HSBC Asset Management

HSBC Global Investment Funds

GEM DEBT TOTAL RETURN

Monthly report 31 January 2024 | Share class M1C

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of emerging markets bonds.

Investment strategy

The Fund is actively managed.The Fund employs a Total Return strategy which has a flexible allocation across the emerging market debt universe. Through seeking multiple sources of return the strategy aims, over an investment cycle, to achieve risk-adjusted returns above those of the investment universe. However, your capital is still at risk and there is no guarantee of stable growth over time.In normal market conditions, the Fund will mostly invest its assets in investment grade bonds and non-investment grade bonds issued by governments, government-related entities, supranational entities and companies that are based in or carry out the larger part of their business in emerging markets.The Fund may invest up to 10% in onshore Chinese bonds which are issued within the People's Republic of China and traded on the China Interbank Bond Market.The Fund may invest up to 25% in convertible bonds. The Fund may also invest up to 10% of its assets in contingent convertible securities.The Fund may invest up to 10% in other funds and up to 10% in total return swaps.The Fund's primary currency exposure is to US dollars (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
- The Fund invests in bonds whose value generally falls when interest rates rise. This risk is typically 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.

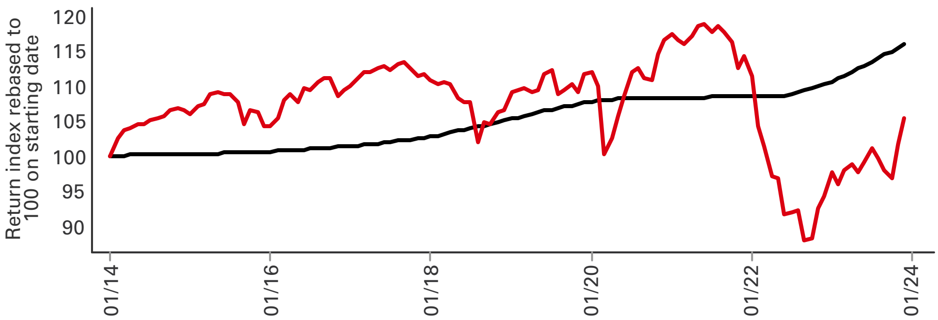
Share class details

Key metrics	
NAV per share	**USD 14.64**
Performance 1 month	**-0.31%**
Yield to maturity	**8.68%**
Fund facts	
UCITS V compliant	**Yes**
UK reporting fund status (UKRS)	**Yes**
ISA eligible	**Yes**
Dividend treatment	**Accumulating**
Dealing frequency	**Daily**
Valuation time	**17:00 Luxembourg**
Share class base currency	**USD**
Domicile	**Luxembourg**
Inception date	**18 June 2007**
Fund size	**USD 83,107,637**
Reference benchmark	**100% Secured Overnight Financing Rate (SOFR)**
Managers	**Bryan Carter Hugo Novaro**
Fees and expenses	
Minimum initial investment[1]	**USD 5,000**
Ongoing charge figure[2]	**1.350%**
Codes	
ISIN	**LU0283739885**
Bloomberg ticker	**HSBNWM1 LX**
SEDOL	**B2PXJP5**

[1]Please note that initial minimum subscription may vary across different distributors
[2]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.

Past performance does not predict 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 January 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
M1C	**-0.31**	**-0.31**	**8.35**	**3.73**	**7.62**	**-3.66**	**-0.80**	**0.48**
Reference Benchmark	0.49	0.49	1.37	2.75	5.30	2.48	2.05	1.54

Rolling performance (%)	31/01/23-31/01/24	31/01/22-31/01/23	31/01/21-31/01/22	31/01/20-31/01/21	31/01/19-31/01/20	31/01/18-31/01/19	31/01/17-31/01/18	31/01/16-31/01/17	31/01/15-31/01/16	31/01/14-31/01/15
M1C	**7.62**	**-12.58**	**-4.95**	**4.72**	**2.60**	**-1.50**	**0.94**	**5.28**	**-1.44**	**5.82**
Reference Benchmark	5.30	2.04	0.15	0.53	2.31	2.46	1.35	0.79	0.35	0.24

3-Year Risk Measures	M1C	Reference Benchmark
Volatility	9.03%	0.66%
Sharpe ratio	-0.66	0.33
Tracking error	8.78%	--
Information ratio	-0.70	--

5-Year Risk Measures	M1C	Reference Benchmark
Volatility	9.00%	0.56%
Sharpe ratio	-0.30	0.23
Tracking error	8.90%	--
Information ratio	-0.32	--

Fixed Income Characteristics	Fund	Reference Benchmark	Relative
No. of holdings ex cash	119	--	--
Yield to worst	8.67%	--	--
Option adjusted duration	4.50	--	--
Modified duration to worst	4.57	--	--
Option adjusted spread duration	1.36	--	--
Average maturity	4.86	--	--
Rating average	BB+/BB	--	--

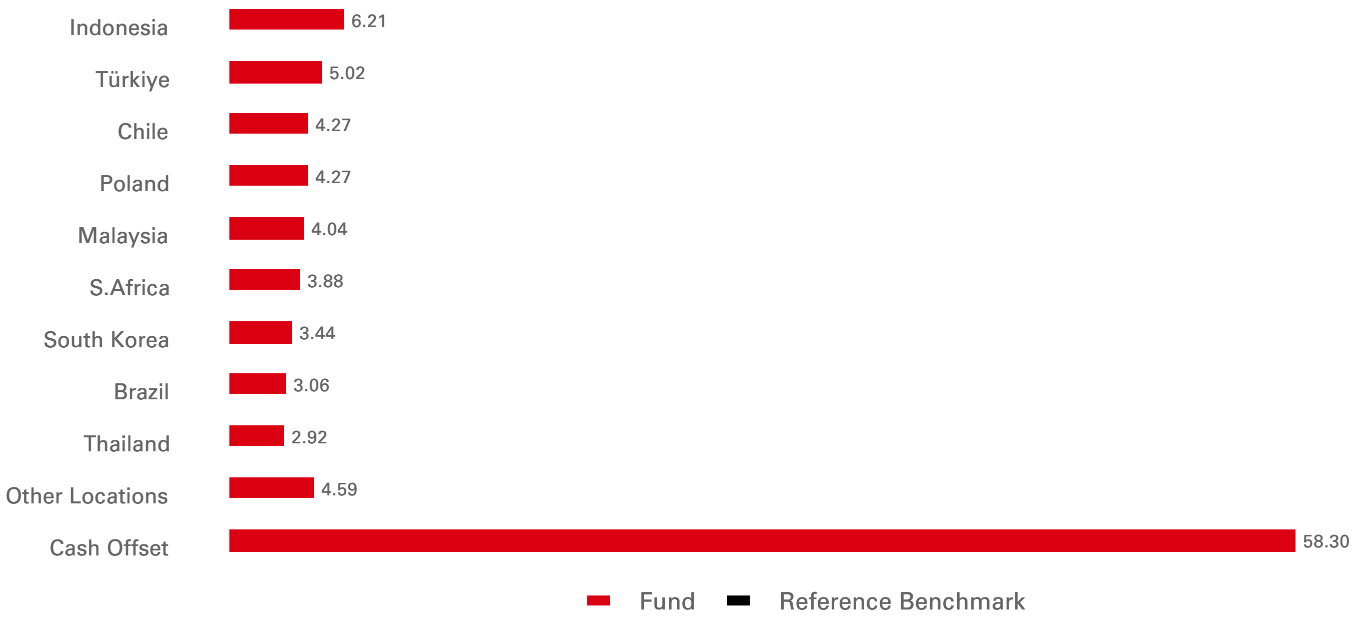
Credit rating (%)	Fund	Reference Benchmark	Relative
AAA	-4.08	--	--
AA	4.91	--	--
A	-12.37	--	--
BBB	20.32	--	--
BB	13.85	--	--
B	13.07	--	--
CCC	0.81	--	--
C	1.02	--	--
D	0.88	--	--
NR	-6.61	--	--
Cash	9.89	--	--
Cash Offset	58.30	--	--

Maturity Breakdown (%)	Fund	Reference Benchmark	Relative
0-2 years	77.04	--	--
2-5 years	-26.60	--	--
5-10 years	24.59	--	--
10+ years	24.97	--	--

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
Source: HSBC Asset Management, data as at 31 January 2024

Currency Allocation (%)	Fund	Reference Benchmark	Relative
USD	69.73	--	--
IDR	4.19	--	--
MXN	4.14	--	--
PLN	3.23	--	--
MYR	3.05	--	--
BRL	3.05	--	--
THB	2.92	--	--
ZAR	2.61	--	--
CZK	2.56	--	--
HUF	2.18	--	--
Other Currencies	2.34	--	--

Geographical allocation (%)



Sector allocation (%)	Fund	Reference Benchmark	Relative
Financial	13.16	--	--
Energy	12.72	--	--
Basic Materials	4.96	--	--
Utilities	4.42	--	--
Industrial	2.06	--	--
Communications	1.71	--	--
Consumer Cyclical	1.51	--	--
Consumer Non cyclical	1.38	--	--
Technology	1.21	--	--
Other Sectors	-11.34	--	--
Cash	9.89	--	--
Cash Offset	58.30	--	--

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

Top 10 holdings	Weight (%)
MEXICAN BONOS 8.500 18/11/38	4.32
INDONESIA GOV'T 8.250 15/05/29	4.18
US TREASURY N/B 4.000 15/11/42	2.56
EMPRESA NACIONAL 3.750 05/08/26	2.55
SAUDI INT BOND 4.750 16/01/30	2.42
TURK IHRACAT 7.500 06/02/28	2.39
CODELCO INC 5.125 02/02/33	2.06
TBC BANK JSC 5.750 19/06/24	2.01
DOMINICAN REPUBL 5.500 22/02/29	1.79
YAPI KREDI BANKA 9.250 16/10/28	1.71

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

Monthly performance commentary

Market review

Momentum in EMD assets faded in January as the market repriced rate cut expectations by the Fed leading to negative returns. Hard currency returns were hurt by wider spreads, while local returns declined due to a strengthening USD despite the small drop in local yields. Performance in January took a breather after strong excess returns in the previous two months. The US economy posted strong data which created volatility as market makers were reassessing the Fed rate cuts. At the FOMC meeting, Chair Powell reaffirmed their data dependency, and all but took March rate cuts off the table. EM central banks continue to remain mixed, with Latam and CEEMEA countries easing policy rates, while Asian countries remain on hold. In China, weakness continues in the data prints and the onshore equity market had double-digit negative returns over the month, prompting the government to intervene. Geopolitical events have been on the rise with escalation in the Red Sea which is leading to higher oil prices and could disrupt shipping routes. On a technical standpoint, net new issuance in January was strong for both hard currency and corporates, with a combined $41bn in new issues. Finally, flows into EMD were weak in January, with hard currency retail funds seeing the bulk of the outflows.

Performance

EMD assets faded in January as the market repriced rate cut expectations by the Fed leading to wider spreads and a stronger USD. The portfolio produced negative absolute returns over the month. Within the hard currency space, performance was largely driven by long corporate bonds in Brazil as corporates overall were able to withstand the volatility during the monthly. In addition, a long position in a telco company from South Africa added to returns over the month. CDX hedges in the portfolio benefitted returns as we saw spreads widen throughout the month. Detracting from returns were long positions to Costa Rica and Turkey. Within local debt, EMFX positions were the main detractors to returns as a stronger dollar pushed currencies lower. Long exposure to the Brazilian real, Chilean peso, Indonesian rupiah and Thai baht detracted from performance over the month. Slightly offsetting those returns was the short positions to the Chinese renminbi and Taiwanese dollar. On the rates slide, long exposure to Mexico, particularly in the 30-year tenor added to returns. In addition, long exposure to Indonesia added to returns. Lastly, a long position to Brazil rates was a detractor to returns.

Positioning

We had been reducing EMFX exposure throughout the month as we were getting cautious about emerging market currencies and local rates. In local rates, we cut duration exposure, mainly by selling positions in Brazil, Dominican Republic, and Mexico as the US economy continued to generate strong data prints, limiting the room for Fed to cut interest rates quickly and sharply despite dissipating inflationary pressures in the US.

In hard currency, we kept the spread duration of the portfolio relatively unchanged while looking for tactical opportunities. We also partially covered the short duration exposure given our view that the Fed will not deliver the interest rates cuts as they have been priced by the market. We ended the month with a hard currency duration of 3.42 years, a spread duration of 1.08 years, and a local currency duration of 1.36 years.

Outlook

2024 is shaping up to be a gangbusters year for Emerging Market Debt asset classes, thanks to a confluence of numerous factors. Firstly, the Federal Reserve has messaged ‘peak rates’ and returns from underlying duration exposures should be positive going forward, as interest rates are coming down and no longer going up. Emerging debt – especially the hard currency variety – is a long duration asset class and can benefit in an outsized way from the rebound after two years of relentless rate rises. Secondly, spreads are benefitting from both cyclical and fundamental factors. Cyclically, growth in EM is improving even as it slows in developed economies, providing an investment haven or defensive niche; and fundamental ratings upgrades after years of downward momentum and sovereign distress should spell markedly lower default rates than in US or European credit markets. Although January gave us a backup in credit spreads and a repricing of Fed rate cuts, we view this as a buying opportunity, as we see approximately 40 basis points of EM credit spread compression and 50 basis points of US Treasury yield decline from here to year-end 2024. January also marked a healthy issuance month, and technical factors should improve as new bond issues are digested over coming weeks. The period between the Fed’s last rate hike and the first rate cut tends to be the sweet spot for this asset class historically, when improving liquidity in markets and financial conditions leads to euphoric spread levels and suppressed volatility, while the dollar weakens boosting EM balance of payments and corporate earnings. We estimate conservatively that EM hard currency and local currency bonds can land 2024 with a 10-20% return. Although it sounds lofty, this is in line with asset class returns at similar past cycle inflection points (1999, 2003, 2009, 2012, 2019) and is often the environment in which bonds outperform equities.

Risk disclosures

- 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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HSBC Asset Management

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Lines are open 9am to 5pm Monday to Friday (excluding public holidays). To help the ACD and the Administrator continually improve their services and in the interests of security, they may monitor and/or record your communications with them.

Glossary

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

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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.
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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
Term: The management company cannot terminate the Fund unilaterally. The Board of Directors may furthermore decide to liquidate the Fund in certain circumstances set out in the prospectus and articles of incorporation of the Fund.Further additional and complete information (including but not limited to) investor rights, costs and charges, please refer to the prospectus.