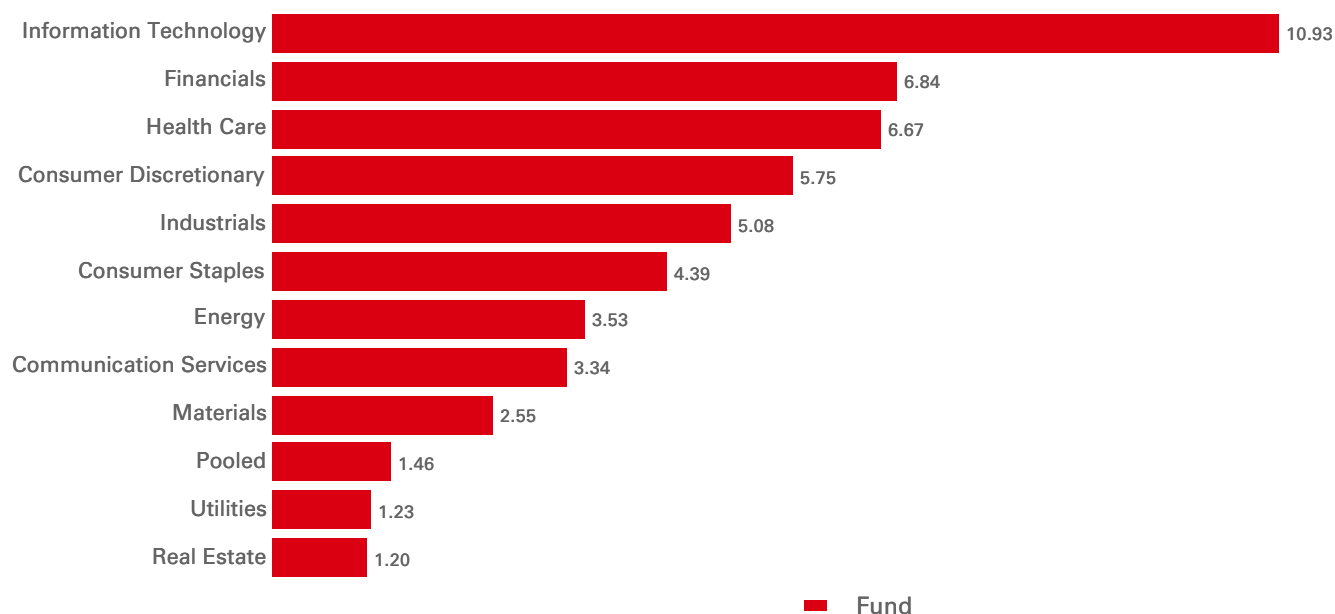
Equity top 10 holdings	Location	Sector	Weight (%)
Apple Inc	United States	Information Technology	2.00
Microsoft Corp	United States	Information Technology	1.69
Alphabet Inc	United States	Communication Services	0.90
Exxon Mobil Corp	United States	Energy	0.72
Amazon.com Inc	United States	Consumer Discretionary	0.66
UnitedHealth Group Inc	United States	Health Care	0.50
Chevron Corp	United States	Energy	0.48
Johnson & Johnson	United States	Health Care	0.46
NVIDIA Corp	United States	Information Technology	0.45
Meta Platforms Inc	United States	Communication Services	0.43

Equity characteristics	Fund	Reference Benchmark
Average market cap (USD Mil)	313,203	--
Price/earning ratio	13.52	--
Portfolio yield	2.30%	--

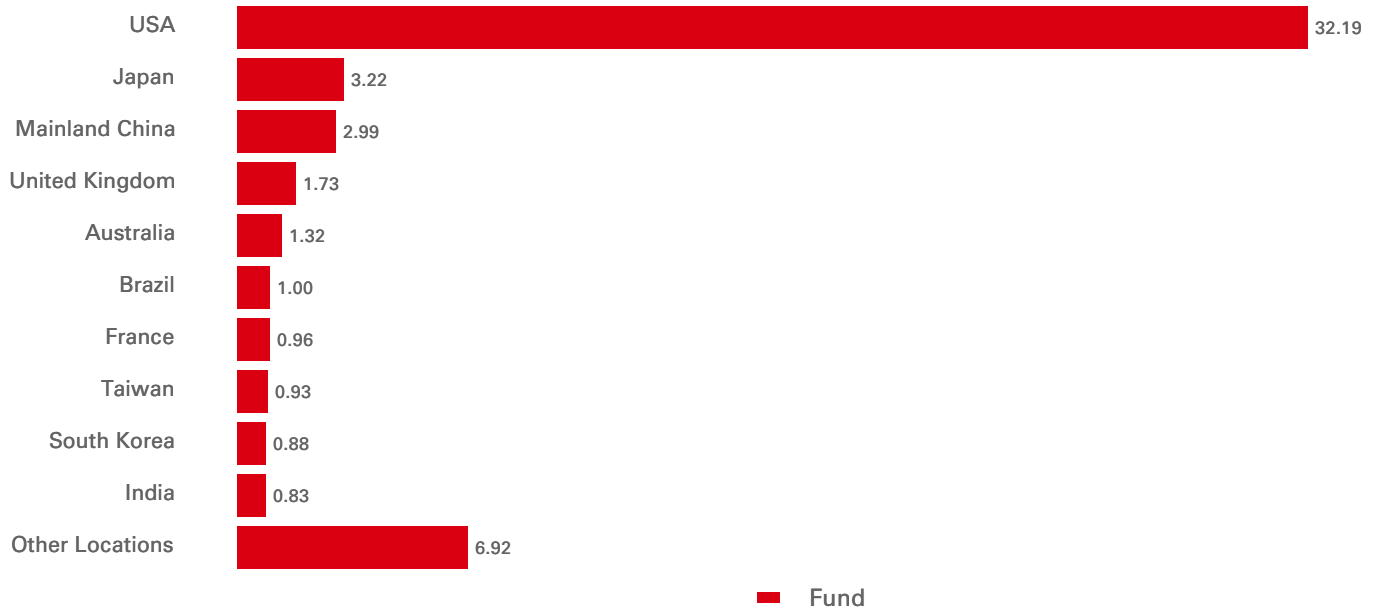
Market cap allocation (USD Mil %)



Equity sector allocation (%)



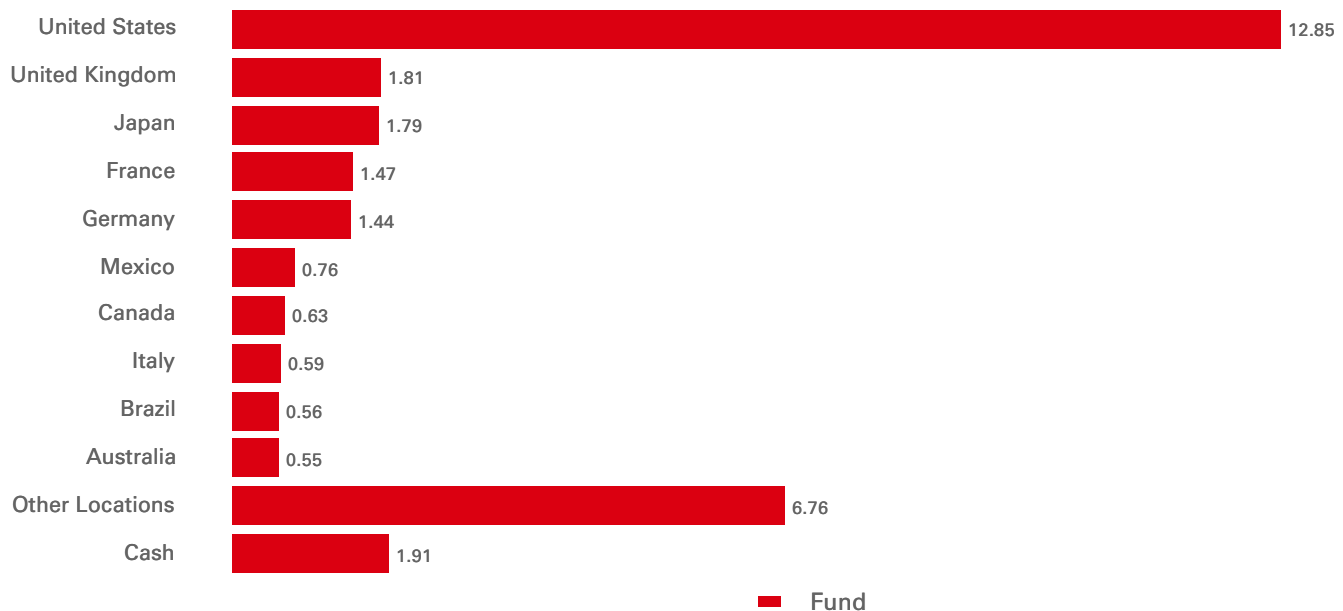
Equity geographical allocation (%)



Fixed Income Characteristics	Reference Benchmark			Credit rating (%)	Reference Benchmark		
	Fund	Benchmark	Relative		Fund	Benchmark	Relative
Yield to worst	5.94%	--	--	AAA	11.99	--	--
Yield to maturity	6.01%	--	--	AA	2.83	--	--
Option adjusted duration	6.07	--	--	A	4.86	--	--
Rating average	A+/A	--	--	BBB	5.60	--	--
				BB	2.42	--	--
				B	1.17	--	--
				CCC	0.18	--	--
				CC	0.04	--	--
				NR	0.12	--	--
				Cash	1.91	--	--

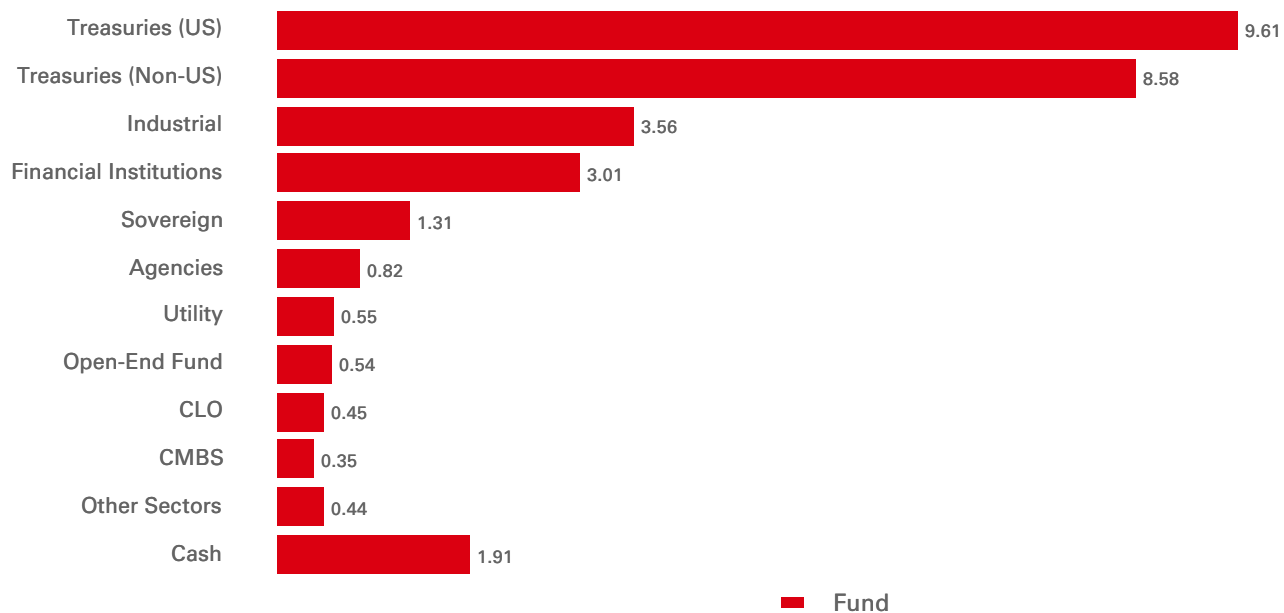
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B 1.625 15/05/2031 USD	United States	Treasury Note	0.71
US TREASURY N/B 2.375 15/11/2049 USD	United States	Government Bond	0.61
US TREASURY N/B 3.000 15/07/2025 USD	United States	Treasury Note	0.49
US TREASURY N/B 0.875 15/11/2030 USD	United States	Treasury Note	0.43
US TREASURY N/B 0.375 31/01/2026 USD	United States	Treasury Note	0.33
TREASURY BILL 0.000 23/05/2023 USD	United States	Treasury Bill	0.32
TREASURY BILL 0.000 09/05/2023 USD	United States	Treasury Bill	0.31
US TREASURY N/B 1.375 15/11/2031 USD	United States	Treasury Note	0.30
US TREASURY N/B 3.500 15/02/2033 USD	United States	Treasury Note	0.29
POLAND GOVERNMENT BOND 2.500 25/07/2027 PLN	Poland	Government Bond	0.26

Fixed income geographical allocation (%)



Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
United States	3.04	--	--
Japan	0.50	--	--
United Kingdom	0.40	--	--
France	0.25	--	--
Germany	0.17	--	--
Australia	0.13	--	--
Spain	0.11	--	--
Italy	0.09	--	--
Mexico	0.08	--	--
Canada	0.08	--	--
Other Locations	1.13	--	--
Cash	0.00	--	--

Fixed income sector allocation (%)



Monthly performance commentary

Market Review - At the global level major asset classes managed to deliver positive returns over the month as concerns around the banking sector were assuaged by regulators and markets priced in fewer central bank rate hikes from here. Markets were shocked by the collapse of Silicon Valley Bank, with the spotlight quickly moving to other US regional banks and then to Credit Suisse in Europe. Regulators and central banks acted swiftly to maintain financial stability by providing liquidity and announcing other measures, with UBS agreeing to a government-brokered deal to acquire Credit Suisse. It was notable that central banks separated their role of maintaining financial stability from continuing to fight inflation. Despite the turmoil in the banking sector, the US federal Reserve hiked rates by 25bps, with the ECB and Bank of England hiking by 50bps and 25bps respectively. However, markets moderated their expectations of further hikes from here and now price in US rate cuts later this year. Against that background, risk assets performed poorly in the first half of the month, before rallying to close higher at the global level. Within equities, developed markets outperformed emerging markets, helped by the US where the technology sector performed especially well, benefiting from falling government yields. Unsurprisingly, Financials and Real Estate were among the worst performers, posting negative returns. The fixed income complex performed well as government bond yields fell sharply, especially at the short end of curves. Corporate debt generally posted more modest gains as credit spreads widened. Looking at currencies, the US dollar strengthened during the banking turmoil, before easing to close the month lower as the stress passed and markets priced in a lower trajectory for interest rates. Performance within commodities generally reflected concerns over a slowing growth; oil prices fell while gold posted a modest gain.

Portfolio performance - Equity and bond markets delivered strong positive returns during March, resulting in positive performance across all five portfolios. The World Selection portfolios are actively positioned against a long term strategic asset allocation. During March, the active positioning detracted given the rally in risk markets and the portfolios' cautious positioning. Most notably, the underweight to global equity and overweight to trend following hedge funds detracted. Conversely, our underweight to duration and US Steepener trades both added value. The relative value equity positioning also detracted over the month with the overweight to US Energy versus broad US equity and overweights to China and Brazil versus broad emerging markets detracting the most. Finally, the active currency positioning contributed over the period; our underweight to the US dollar added value as the greenback continued to slide.

Investment Team Views and Portfolio Positioning - There are four key themes in markets that we are positioned to capture within the World Selection portfolios:

- 1. Slowing Growth in Developed Markets** - We expect tight financial conditions to slow GDP growth in key developed economies during 2023. As a result, we remain underweight developed market equity and high yield bonds. In March we further reduced our high yield bond exposure after notable spread compression in the first two months of the year. As the economy enters recession, and monetary tightening slows, we expect the yield curve to steepen, as a result we hold a US curve steepener position in portfolios. This trade delivered strong returns in March as shorter dated yields fell sharply, and we increased the size of the position. We continue to hold exposure to a basket of liquid alternatives, which extend diversification and can provide positive returns, even during difficult periods of slowing growth.
- 2. Corporate Indices Now Delivering Yield (CINDY)** - Short dated bonds are providing very attractive levels of income, while slowing monetary tightening improves the future prospects of the asset class, particularly in the US. At the start of March, yields on long dated US government bonds reached almost 4%, motivating an increase in duration through the addition of a position in 30 Year Treasuries. Towards the end of the month, as yields compressed significantly on investor concerns around the banking sector, we reduced duration again. We also hold an overweight to shorter duration corporate bonds, although trimmed this position marginally in March.
- 3. 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. We are also overweight the Energy sector which will benefit from elevated oil and gas prices and is structurally supported by the long-term underinvestment in new development. We are overweight Brazil equity versus Emerging Market equity on the country's positive momentum, strong macroeconomic backdrop, and attractive fundamentals. During March we increased our commodity exposure in portfolios, as the asset class has historically performed well in elevated inflation environments.
- 4. China Re-Opening After COVID-19 Lockdowns** - As China moves away from its Zero COVID policy, we expect economic activity to pick-up, and EM asset classes to rally. As a result, we are overweight emerging market equity versus developed market equity and hold a relative value position in China A-Shares versus broad emerging market equity. We also have an overweight to local currency emerging market debt, and a preference for Asia over Global high yield bonds. During March we marginally reduced our exposure to emerging market debt and Asia high yield, to lower portfolio risk.

Outlook - Recent banking sector developments are likely to tighten lending standards among Western banks. This adds to macroeconomic headwinds stemming from higher interest rates and raises the probability of recession. However, we do not expect a severe recession. Strong private sector balance sheets, and no return to the fiscal austerity of the 2010s, point to a more average-looking recession scenario ahead. Our central scenario assumes that limited tightening continues in the near term, driven by central bankers' inflation concerns. We think Fed policy rates peak at around 5.5% Ultimately, we believe central bankers will then have to ease policy in late 2023 and 2024, as recessions bite. Asia finds itself in a 'parallel world', far removed from the recession and persistent inflation mix in the West. China's rapid re-opening will buoy growth in the region, helping to offset weaker Western demand. In light of the above, we remain underweight global equity in portfolios, with a preference for emerging markets over developed markets. Within developed markets we maintain a bias towards earnings resilience (e.g. healthcare and consumer staples) and higher quality companies with more defensible margins. We believe short duration fixed income is the "natural asset class" at this juncture and we maintain a high-quality bias within corporate debt. We especially like the short end of the US Treasury curve.

Risk disclosures

- 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 potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

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Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at www.assetmanagement.hsbc.co.uk

Source: HSBC Asset Management, data as at 31 March 2023

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Glossary

