

## HSBC Portfolios

# World Selection 2

Monthly report 31 May 2022 | 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 low to medium 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 50% 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.
- 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.

### Share Class Details

#### Key metrics

NAV per Share	<b>SGD 11.12</b>
Performance 1 month	<b>-0.90%</b>
Sharpe ratio 3 years	<b>0.19</b>

#### Fund facts

UCITS V compliant	<b>Yes</b>
Subscription mode	<b>Cash / SRS (Supplementary Retirement Scheme)</b>

Dividend treatment	<b>Accumulating</b>
Dealing frequency	<b>Daily</b>
Valuation Time	<b>10:00 Luxembourg</b>
Share Class Base Currency	<b>SGD</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>4 December 2018</b>
Fund Size	<b>USD 689,003,409</b>
Managers	<b>Kate Morrissey</b>

#### Fees and expenses

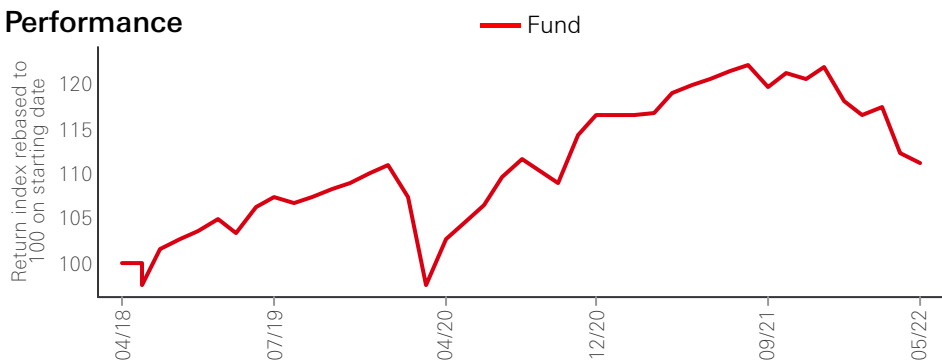
Minimum initial investment (SG) <sup>1</sup>	<b>SGD 1,000</b>
Maximum initial charge (SG)	<b>4.170%</b>
Management fee	<b>1.000%</b>

#### Codes

ISIN	<b>LU1863921836</b>
Bloomberg ticker	<b>HWS2ACH LX</b>

<sup>1</sup>Please note that initial minimum subscription may vary across different distributors

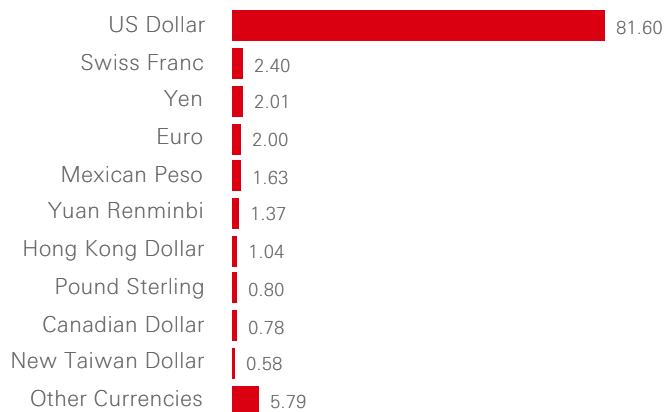
## Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
<b>ACHSGD</b>	<b>-8.83</b>	<b>-0.90</b>	<b>-4.57</b>	<b>-7.74</b>	<b>-7.28</b>	<b>2.49</b>	--	<b>3.08</b>
ACHSGD (Net)*	-12.47	-4.87	-8.39	-11.44	-10.99	1.10	--	1.88

Calendar year performance (%)	2017	2018	2019	2020	2021
<b>ACHSGD</b>	--	--	<b>13.00</b>	<b>5.90</b>	<b>4.60</b>
ACHSGD (Net)*	--	--	8.48	1.66	0.41

## Currency Allocation (%)



## Asset allocation (%)

	Fund
<b>Global Equity</b>	<b>32.12</b>
Global Government Bond	24.35
Global Corporate Bond	13.53
Global High Yield Bonds	2.96
Global Asset Backed Bonds	3.04
Emerging Market Debt - Hard Currency	2.24
Emerging Market Debt - Local Currency	4.66
<b>Property</b>	<b>5.10</b>
<b>Style Factors</b>	<b>2.27</b>
<b>Trend Following</b>	<b>3.52</b>
<b>Commodities</b>	<b>2.88</b>
Cash/Liquidity	3.34

## Top 10 Holdings

	Weight (%)
HSBC GIF Global Govt Bd ZQ1	14.01
HSBC FTSE All-World Index Instl Acc	13.65
HSBC Multi Factor Worldwide Eq ETF	7.11
HSBC GIF Global RE Eq ZQ1	5.10
HSBC GIF Global EM Local Dbt ZQ1	3.73
iShares Edge MSCI USA Qual Fac ETF \$Dist	3.70
HSBC S&P 500 UCITS ETF	3.16
HSBC GIF Global IG Sec Credit Bd ZC	3.04
HSBC GIF Multi-Asset Style Factors ZC	2.27
STRUCT INV SI CRSS AST T-EU	2.22

Top 10 holdings exclude holdings in cash and cash equivalents and money market funds.

Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark

\*Share class denoted with "(Net)" refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied.

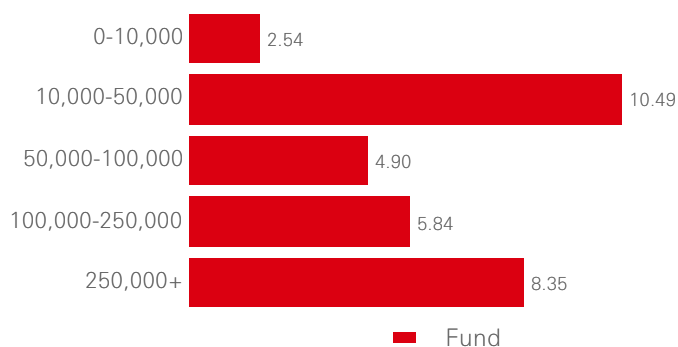
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

Source: HSBC Asset Management, data as at 31 May 2022

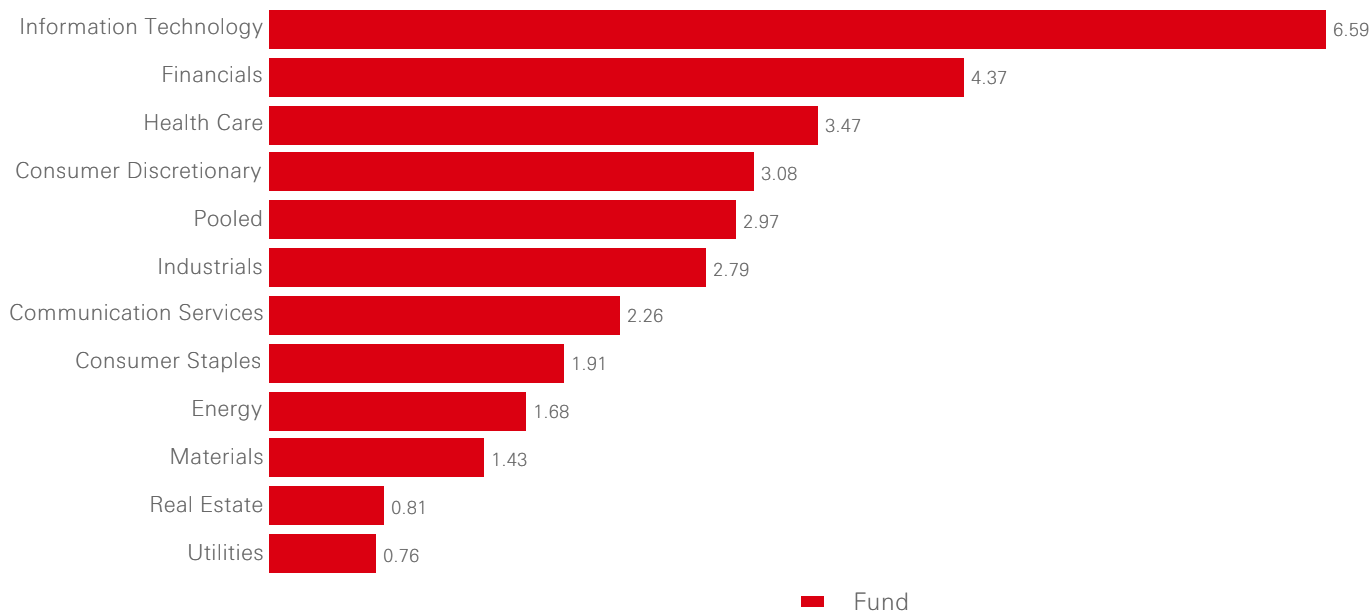
Equity top 10 holdings	Location	Sector	Weight (%)
Apple Inc	United States	Information Technology	1.15
Microsoft Corp	United States	Information Technology	0.99
Alphabet Inc	United States	Communication Services	0.66
Amazon.com Inc	United States	Consumer Discretionary	0.41
Johnson & Johnson	United States	Health Care	0.38
Meta Platforms Inc	United States	Communication Services	0.31
Tesla Inc	United States	Consumer Discretionary	0.25
Exxon Mobil Corp	United States	Energy	0.21
JPMorgan Chase & Co	United States	Financials	0.21
Berkshire Hathaway Inc	United States	Financials	0.20

Equity characteristics	Fund	Reference benchmark
Average Market Cap (USD Mil)	309,524	--
Price/earning ratio	14.54	--
Portfolio yield	2.08%	--

#### Market cap allocation (USD Mil %)

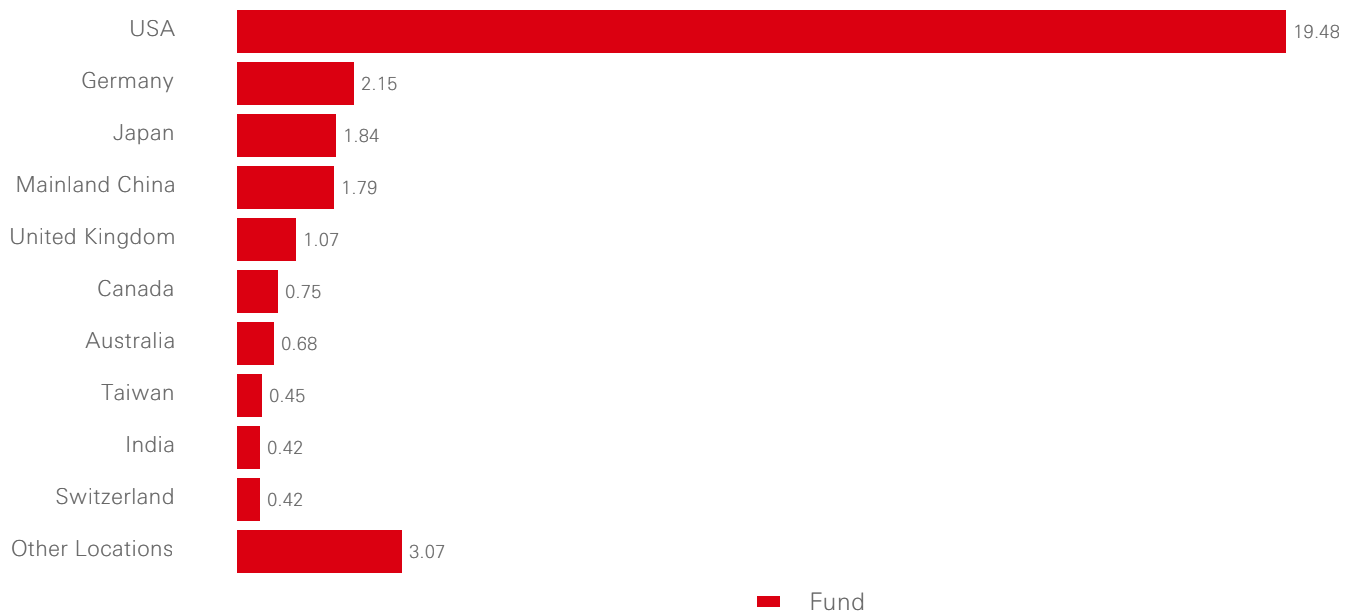


#### Equity sector allocation (%)



**Equity geographical allocation (%)**

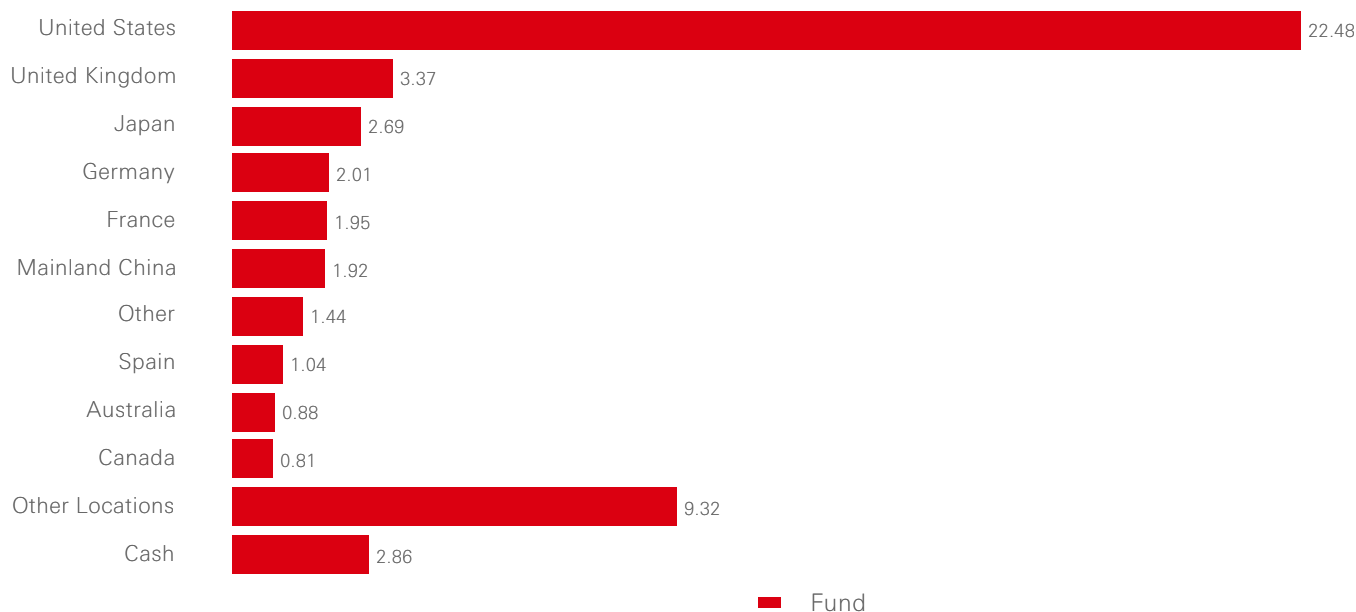
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Fixed Income Characteristics	Reference			Credit rating (%)	Reference		
	Fund benchmark	Relative	Relative		Fund	benchmark	Relative
Yield to worst	4.40%	--	--	AAA	19.36	--	--
Yield to maturity	4.49%	--	--	AA	3.45	--	--
Option Adjusted Duration	6.32	--	--	A	9.42	--	--
Rating average	AA/AA-	--	--	BBB	9.13	--	--
				BB	3.74	--	--
				B	1.61	--	--
				CCC	0.27	--	--
				CC	0.03	--	--
				NR	0.91	--	--
				Cash	2.86	--	--

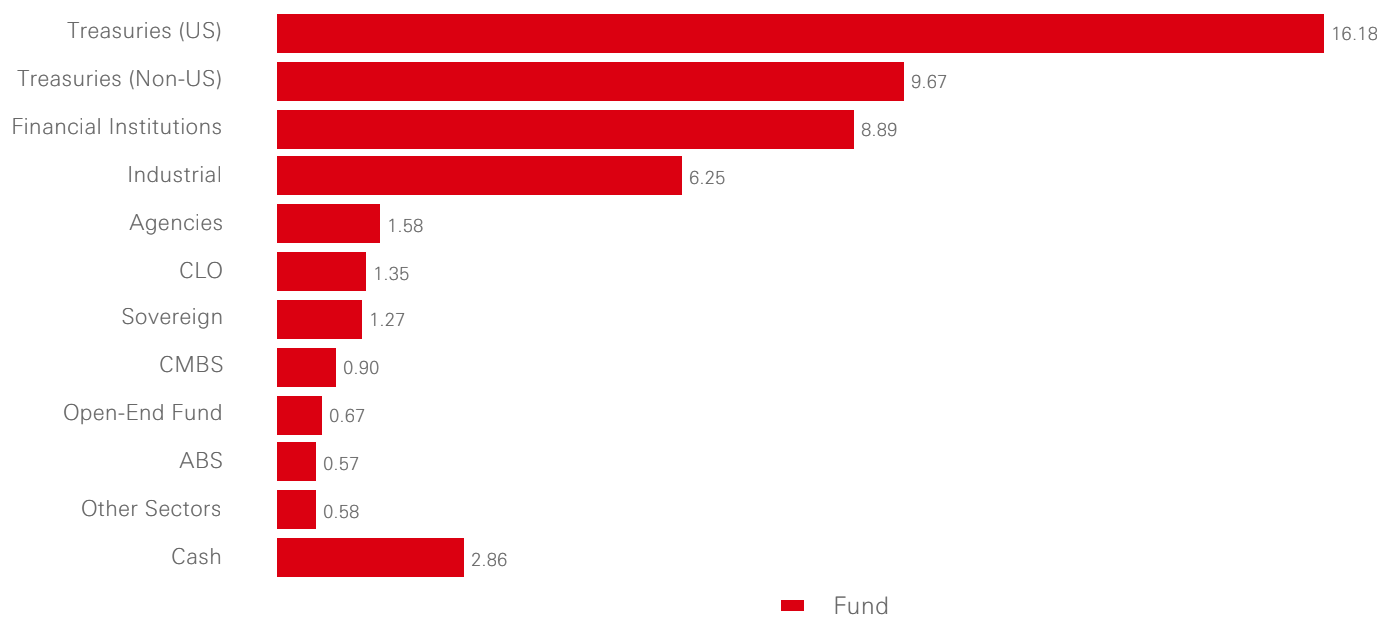
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B 0.375 31/01/2026 USD	United States	Treasury Note	0.49
US TREASURY N/B 1.500 29/02/2024 USD	United States	Treasury Note	0.45
BUNDESSCHATZANWEISUNGEN 0.000 10/03/2023 EUR	Germany	Government Bond	0.41
US TREASURY N/B 0.500 28/02/2026 USD	United States	Treasury Note	0.39
US TREASURY N/B 1.875 15/02/2032 USD	United States	Treasury Note	0.37
US TREASURY N/B 0.125 31/01/2023 USD	United States	Treasury Note	0.34
US TREASURY N/B 0.125 28/02/2023 USD	United States	Treasury Note	0.31
JAPAN (2 YEAR ISSUE) 0.005 01/02/2024 JPY	Japan	Government Bond	0.25
US TREASURY N/B 2.250 15/02/2052 USD	United States	Government Bond	0.25
TORONTO-DOMINION BANK 2.875 05/04/2027 GBP	Canada	Euro Medium Term Note	0.24

#### Fixed income geographical allocation (%)



Geographical Allocation (Option Adjusted Duration)	Fund	Reference benchmark	Relative
United States	3.02	--	--
United Kingdom	0.60	--	--
Japan	0.53	--	--
Germany	0.30	--	--
France	0.28	--	--
Mainland China	0.20	--	--
Spain	0.14	--	--
Australia	0.08	--	--
Mexico	0.06	--	--
Indonesia	0.05	--	--
Other Locations	0.96	--	--
Cash	0.00	--	--

**Fixed income sector allocation (%)**



## Monthly performance commentary

### Market Commentary

Equity markets stabilised in May, with global indices ending the month broadly flat (MSCI ACWI in USD: +0.2%; MSCI ACWI in GBP: -0.3%). Despite robust earnings, the prospect of rising interest rates, supply chain disruptions, and slowing global economic growth continued to weigh on market sentiment. Regional performance was mixed: but Japan, China and the UK delivered notably positive returns. Across sectors, Energy continued its robust performance, whilst the defensive sectors of Telecoms and Utilities and Financials posted positive returns. It was a relatively choppy month for bonds, with yields rising on hawkish central bank rhetoric and a higher-than-expected US CPI print of 8.3%, but then falling on the weakening growth outlook. By the end of the month, the returns for most developed market bonds remained negative, although the US market was positive. In the UK, 10 Year Gilt yields rose 20bps after the BoE's hike on May 5 and lower than expected PMI numbers. Chinese bonds also finished the month marginally negative, despite having benefited as the PBoC lowered its 5-year loan prime rate by 15bp. The DXY weakened 1.2% during the month, primarily as a result of the Fed's decision to increase rates by 50bp rather than 75bps. Both sterling and euro strengthened as the BoE hiked rates 25bps, and the market priced in sooner than expected ECB policy lift-off. Brent crude continued to show strength in May, with prices rising 12.4% as ongoing political tensions and the EU's proposed Russian oil ban outweighed concerns around slowing demand due to Chinese lockdowns.

### Portfolio performance

The World Selection portfolios posted negative performance over the month, returns range from -0.86% in World Selection 1 to -0.93% in World Selection 5. Active positioning was marginally negative during May. Our headline asset allocation was positive, notably our decision to be underweight inflation linked bonds and overweight commodities and EMD in local currency added value. However, both intra equity and intra fixed income positions detracted. Notably Asia versus Global High Yield, Gold versus Global Government bonds and Swiss versus European equity all detracted.

### Current Positioning and Trades

Equities - At a headline level we remain marginally underweight global equities in anticipation of near-term market volatility. During May we closed our overweight position to World Financials, redistributing the proceeds to developed market equity. The position was closed after strong performance so far this year, and a view that the majority of monetary policy tightening is behind us. We also increased our exposure to real estate equities (Property) on improved valuations. We maintain our overweights to USA Quality versus USA equity, Swiss versus Europe ex UK equity, and Chinese onshore equity versus emerging market equity

Lower risk bonds - At a headline level we are underweight the lower risk bond cluster within portfolios. During May we sold our US 2 Year treasury position, and reduced cash, distributing the proceeds into global government bonds. The decision to marginally increase portfolio duration was due to the rise in global government bond yields. We maintain our underweight to inflation linked bonds, while being neutral on Securitised credit and Corporate Bonds. We continue to prefer US over Global government bonds given the yield differential

Higher yielding fixed income - At a headline level we are overweight the higher yielding fixed income cluster. During May we reduced our overweight to China Government bonds versus Global Government bonds having benefited as the yield differential closed. 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 the Alternatives cluster. 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. Amid central bank policy normalisation and a real income squeeze, the trend of growth downgrades and inflation upgrades is likely to persist and may not stabilise until late 2022. Accommodative policy settings, tight labour markets, and a transition to endemic Covid should support global growth through this year and limit the risks of a significant downturn. 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. We expect the Fed to deliver 250bps of rate hikes this year and QT to begin in June. 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 Disclosure

- 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.
- Investment involves risk. Past performance figures shown are not indicative of future performance. Investors should read the prospectus (including the risk warnings) and the product highlights sheets, before investing. Daily price change percentage is based on bid-bid price.

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### Glossary





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Performance is annualised when calculation period is over one year. Net of relevant prevailing sales charge on a single pricing (NAV) basis, calculated on the basis that dividends are reinvested.

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Company Registration No. 198602036R

Should there be any discrepancy, the English version shall prevail. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

## Supplemental information sheet

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
AC EUR	-3.44	-2.39	0.15	-2.91	5.71	4.52	3.89	6.59
AC EUR (Net)*	-7.30	-6.30	-3.86	-6.80	1.48	3.10	3.04	6.24
AC GBP	-2.23	-1.26	1.69	-3.00	4.58	3.16	3.38	6.03
AC GBP (Net)*	-6.15	-5.21	-2.38	-6.89	0.39	1.76	2.54	5.68
AC SGD	-7.44	-1.60	-3.54	-7.62	-3.69	3.02	2.70	3.67
AC SGD (Net)*	-11.15	-5.54	-7.40	-11.32	-7.55	1.62	1.86	3.34
AC USD	-8.71	-0.88	-4.49	-7.60	-7.04	3.15	2.88	3.81
AC USD (Net)*	-12.36	-4.85	-8.31	-11.30	-10.76	1.76	2.04	3.48
ACHSGD SGD	-8.83	-0.90	-4.57	-7.74	-7.28	2.49	--	3.08
ACHSGD SGD (Net)*	-12.47	-4.87	-8.39	-11.44	-10.99	1.10	--	1.88

Calendar year performance (%)	2017	2018	2019	2020	2021
AC EUR	-4.45	-0.43	16.44	-2.55	13.85
AC EUR (Net)*	-8.28	-4.42	11.78	-6.45	9.30
AC GBP	-0.64	1.11	10.35	3.10	5.76
AC GBP (Net)*	-4.62	-2.93	5.94	-1.03	1.52
AC SGD	0.62	-3.09	12.62	4.96	7.22
AC SGD (Net)*	-3.41	-6.97	8.11	0.76	2.93
AC USD	8.77	-5.19	14.09	7.00	4.88
AC USD (Net)*	4.42	-8.98	9.52	2.71	0.68
ACHSGD SGD	--	--	13.00	5.90	4.60
ACHSGD SGD (Net)*	--	--	8.48	1.66	0.41

Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark \*Share class denoted with "(Net)" refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied.  
 Source: HSBC Asset Management, data as at 31 May 2022

## Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
ACHSGD	SGD	--	--	--	--

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	20 October 2009	LU0447610683	USD	USD 5,000	16.04	1.000%	Accumulating
ACHSGD	4 December 2018	LU1863921836	SGD	USD 5,000	11.12	1.000%	Accumulating

**Different classes may have different performances, dividend yields and expense ratios. For hedged classes, the effects of hedging will be reflected in the net asset values of such classes. Expenses arising from hedging transactions may be significant and will be borne by the relevant hedged classes. Hedged class performs the required hedging on a best efforts basis.**

The above table cites the last dividend paid within the last 12 months only. Dividend is not guaranteed and may be paid out of capital, which will result in capital erosion and reduction in net asset value. A positive distribution yield does not imply a positive return. Past distribution yields and payments do not represent future distribution yields and payments. Historical payments may comprise of distributed income, capital, or both.

The calculation method of annualised yield prior to August 2019 is the simple yield calculation: (dividend amount / NAV per share or units as of ex-dividend date) x n; The calculation method of annualised yield from August 2019 is the compound yield calculation:  $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n) - 1$ , n depends on the distributing frequency. Annually distribution is 1; semi-annually distribution is 2; quarterly distribution is 4; monthly distribution is 12. The annualised dividend yield is calculated based on the dividend distribution on the relevant date with dividend reinvested, and may be higher or lower than the actual annual dividend yield.

Investors and potential investors should refer to the details on dividend distributions of the Fund, which are available on HSBC Asset Management (Singapore) Limited website.

Source: HSBC Asset Management, data as at 31 May 2022