

HSBC Portfolios

World Selection 2

Monthly report 31 March 2024 | Share class AC

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

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 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	USD 16.89
Performance 1 month	2.08%
Sharpe ratio 3 years	-0.28
Fund facts	
UCITS V compliant	Yes
Dividend treatment	Accumulating
Dealing frequency	Daily
Valuation Time	10:00 Luxembourg
Share Class Base Currency	USD
Domicile	Luxembourg
Inception date	20 October 2009
Fund Size	USD 481,727,707
Managers	Nicholas McLoughlin
Fees and expenses	
Ongoing Charge Figure ¹	1.208%
Codes	
ISIN	LU0447610683
Bloomberg ticker	HSBC2AA LX

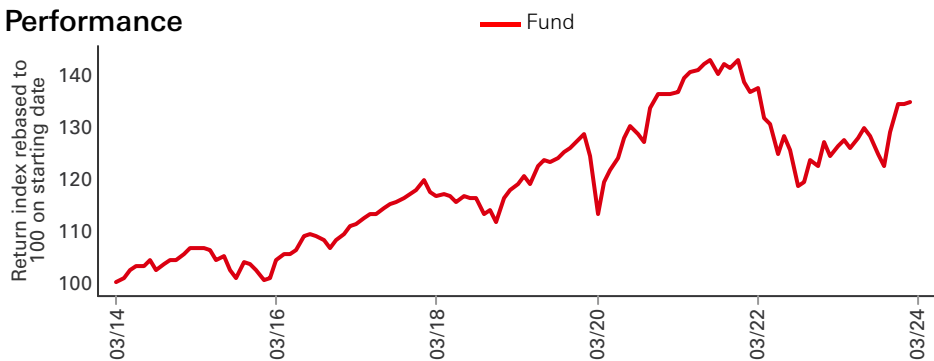
¹Ongoing Charges Figure is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

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

This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions. For definition of terms, please refer to the Glossary QR code and Prospectus.

Source: HSBC Asset Management, data as at 31 March 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
AC	2.31	2.08	2.31	10.19	8.88	0.23	2.93	3.21

Calendar year performance (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
AC	5.19	-1.73	5.68	8.77	-5.19	14.09	7.00	4.88	-14.29	9.67

Currency Allocation (%)

US Dollar	79.37
Japanese Yen	3.35
Pound Sterling	2.80
Mexican Peso	2.59
Chinese Yuan	1.82
Indian rupee	1.56
Zloty	1.25
Euro	1.21
Norwegian Krone	1.09
Australian Dollar	0.83
Other Currencies	4.13

— Fund

Asset allocation (%)

	Fund
Global Equity	35.74
Global Government Bond	23.40
Global Corporate Bond	16.17
Global High Yield Bonds	1.43
Global Asset Backed Bonds	2.70
Emerging Market Debt - Hard Currency	1.74
Emerging Market Debt - Local Currency	4.26
Global Inflation Linked Bonds	2.71
Property	1.44
Style Factors	2.65
Trend Following	2.73
Commodities	2.50
Cash/Liquidity	0.56
Listed Infrastructure	1.96

Top 10 Holdings

	Weight (%)
HSBC GIF Global Govt Bd ZQ1	19.74
HSBC FTSE All-World Index Instl Acc	9.52
HSBC Multi Factor Worldwide Eq ETF	5.96
HSBC S&P 500 UCITS ETF	4.32
HSBC American Index Institutional Acc	3.42
iShares Edge MSCI USA Qual Fac ETF \$Dist	2.89
HSBC GIF Global Infl Lnkd Bd ZQ1	2.71
HSBC GIF Global IG Sec Credit Bd ZC	2.70
HSBC GIF Multi-Asset Style Factors ZC	2.65
HSBC GIF Global EM Local Dbt ZQ1	2.26

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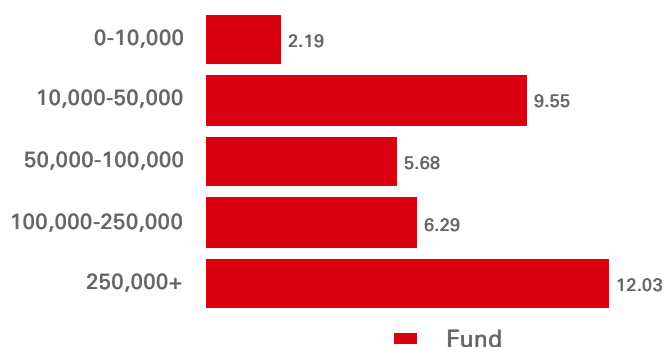
The data displayed in above sections is shown on a look-through basis. This means that the fund may not directly hold these securities and the investment in these securities may be via other funds.

Source: HSBC Asset Management, data as at 31 March 2024

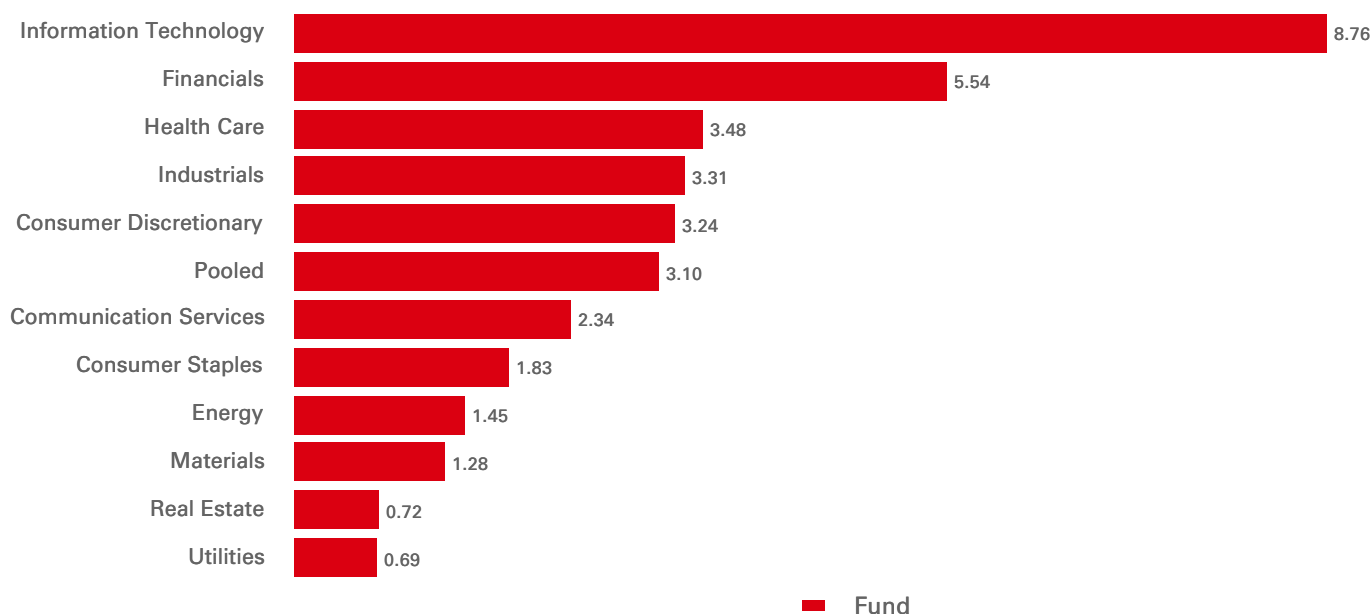
Equity top 10 holdings	Location	Sector	Weight (%)
Microsoft Corp	United States	Information Technology	1.57
Apple Inc	United States	Information Technology	1.29
NVIDIA Corp	United States	Information Technology	1.24
Alphabet Inc	United States	Communication Services	0.83
Amazon.com Inc	United States	Consumer Discretionary	0.65
Meta Platforms Inc	United States	Communication Services	0.61
Broadcom Inc	United States	Information Technology	0.37
Eli Lilly & Co	United States	Health Care	0.37
Visa Inc	United States	Financials	0.29
Johnson & Johnson	United States	Health Care	0.23

Equity characteristics	Fund	Reference benchmark
Average Market Cap (USD Mil)	536,436	--
Price/earning ratio	17.56	--
Portfolio yield	1.90%	--

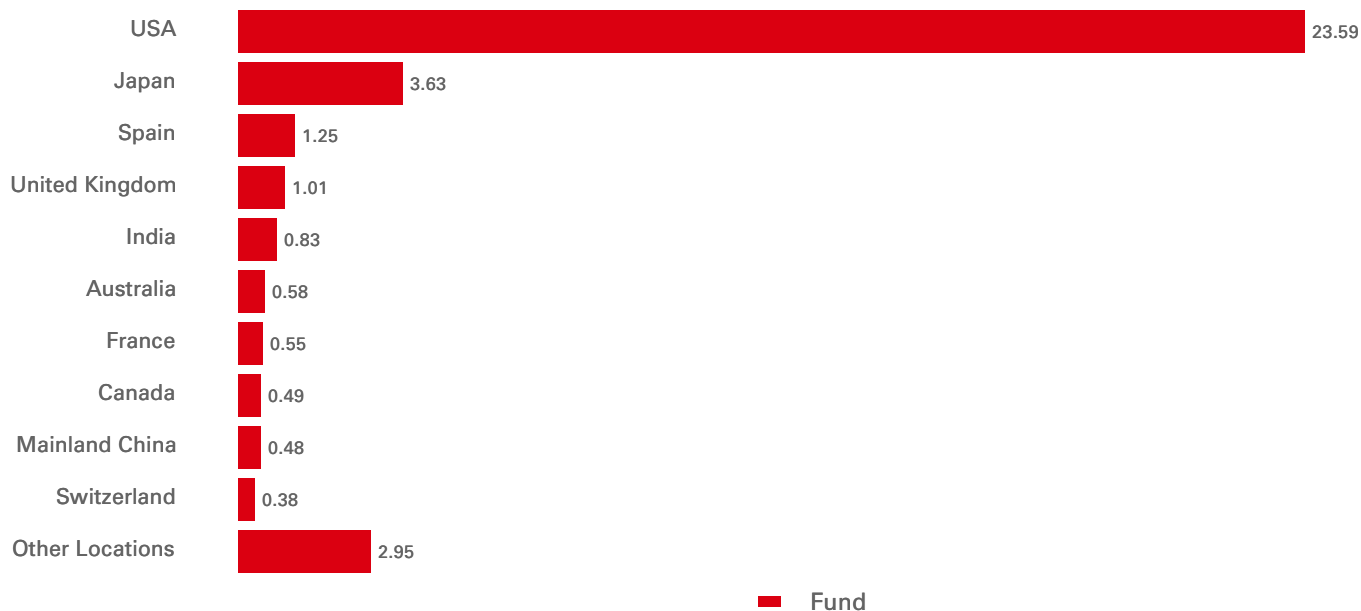
Market cap allocation (USD Mil %)



Equity sector allocation (%)



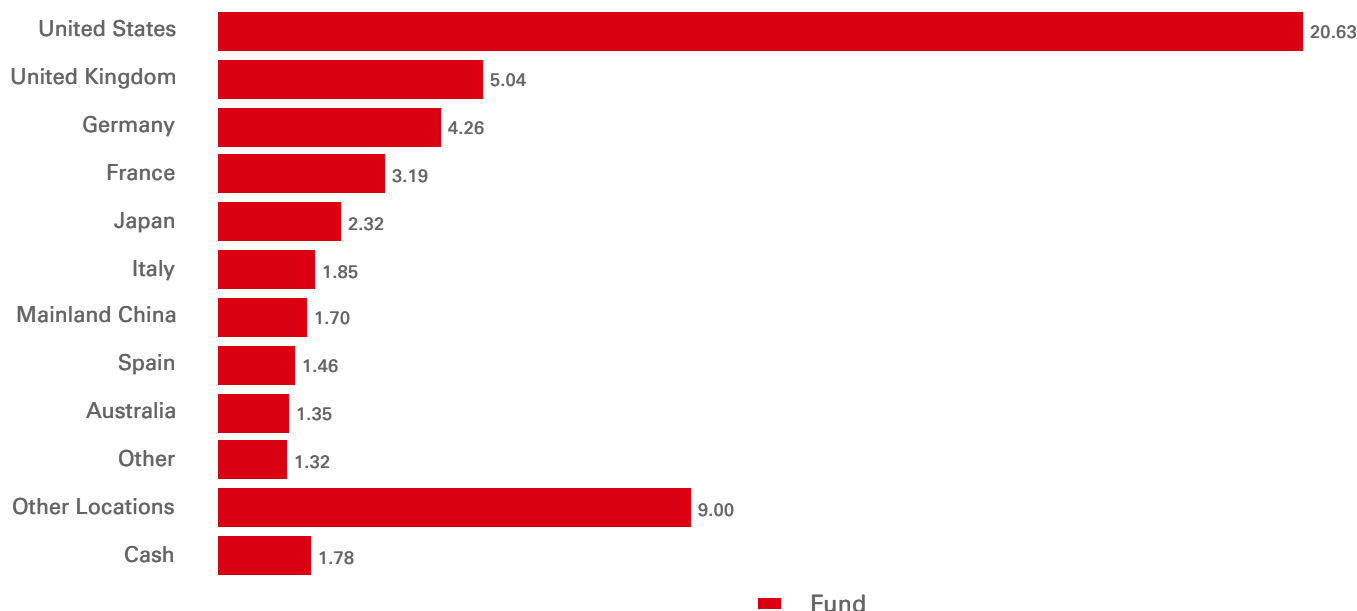
Equity geographical allocation (%)



Fixed Income Characteristics	Reference benchmark			Credit rating (%)	Reference benchmark		
	Fund	Reference benchmark	Relative		Fund	Reference benchmark	Relative
Yield to worst	5.11%	--	--	AAA	10.47	--	--
Yield to maturity	5.16%	--	--	AA	14.25	--	--
Option Adjusted Duration	6.58	--	--	A	9.49	--	--
Rating average	A/A-	--	--	BBB	14.34	--	--
				BB	2.38	--	--
				B	0.88	--	--
				CCC	0.20	--	--
				CC	0.02	--	--
				C	0.01	--	--
				D	0.05	--	--
				NR	0.04	--	--
				Cash	1.78	--	--

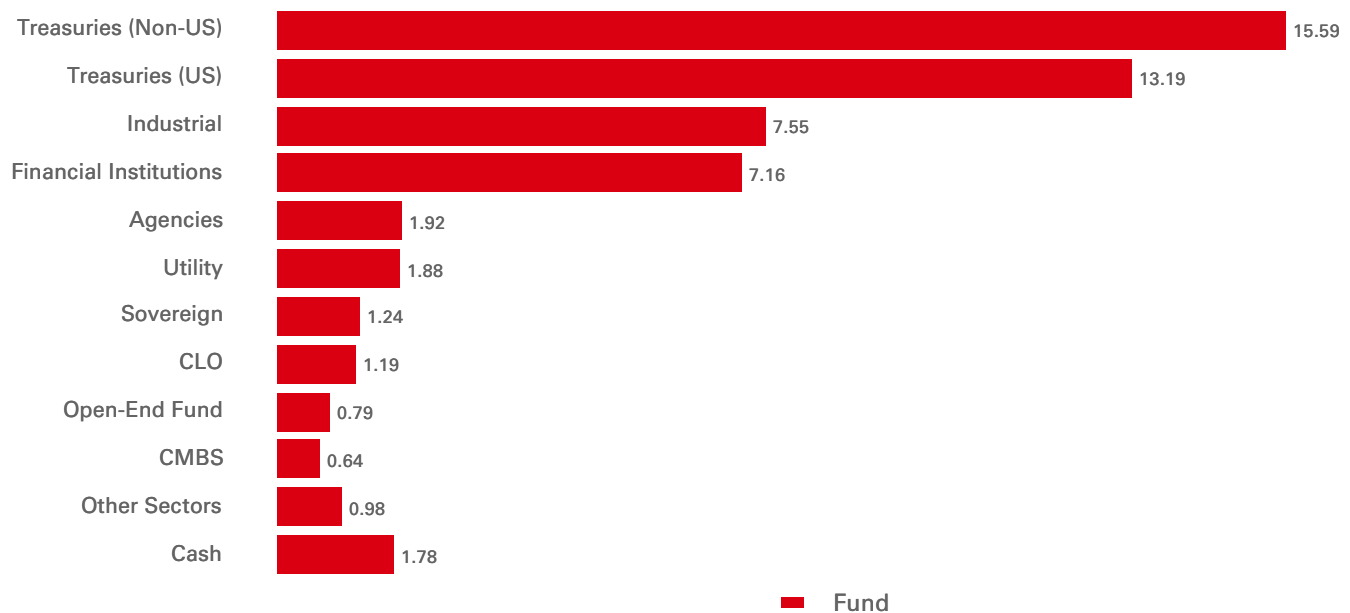
Fixed income top 10 holdings	Location	Instrument type	Weight (%)
US TREASURY N/B 4.000 15/01/2027 USD	United States	Treasury Note	0.61
US TREASURY N/B 4.625 30/09/2028 USD	United States	Treasury Note	0.41
US TREASURY N/B 5.000 30/09/2025 USD	United States	Treasury Note	0.38
US TREASURY N/B 3.875 15/08/2033 USD	United States	Treasury Note	0.36
US TREASURY N/B 0.500 28/02/2026 USD	United States	Treasury Note	0.36
US TREASURY N/B 4.500 15/11/2033 USD	United States	Treasury Note	0.34
US TREASURY N/B 0.375 31/01/2026 USD	United States	Treasury Note	0.32
JACKSON NATL LIFE GLOBAL 5.250 12/04/2028 USD	United States	Corporate Bond	0.31
US TREASURY N/B 4.125 15/02/2027 USD	United States	Treasury Note	0.30
NATWEST GROUP PLC 3.622 14/08/2030 GBP	United Kingdom	Corporate Bond	0.27

Fixed income geographical allocation (%)



Geographical Allocation (Option Adjusted Duration)	Fund	Reference benchmark	Relative
United States	3.02	--	--
United Kingdom	0.71	--	--
Germany	0.46	--	--
Japan	0.42	--	--
France	0.38	--	--
Italy	0.22	--	--
Mainland China	0.21	--	--
Spain	0.18	--	--
Australia	0.16	--	--
New Zealand	0.09	--	--
Other Locations	0.86	--	--
Cash	0.00	--	--

Fixed income sector allocation (%)



	3 year total return (%)	Amount based on USD 1000 invested	3 Year Volatility (%)
HSBC Portfolios - World Selection 2 AC	0.23	1,006.84	8.33
Peer Group Average - EAA Fund USD Moderate Allocation	1.25	1,037.99	9.69
Lowest Returning Fund in Peer Group	-11.89	683.93	5.42
Highest Returning Fund in Peer Group	9.59	1,316.22	22.74
Cash	3.19	1,098.79	0.69

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 Review

Global equities delivered another month of strong returns in March; supported by encouraging economic data, sustained enthusiasm for Artificial Intelligence, and the prospect of interest rate cuts. Fixed income markets also experienced a positive month, with government bonds, corporate bonds and high yield bonds all rising in value. Within equities, developed markets outperformed emerging markets. The UK was the standout performer over the month, driven by positive GDP growth in January and the latest business sector survey in expansionary territory. European stocks also delivered strong returns, as inflation continued to fall and business confidence data remained firm. Japanese equities gained over the month as the Bank of Japan ended their negative interest rate policy after eight years. China's subdued performance acted as a drag on emerging markets returns, despite better than expected economic data, which investors took as a sign that any significant government stimulus may be delayed. In the bond markets, US Treasuries rose modestly, supported by dovish comments from Chairman Powell. In the UK, Gilts also experienced a modest rally following a softer than expected inflation print. Conversely, Japanese bond markets slipped marginally lower in March as the Bank of Japan removed their negative interest rate and yield curve control policies. The US dollar rallied over the month, driven by upward revisions in the US growth rate and some increase in support for interest rate cuts from other central banks. The Euro fell against the dollar given the relative strength of the US economic data and the persistent weakness in manufacturing data in the Eurozone. Sterling was flat against the dollar over the month. In the commodity markets, Gold rallied to all-time highs, driven by the prospect for rate cuts while Oil pushed higher, on elevated geopolitical tensions.

Portfolio performance

All major asset classes experienced positive returns during March, which resulted in positive absolute returns across all of the World Selection portfolios, with higher risk profiles outperforming lower risk profiles. The World Selection portfolios are actively positioned against a long-term asset allocation. During March, our active positioning added value. The biggest positive contribution came from our allocation to alternative asset classes, including Trend Following Hedge Funds and Gold. In addition, our tilt towards Spanish equity and the banking sector in Europe also added value. Conversely, our tilt away from Global High Yield and our preference for Brazil and India equity lost some value, while our tilt towards US Quality sector also detracted slightly.

Investment Team Views and Portfolio Positioning

There are three key themes in markets that we are positioned to capture within the World Selection portfolios:

Recession concerns easing - We are increasingly confident that Western economies can avoid a recession and are now neutrally positioned in equity. The US economy looks particularly strong, providing further support for equity markets. We are conscious that some downside risks still remain; as such, we maintain a preference for higher quality companies that are likely to remain resilient in case of persistent inflation or risks to the growth outlook. We are tilted away from High Yield bonds and Property, as we believe the full impact of higher borrowing costs has yet to be priced in for these asset classes. In March, we introduced a tilt towards the Energy sector versus the Utilities sector within the US. Energy companies will benefit if geopolitical tensions rise, while earnings will be supported by OPEC+ oil supply cuts and an increase in Shale output. We maintain our preference for Technology companies within the US, on the expectation that increased demand for Artificial Intelligence will support revenues for these companies. We prefer Spanish equity markets within Europe, as the market looks cheap, while the economy is strong. Spain's large pool of renewable energy also insulates its industry from elevated oil and gas prices. We are tilted towards the banking sector in Europe as it looks cheap, has strong profitability - benefiting from higher interest rates - and credit loss provisions are likely to be revised down on improving economic outlook.

The rate cuts are coming - We expect major central banks to start cutting interest rates in the second half of 2024 as inflation continues to ease. This encourages us back into government bonds, which are (for the first time in almost a decade) delivering an appealing stream of income for investors. We are focusing our bond exposure on the regions where we believe rate cuts are most likely, for example the US and in March we introduced an exposure to German bonds. Conversely, we have reduced our holdings in Japanese bonds where we expect monetary policy to remain tight. We are holding Gold, which has historically benefited as interest rates fall, and is a useful hedge against geopolitical risk. We are holding increased exposure to the Norwegian Krona and Polish Zloty as inflation remains elevated in these markets, and we expect to continue receiving high interest payments on these currencies as their respective central banks delay cutting interest rates.

Outperformance in Eastern and Emerging Markets - The economic backdrop in markets such as India, Japan and Brazil is very strong, monetary policy settings are accommodative and there is room for fiscal support. We maintain several positions to gain access to the specific opportunities we see in these markets:

Japan versus developed market equity, given appealing valuations, strong flows from foreign investors, improved corporate governance, and weakening Yen supporting exports; Indian equity and government bonds: India remains one of the fastest growing economies globally, is making steady productivity improvements, has high foreign direct investments, and favourable demographics; Brazil versus emerging market equity given the country's positive momentum, strong macroeconomic backdrop, and attractive fundamentals. We trimmed this position in February; Mexican peso currency positioning, given the currency is benefitting from the strong growth story in Mexico and is attractively valued against developed markets currencies; Japanese Yen against Swiss Franc, given Japan's stronger inflationary pressure and potential for interest rate policy shift

In March, we entered a position in Chinese government bonds. We expect the central bank to continue the interest cutting cycle to boost growth, which should benefit bond prices.

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.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- 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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Glossary



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Further information about the Company including the Prospectus, the most recent annual and semi-annual reports of the Company and the latest share prices, may be obtained free of charge, in English, from the Registrar and Transfer Agent by emailing amgtransferagency@lu.hsbc.com, or by visiting www.global.assetmanagement.hsbc.com.

The most recent Prospectus is available in English. Key Information Document (PRIIPs KID) are available in the local language where they are registered.

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