

# HSBC Multi Asset Portfolios

## The lost era of diversification is back

January 2025

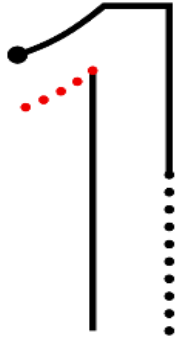
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This is a marketing communication. Please refer to the prospectus and to the KIID of the HSBC Global Strategy Portfolios before making any final investment decisions.

# Learning objectives

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To understand the reasons behind the “lost era of diversification”



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To understand the drivers for diversification’s come back



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To demonstrate how a fully diversified approach to portfolio management can benefit investors in this environment



## Portfolio diversification:

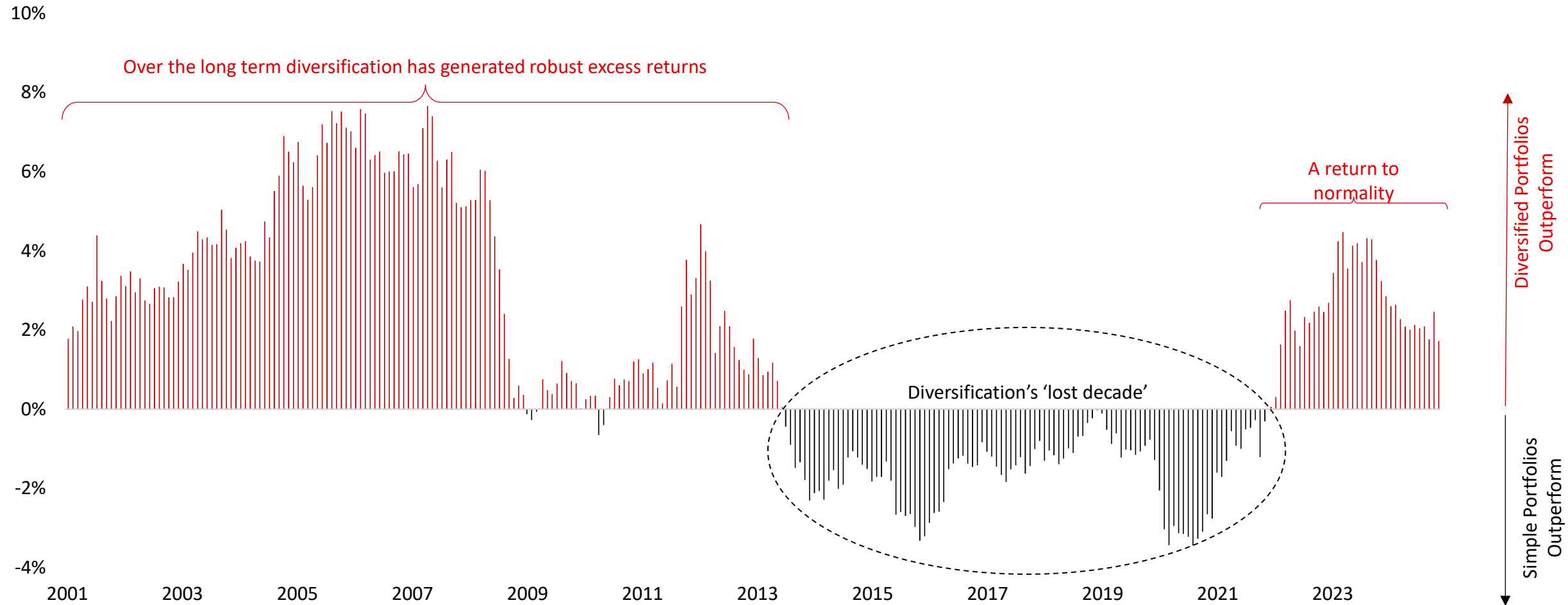
**“Risk management strategy that creates a mix of various investments within a portfolio... in an attempt to limit exposure to any single asset or risk”**

- Investopedia

# The lost era of diversification – Why?

## Ultra-loose monetary policy created a ‘lost decade’ for diversification

Three year rolling excess returns of diversified portfolio versus simple 60/40

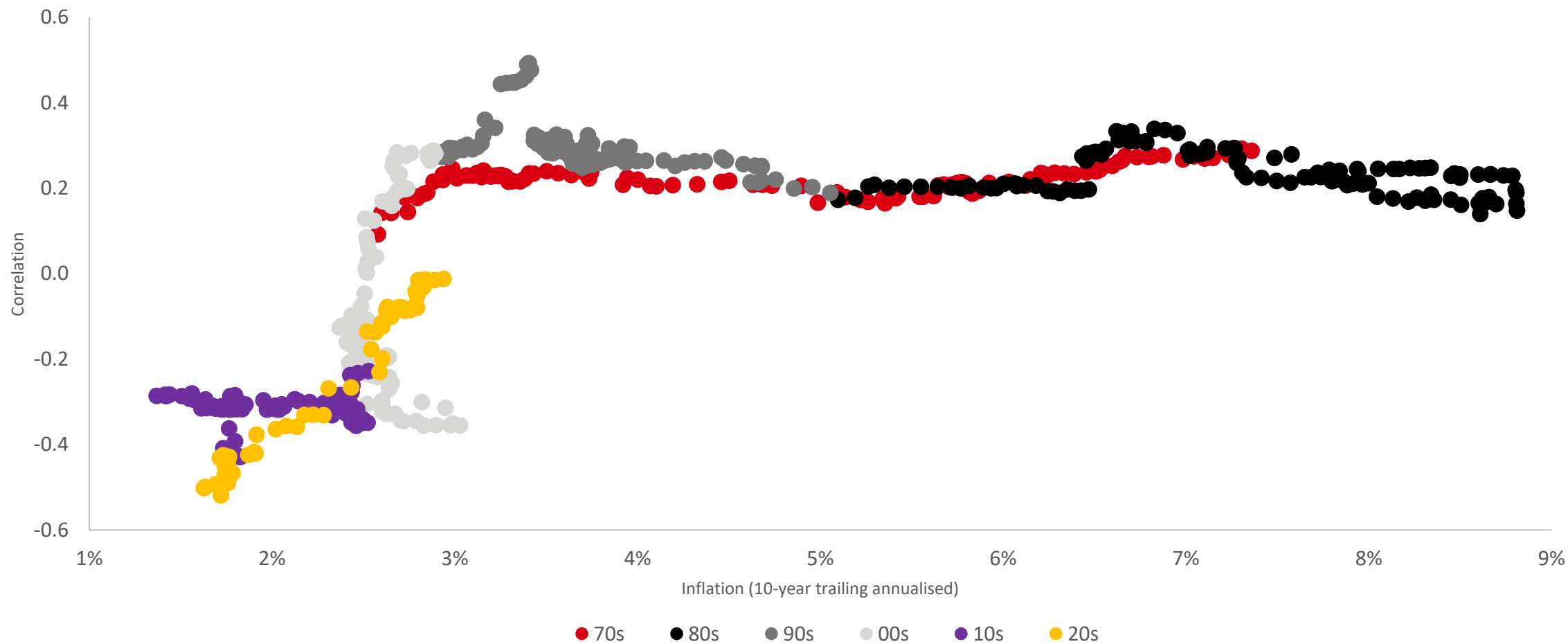


Past performance does not predict future returns. Diversification does not ensure a profit or protect against loss.

Source: HSBC Asset Management and Bloomberg (31/12/2024). Mar 1998 – Dec 2024. 60/40: 60% MSCI ACWI in USD, 24% Bloomberg Global Aggregate Treasuries USD Hedged, 16% Bloomberg Global Corporates USD hedged

# Inflation and the correlation conundrum

US Equity-bond correlation versus CPI inflation



Past performance does not predict future returns.

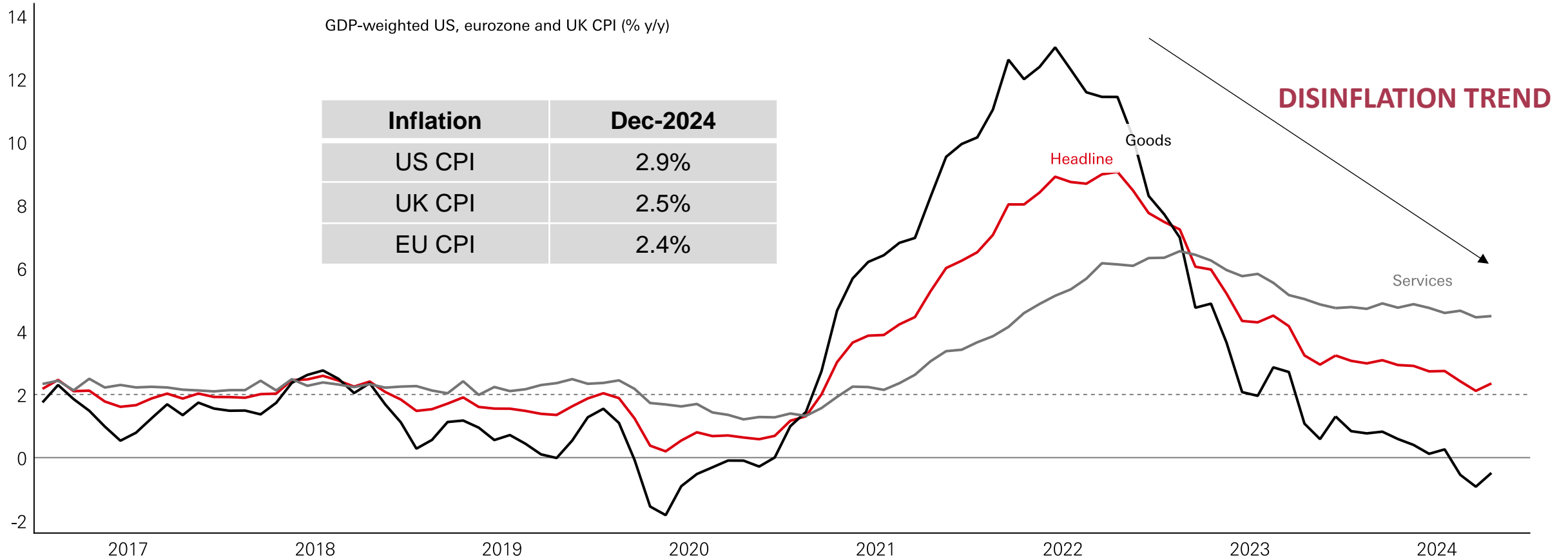
Source: HSBC Asset Management and Bloomberg as of 31/12/2024. US equity-bond correlation calculated based on monthly returns of the S&P 500 vs US 10-year Treasury total return. US CPI MoM% 10-year annualized.

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# Inflation in retreat... but not totally under control

2% inflation is no longer a ceiling but a floor

Good and services disinflation, %



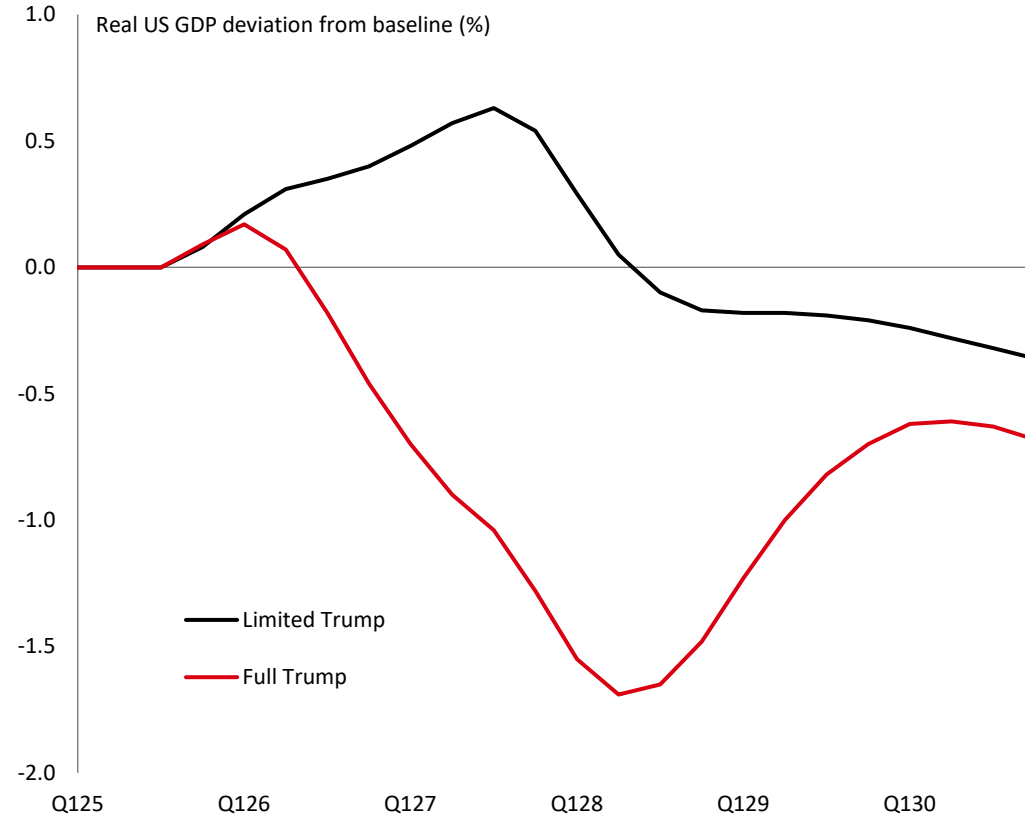
Past performance does not predict future returns. The information provided is for illustrative purpose only.

Source: Macrobond, Bloomberg, HSBC Asset Management, November 2024.

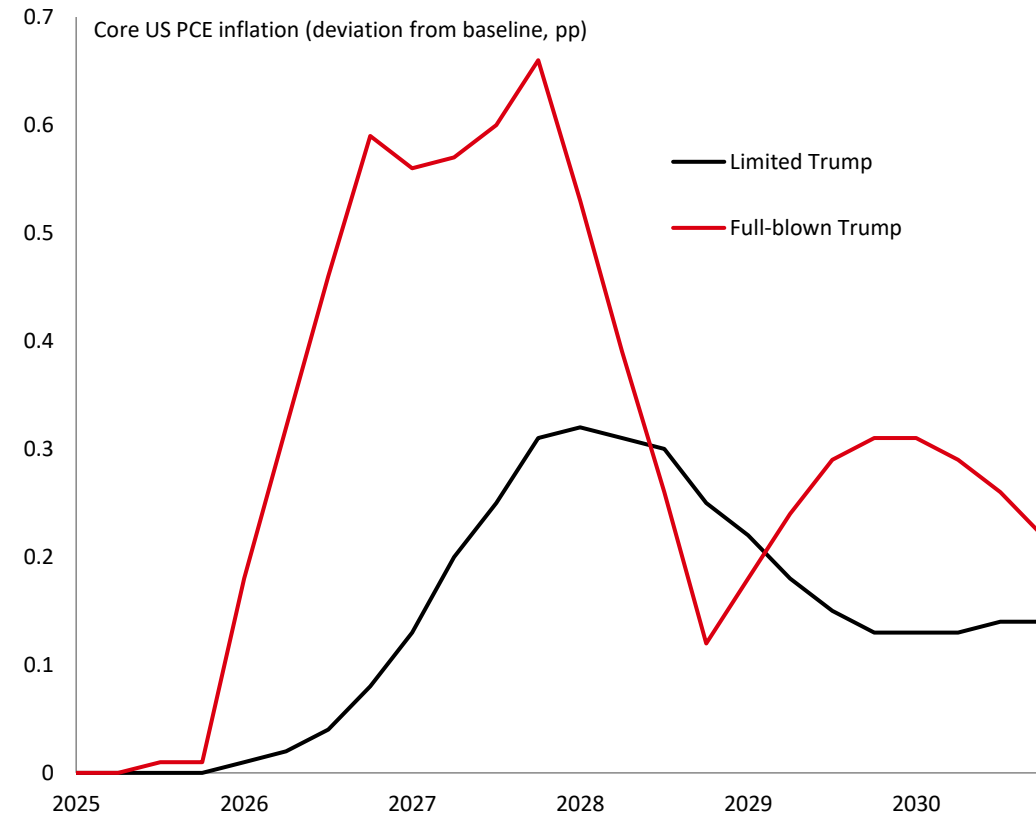
# The wildcard: Which version of Trump?

Growth impact uncertain, but inflation risks to the upside

Balance of risks to the downside



Upside inflation risks



Source: Oxford Economics, HSBC Asset Management, November 2024.

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# Inflation uncertainty reflected in bond market pricing...

10 Year US Treasury Yield

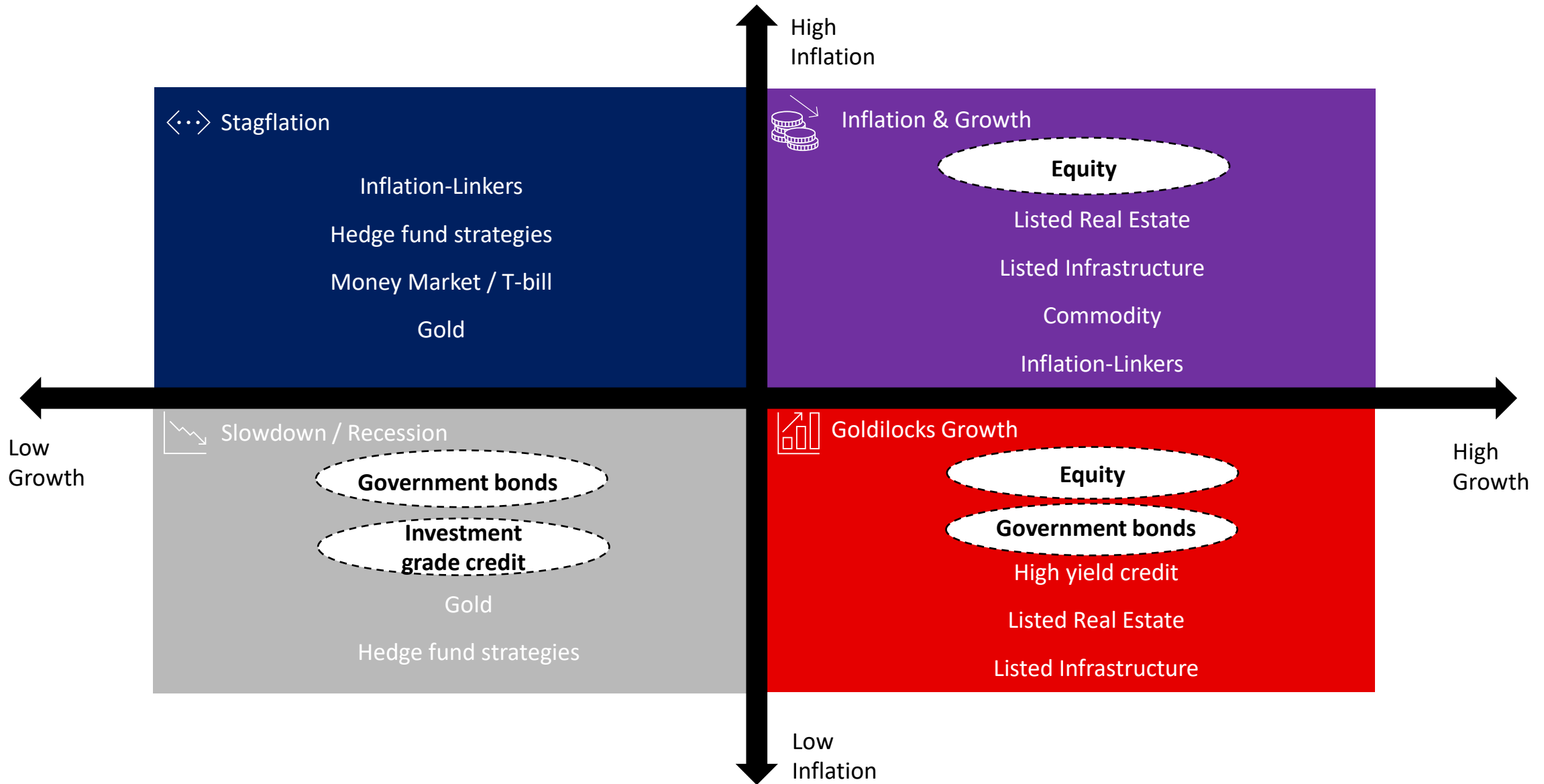


**Past performance does not predict future returns. The level of yield is not guaranteed and may rise or fall in the future.**

Source: HSBC Asset Management and Bloomberg, end December 2024, USGG10YR Index (US 10Y Treasury Yield). JGBs – Japan Government Bonds, CB – central bank, UST – US Treasuries,



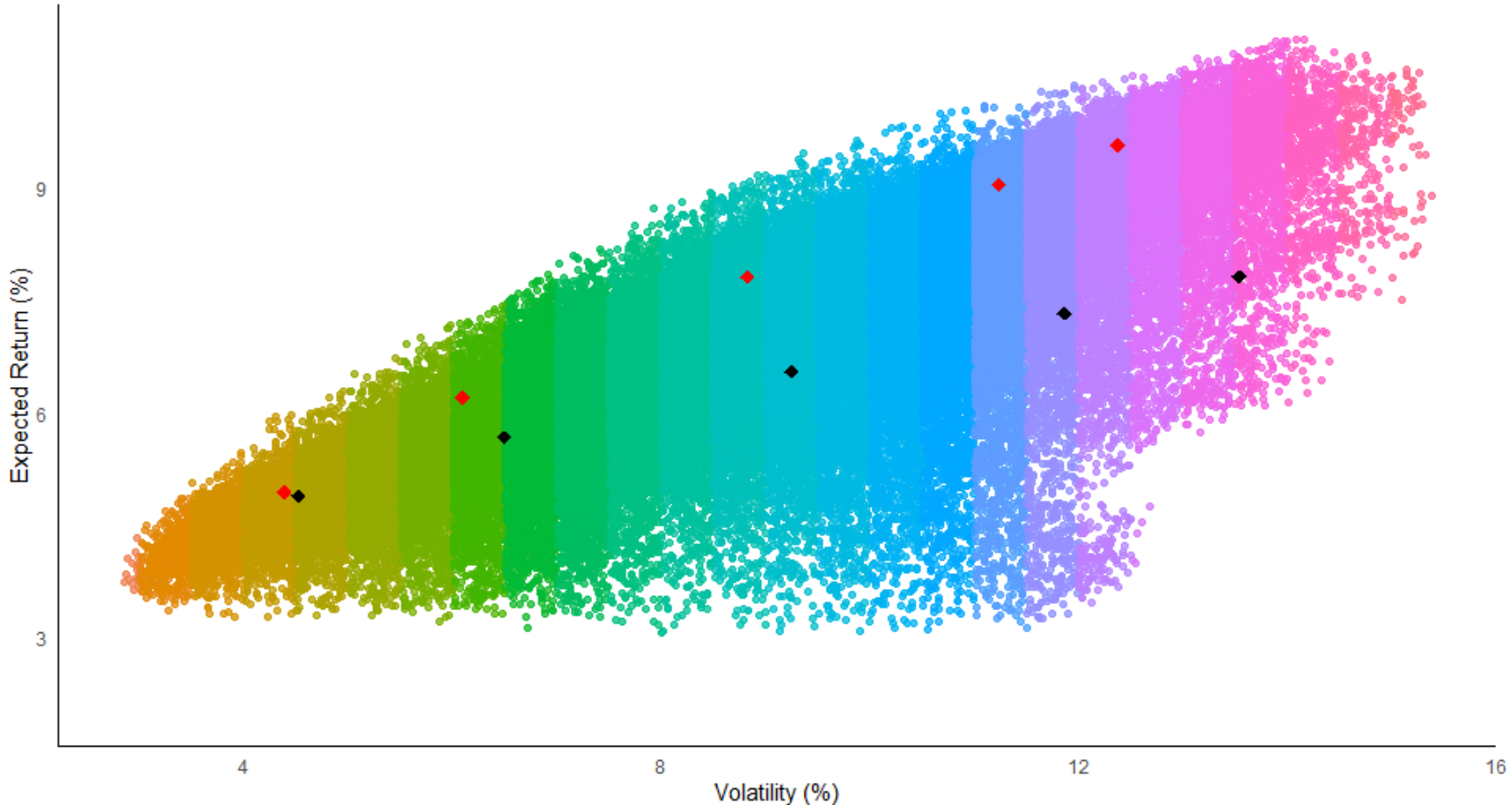
# How to protect your portfolio? Asset class impact across market regimes



# The only free lunch is diversification

- A well-constructed fully-diversified portfolio has greater return potential compared to a simple 60/40 portfolio

Fully-diversified portfolio versus simple 60/40 simulated returns



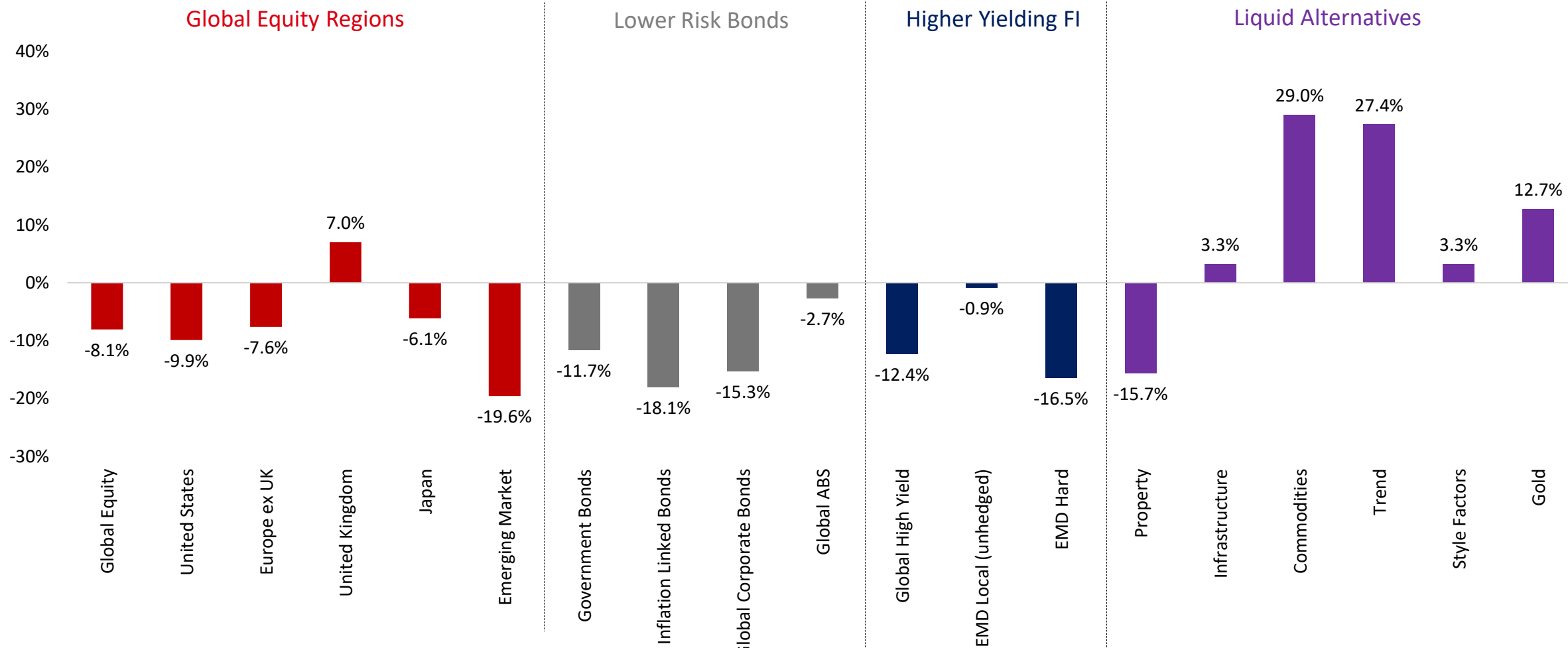
## Investment universe

Global Equities
US Equities
Europe ex UK Equities
UK Equities
Japan Equities
Asia Pacific ex Japan Equities
Emerging Markets Equities
Global Government Bonds
Global Investment Grade Corporate Bonds
Asset Backed Investment Grade Bonds (ABS)
Listed Real Estate
Listed Infrastructure
Inflation-Linked Bonds
Global High Yield Credit
Emerging Markets Hard Currency Debt
Emerging Markets Local Currency Debt
Commodities
Trend Following
Risk Premia

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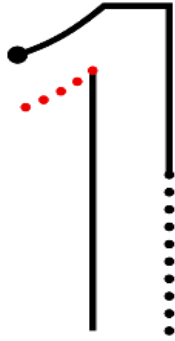
Source: HSBC Asset Management, Bloomberg, as at end October 2024. Data between 29/12/2000 – 30/10/2024. For illustrative purposes only.

FY 2022



**Past performance does not predict future returns. This information shouldn't be considered as a recommendation to buy or sell specific investments mentioned.**

Source: HSBC Asset Management, Bloomberg, as at end December 2022. Indices used: MSCI ACWI GBP (Global Equities), MSCI USA GBP (US Equities), MSCI Europe excluding UK GBP (Europe ex UK Equities), MSCI UK GBP (UK Equities), MSCI Japan GBP (Japan Equities), MSCI Pacific ex Japan GBP (Pacific ex Japan Equities), MSCI EM GBP (Emerging Markets Equities), FTSE NAREIT Developed GBP (Global Property), Dow Jones Brookfield Global Infrastructure GBP (Global Infrastructure), Bloomberg Global Aggregate Treasuries Hedged GBP (Global Government Bonds), Bloomberg Global Aggregate Credit Hedged GBP (Global Corporate Bonds), HSBC Global Securitised Credit Fund GBP (Global ABS), Bloomberg Global High Yield Hedged GBP (Global High Yield), Bloomberg World Govt Inflation-Linked Bonds Hedged GBP (Inflation Linked Bonds), Bloomberg EM USD Aggregate Hedged GBP (EMD hard currency), 50% JPM ELMI+ & 50% JPM GBI-EM GIB Diversified (EMD local currency), Bloomberg Commodity Index hedged (Commodities), SG Trend Index (Trend Following), HSBC Multi Asset Style Factor hedged (Style Factor), LBMA gold spot price (Gold).



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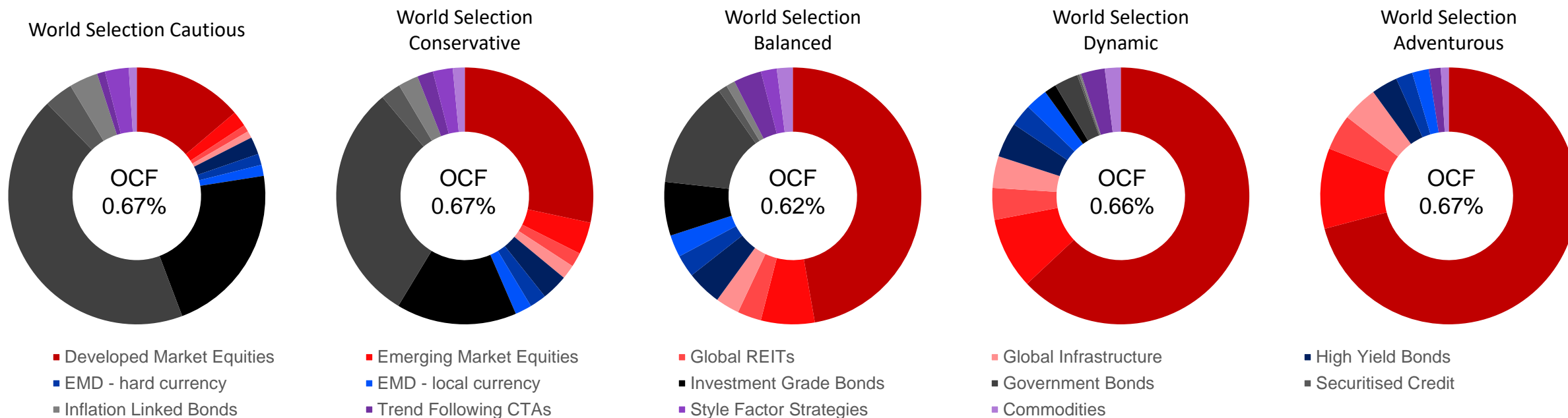
To understand the drivers  
for diversification’s  
come back



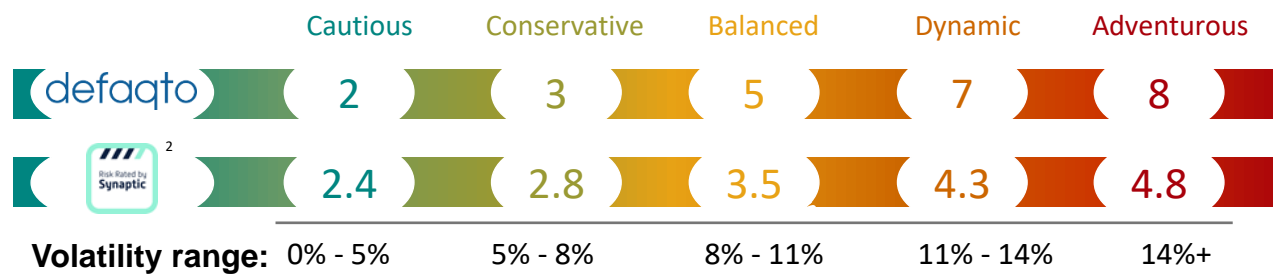
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To demonstrate how a fully  
diversified approach to  
portfolio management can  
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environment

## Risk-managed and blended from a wide-ranging investment universe



Source: HSBC Asset Management. Pie charts for illustrative purposes only. OCFs from 'C Acc share class' of the relevant fund, as at December 2024.

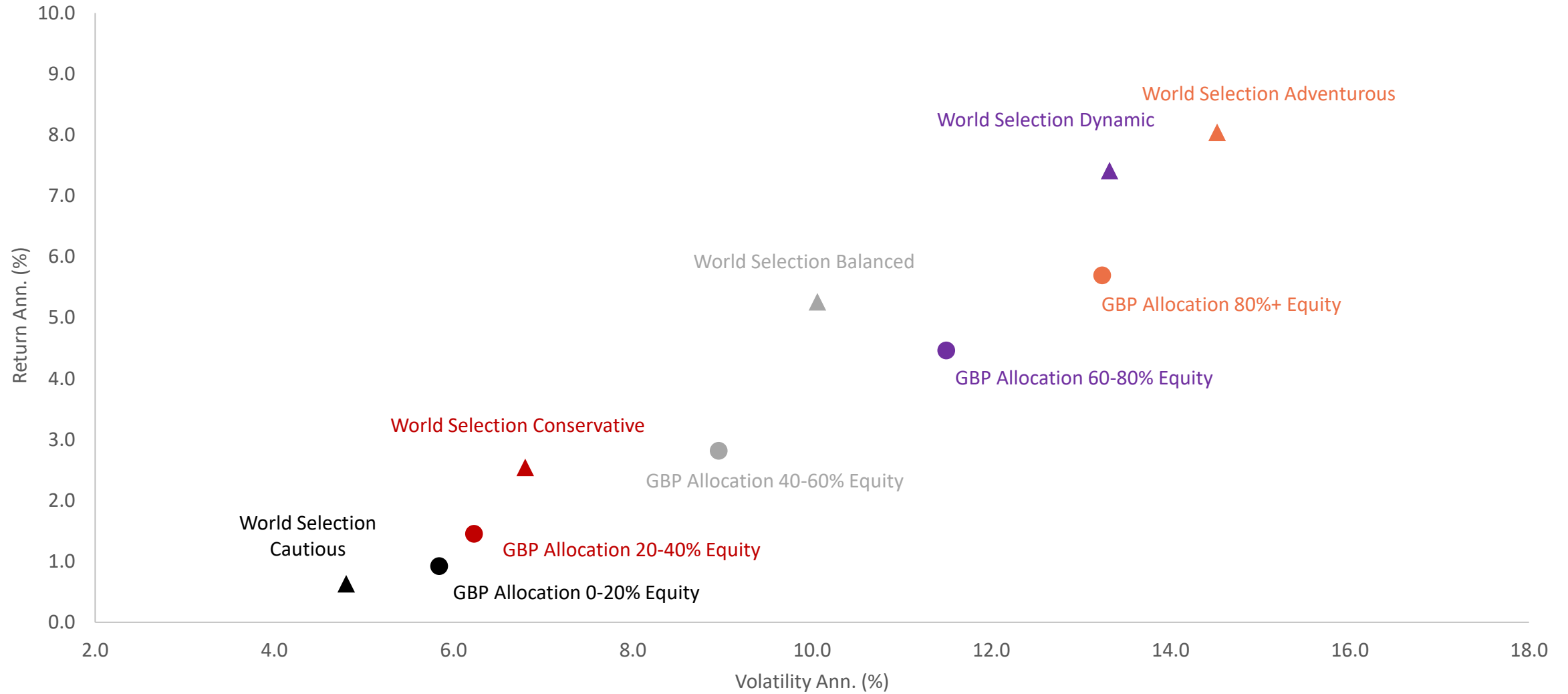


**Ratings should not be taken as a recommendation.**

All risk ratings as at September 2024. 1. The Defaqto 5 diamond logo relates to the Cautious, Conservative, Balanced, Dynamic and Adventurous portfolios. 2. The Synaptic score refers to their 1-5 scale SAA rating.

Diversification does not ensure a profit or protect against loss.

# HSBC World Selection portfolios: Returns vs peers (OEIC)



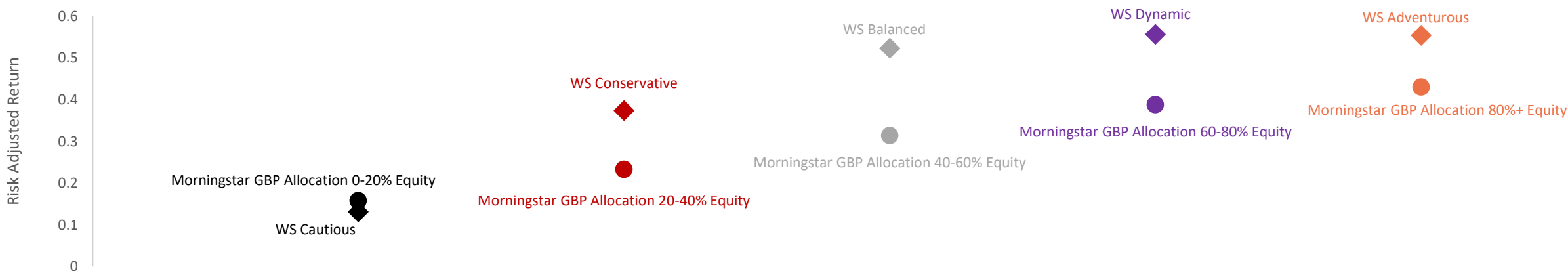
**Past performance does not predict future returns.**

Source: Morningstar, as at end December 2024, Morningstar EEA GBP Allocation peer groups, net of AC share class fees

## Portfolio Returns (%)

	3m (Net)	1 Year (Net)	3 Year Ann. (Net)	5 Year Ann. (Net)	10 Year Ann. (Net)	Since Inception Ann. (Net)
World Selection Cautious	-0.85	3.49	-0.76	0.63	2.09	3.21
World Selection Conservative	0.44	6.58	0.92	2.54	3.65	3.60
World Selection Balanced	2.11	10.80	3.34	5.26	6.13	7.15
World Selection Dynamic	3.57	14.03	5.13	7.41	8.36	9.02
World Selection Adventurous	3.21	13.93	5.45	8.04	9.29	9.17
MSCI AC World (GBP)	6.15	20.13	8.74	11.83	12.22	12.56
World GBI (GBP)	1.28	-1.13	-3.34	-1.98	1.65	1.11
FTA Brit Govt All Stocks	-3.10	-3.32	-8.60	-4.75	-0.51	1.95
FTSE All Share	-0.35	9.47	5.83	4.81	6.17	8.90

### Net 5-year risk adjusted returns verses Morningstar peer group average



Past performance does not predict future returns.

Source: HSBC Asset Management, Morningstar Direct, as at end Dec 2024. Risk adjusted return is calculated as annualised return divided by annualised volatility net of fees in GBP.

# Strong performance versus peer group for the World Selection strategies

Key

Top Quartile
Second Quartile
Third Quartile
Bottom Quartile

	1 Year		3 Years		5 Years		10 Years	
	Return	Peer group percentile	Return	Peer group percentile	Return	Peer group percentile	Return	Peer group percentile
	(Cumulative)		(Annualized)		(Annualized)		(Annualized)	
<b>HSBC World Selection Cautious</b>	3.5	58	-0.8	64	0.6	66	2.0	70
Morningstar GBP Allocation 0-20% Equity	3.6		-0.2		0.9		2.2	
<b>HSBC World Selection Conservative</b>	6.6	15	0.9	21	2.5	14	3.6	14
Morningstar GBP Allocation 20-40% Equity	4.9		-0.0		1.5		2.5	
<b>HSBC World Selection Balanced</b>	10.8	5	3.3	4	5.3	8	6.1	4
Morningstar GBP Allocation 40-60% Equity	6.8		0.9		2.8		3.9	
<b>HSBC World Selection Dynamic</b>	14.0	5	5.1	5	7.4	5	8.4	5
Morningstar GBP Allocation 60-80% Equity	9.0		2.1		4.5		5.6	
<b>HSBC World Selection Adventurous</b>	13.9	20	5.5	17	8.0	11	9.3	5
Morningstar GBP Allocation 80%+ Equity	11.0		3.0		5.7		6.7	

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Source: Morningstar, as at end December 2024, Morningstar GBP Allocation peer groups, in GBP, net fees; \*Percentile means position out of 100 funds.



# HSBC World Selection Portfolios

## MIFID Rolling Returns, GBP

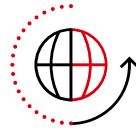
Start Date	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
End Date	31/12/2024	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
World Selection Cautious	3.49	5.64	-10.60	1.93	3.59	8.86	-2.30	2.80	8.83	0.15
World Selection Conservative	6.58	6.91	-9.78	5.84	4.20	11.59	-3.54	4.28	12.35	0.07
World Selection Balanced	10.80	8.70	-8.36	11.22	5.29	14.81	-4.70	7.81	18.21	0.66
World Selection Dynamic	14.03	10.01	-7.39	15.94	6.15	17.98	-5.46	10.94	24.31	1.52
World Selection Adventurous	13.93	11.18	-7.42	18.11	6.30	19.20	-5.79	13.40	26.57	2.48

Past performance does not predict future returns.

Source: HSBC Asset Management as at end December 2024. For illustrative purposes. Performance is in GBP, Net of fees.

## HSBC's Multi Asset product suite

### HSBC Global Strategy Portfolios



### HSBC Managed Portfolio Service



### HSBC World Selection Portfolios



A simplified, cost-efficient solution

Model portfolios for more sophisticated investors

A highly diversified, 'best ideas' portfolio

Asset Class Universe	Equities and Bonds	Equities and Bonds	Equities, Bonds, High Yielding Fixed Income and Alternatives
Balanced OCF	0.19%	0.23%	0.62%
Investment Methodology	Active Asset Allocation	Active Asset Allocation	Active Asset Allocation
Fulfilment Vehicles	Passive	Passive	Active, Systematic, Passive
Sustainability Objectives	No	No	No
Client Servicing	Standard	Standard	Standard
Track Record	>11 Years	>4 Years	>11 Years

**Diversification does not ensure a profit or protect against loss.**

Source: HSBC Asset Management, OCF figures as at 31 December 2024 from 'C acc share class'.

# Supporting You – Global Strategy Portfolios

## Advisory Business Development Team



### Fay Hendon

Head of UK Intermediary Business Development London

fay.hendon@hsbc.com

Tel: +44 (0) 20 3359 6750  
Mobile: +44 (0) 74 6870 5975



### Linsay Mccallum

UK Intermediary Business Development Manager North, Scotland & Northern Ireland

linsay.mccallum@hsbc.com

Tel: +44 (0) 14 1358 2084  
Mobile: +44 (0) 73 8724 6584



### Marcus Hartley

UK Intermediary Business Development Manager Midlands & South West

marcus.hartley@hsbc.com

Tel: +44 (0) 20 335 93233  
Mobile: +44 (0) 73 847 93300



### Natasha Crosby

UK Intermediary Business Development Manager London & South East

natasha.crosby@hsbc.com

Tel: +44 (0) 20 3359 1197  
Mobile: +44 (0) 73 8479 3759

## Multi-Asset Investment Specialist



### Jennie Byun

Head of UK Multi-Asset Investment Specialists

Jennie.byun@hsbc.com  
Tel: +44 (0) 20 7991 2310

## Wholesale ClientService



wholesale.clientservices@hsbc.com

## HSBC GSP Website

<https://www.assetmanagement.hsbc.co.uk/en/intermediary/capabilities/multi-asset/hsbc-global-strategy-portfolios>

## Key risks

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**Investing involves risk and the value of an investment and the income from it may fall as well as rise. You may not get back the full amount invested.**

- ◆ **Counterparty Risk:** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.
- ◆ **Credit Risk:** A bond or money market security could lose value if the issuer's financial health deteriorates.
- ◆ **Default Risk:** The issuers of certain bonds could become unwilling or unable to make payments on their bonds.
- ◆ **Derivatives Risk:** Derivatives 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.
- ◆ **Exchange Rate Risk:** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.
- ◆ **Interest Rate Risk:** When interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality.
- ◆ **Investment Fund Risk:** Investing in other funds involves certain risks an investor would not face if investing in markets directly. Governance of underlying assets can be the responsibility of third-party managers.
- ◆ **Investment Leverage Risk:** 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.
- ◆ **Liquidity Risk:** Liquidity Risk: is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.
- ◆ **Operational Risk:** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

**Further information on the potential risks can be found in the Key Investor Information Document (KIID) and/ or the Prospectus or Offering Memorandum.**

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The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Where overseas investments are held the rate of currency exchange may also cause the value of such investments to fluctuate. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Stock market investments should be viewed as a medium to long term investment and should be held for at least five years. Any performance information shown refers to the past and should not be seen as an indication of future returns.

This fund is actively managed and is not managed in reference to any benchmark index.

The decision to invest in the fund should take account of all the characteristics or objectives as described in the prospectus or equivalent document. Detailed information for article 8 and 9 sustainable investment products, as categorised under the Sustainable Finance Disclosure Regulation (SFDR), including; description of the environmental or social characteristics or the sustainable investment objective; methodologies used to assess, measure and monitor the environmental or social characteristics and the impact of the selected sustainable investments and; objectives and benchmark information, can be found at:

<https://www.assetmanagement.hsbc.co.uk/en/intermediary/investment-expertise/sustainable-investments/sustainable-investment-product-offering>

The fund may use derivatives for the purposes of efficient portfolio management i.e. to meet the investment objective of the Fund and it is not intended that their use will raise the overall risk profile of the Fund. Please note derivative instruments may involve a high degree of financial risk. These risks include the risk that a small movement in the price of an underlying security or benchmark may result in disproportionately large movement; unfavourable or favourable in the price of the derivative instrument; the risk of default by counterparty; and the risk that transactions may not be liquid. There are additional risks associated with specific alternative investments within the portfolios; these investments may be less readily realisable than others and it may therefore be difficult to sell in a timely manner at a reasonable price or to obtain reliable information about their value; there may also be greater potential for significant price movements. Investments in commodities may be subject to greater volatility than investments in traditional investment types. They may be affected by disease, climatic changes and international economic and political developments, which may cause individual commodity prices to rise or fall sharply. The long-term nature of investment in property and the income generated tend to make this type of investment less volatile than equities although it can be difficult to buy and/or sell quickly. Where the underlying funds invest directly in property, the property in the fund may not be readily realisable, and the Manager of the fund may apply a deferral on redemption requests. The value of property is generally a matter of the valuer's opinion rather than fact.

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