

HSBC Global Investment Funds

ASIA BOND

Monthly report 31 July 2022 | Share class IC

Investment objective

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

Investment strategy

The Fund is actively managed. In normal market conditions, the Fund will invest at least 90% of its assets in investment grade 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 Asia. The Fund may invest up to 10% of its assets in onshore Chinese bonds which are issued within the People's Republic of China (PRC) and traded on the China Interbank Bond Market. The Fund may invest up to 10% in convertible bonds and up to 10% in contingent convertible securities. The Fund may also invest up to 10% in asset-backed securities (ABS) and mortgage-backed securities (MBS). The Fund may invest up to 10% of its assets in securities issued by any single government issuer with a non-investment grade rating and may invest up to 10% of its assets in other funds, including HSBC funds. The Fund will not invest more than 40% of its assets in non-investment grade bonds. The Fund's primary currency exposure is to US Dollar (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 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.
- 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 10.49
Performance 1 month	0.05%
Yield to maturity	6.15%

Fund facts

UCITS V compliant	Yes
Subscription mode	Cash
Dividend treatment	Accumulating
Dealing frequency	Daily
Valuation Time	17:00 Luxembourg
Share Class Base Currency	USD
Domicile	Luxembourg
Inception date	29 June 2016
Fund Size	USD 472,147,635
Reference benchmark	100% Markit iBoxx USD Asia Bond
Managers	Ming Leap Alfred Mui

Fees and expenses

Minimum initial investment (SG) ¹	USD 1,000,000
Maximum initial charge (SG)	3.100%
Management fee	0.550%

Codes

ISIN	LU1436995523
Bloomberg ticker	HSBABC LX

¹Please note that initial minimum subscription may vary across different distributors

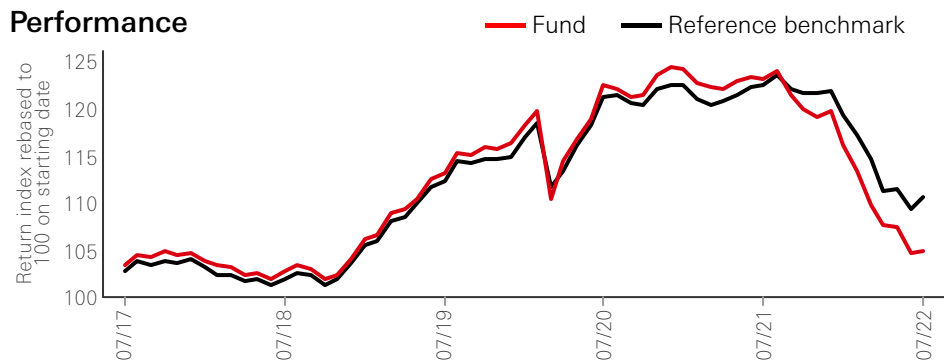
Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark Performance numbers shown are before netting off sales / realisation charges. This is a marketing communication. Please refer to the prospectus and to the KIID before making any final investment decisions.

There is no guarantee on the principal investment or return on the fund.

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

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Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
IC	-12.51	0.05	-2.65	-9.71	-14.87	-2.54	0.25
Reference benchmark	-9.25	1.07	-0.59	-7.26	-9.78	-0.51	1.47

Calendar year performance (%)	2017	2018	2019	2020	2021
IC	5.78	-0.62	11.82	6.87	-3.59
Reference benchmark	5.43	-0.39	11.00	6.59	-0.58

3-Year Risk Measures	IC	Reference benchmark	5-Year Risk Measures	IC	Reference benchmark
Volatility	6.89%	5.55%	Volatility	5.74%	4.73%
Sharpe ratio	-0.46	-0.20	Sharpe ratio	-0.18	0.04
Tracking error	2.30%	--	Tracking error	1.83%	--
Information ratio	-0.88	--	Information ratio	-0.67	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	326	1,419	--
Yield to worst	6.05%	5.11%	0.94%
Yield to maturity	6.15%	5.13%	1.01%
Modified Duration to Worst	5.20	5.23	-0.03
Option Adjusted Spread Duration	4.90	5.21	-0.31
Average maturity	7.81	7.17	0.64
Rating average	A-/BBB+	A-/BBB+	--
Number of issuers	186	499	--

Credit rating (%)	Fund	Reference benchmark	Relative
AAA	5.37	1.04	4.33
AA	4.65	10.72	-6.07
A	34.49	36.60	-2.11
BBB	38.55	43.91	-5.36
BB	8.84	2.78	6.06
B	2.04	1.31	0.73
CCC	0.10	0.09	0.01
CC	0.01	0.02	-0.01
C	0.10	0.00	0.09
NR	2.25	3.53	-1.28
Cash	3.61	--	3.61

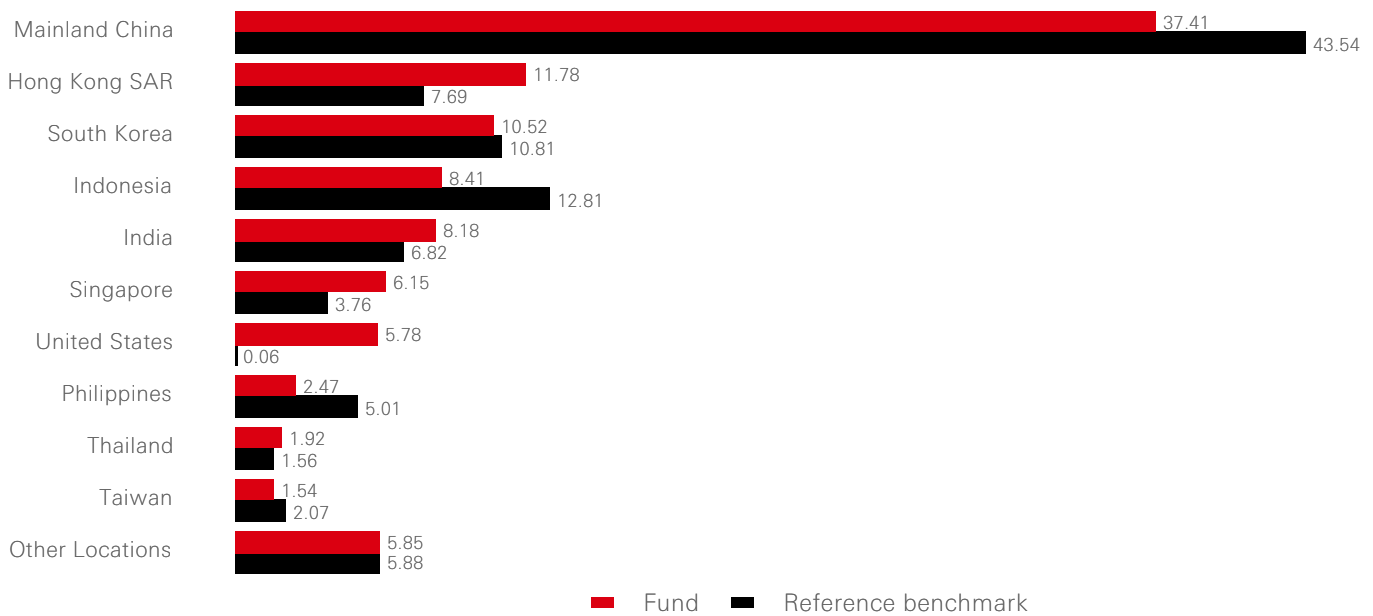
Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
0-2 years	0.20	0.25	-0.05
2-5 years	1.20	1.31	-0.11
5-10 years	1.11	1.55	-0.43
10+ years	2.57	2.13	0.44
Total	5.07	5.24	-0.17

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
 Performance numbers shown are before netting off sales / realisation charges.
 Source: HSBC Asset Management, data as at 31 July 2022

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Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	103.52	100.00	3.52
CNH	0.03	--	0.03
KRW	0.03	--	0.03
SGD	0.00	--	0.00
GBP	0.00	--	0.00
AUD	0.00	--	0.00
CAD	0.00	--	0.00
IDR	0.00	--	0.00
JPY	-1.32	--	-1.32
EUR	-2.25	--	-2.25

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Banks	17.25	11.13	6.13
Government	11.83	20.94	-9.11
Energy	11.35	11.14	0.21
Communications	8.72	7.13	1.59
Diversified Finan serv	8.52	10.27	-1.75
Real Estate	7.55	5.08	2.47
Industrial	4.96	6.22	-1.26
Consumer Non cyclical	4.45	2.72	1.74
Consumer Cyclical	4.21	3.51	0.71
Utilities	4.18	7.85	-3.67
Other Sectors	13.37	14.02	-0.65
Cash	3.61	--	3.61

Top 10 Holdings	Weight (%)
US TREASURY N/B 1.125 15/08/40	3.17
OVERSEA-CHINESE 4.250 19/06/24	1.67
TSMC GLOBAL LTD 1.250 23/04/26	1.54
UNITED OVERSEAS 3.875	1.49
INDONESIA (REP) 3.350 12/03/71	1.12
LINK FIN CAYM 09 3.600 03/09/24	1.10
US TREASURY N/B 2.875 15/05/32	1.09
HANWHA LIFE INS 3.379 04/02/32	1.05
TENCENT HOLDINGS 3.800 11/02/25	1.02
HUARONG FIN 2019 2.500 24/02/23	0.97

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

Monthly performance commentary

Market Review

Asia credit market posted slight positive return in July. The treasury curve flattened over the month during concerns over economic slowdown, despite the ongoing hawkish Fed. Overall, two-year yields down by 7 bps, while 10-year yields were down 36 bps. Investment grade bonds outperformed high yield bonds over the month as overall spreads widened in the latter. From a credit spread perspective, investment grade bonds were largely flat over the month with sovereign bonds overall returned positively as rate sensitive parts of the market fared well given the global attention has shifted from high inflation to slowing economic growth. The best performer was Philippines sovereign as the sovereign curve shifted downward followed by Indonesian sovereign whilst Philippines quasi-sovereign underperformed. Meanwhile, performances of IG corporate bonds were mixed. The largest detractor was the China property sector as it remained the most volatile part of the market, with even the stronger names in the sector selling off sharply. Hong Kong and Malaysia consumer sectors also contributed negatively. On the positives, Indonesian consumer and India metals & mining performed relatively well as spreads tightened, riding on the robust economic growth and high commodity prices respectively. On the other hand, the high yield space was down with the China property and oil & gas sectors being the largest detractors. In particular, a mortgage payment strike on suspended development projects caused contagion effect across the China property sector. Meanwhile, India consumer and Macau gaming sectors strongly rebounded. The announcement of a public tender for six new gaming concessions and casinos reopening after Covid cases fell in Macau were positive catalysts for the Macau gaming sector. In the sovereign space, performance was dragged by Sri Lanka and Pakistan sovereigns due to the economic crisis in Sri Lanka and Fitch's downgrade of Pakistan's outlook amid the nation's financial and political risks respectively.

Portfolio strategy

The fund returned positively for July amid lower US treasury yields. On a relative basis, the fund benefitted the most from its zero exposure to Pakistan sovereigns given the lingering financial risks of the nation. The fund's overweight in China TMT also added relative value. Meanwhile, the fund's overweight in Macau gaming also contributed positively to its relative performance given the reopening of casinos in gradual easing of Covid curbs. Conversely, the fund's overweight in the China property sector was the largest detractor to relative performance given the sector's ongoing volatility amid recent concerns over the mortgage boycott by homebuyers. Also, the fund's credit exposure to China HY industrials detracted as volatility remained in this space since a particular name being reviewed for downgrade by a rating agency and the spill over effects from the property sector. Furthermore, the fund's underweight in Philippines sovereigns also did not help given the downward shift of the Philippines sovereign curve. Elsewhere, the fund's yield carry and FX exposure contributed positively to relative performance. The fund continues to hold an overweight stance in bank subordinated debt given their relatively defensive nature and attractive yields. We have also retained our overweight in the property sector, mainly through an overweight in the China property sector, despite trimming our exposure recently considering the heightened volatility. We remained selective in this space with an emphasis on the better-quality companies, reflecting mostly our conviction on the individual credit rather than our view on the sector. We continue to improve the average quality in this sector to hold mostly the best quality names with strong balance sheets and access to funding which we believe are likely survivors in the current market environment. On the other hand, we remain underweight sovereign as well as quasi sovereign bonds given their broadly speaking lower yields than other sectors. Meanwhile, we remained underweight in duration for the fund throughout the month. We have also used interest rate futures to help manage our duration exposure actively.

Outlook

Although some of the chronic situations facing the Asia credit market persisted into July, the better performance of the market suggests that less committed holders of the asset class may have exited, while we are seeing some investors taking advantage of the higher yields now available. We believe that pricing is still irrational in some parts of the asset class, especially in high yield, and that a recovery in investor appetite is an important catalyst to returning the market to a point where it much better reflects underlying fundamentals. Although the issues surrounding the real estate bonds in China remain uncertain and volatile, we have no doubt that even in this sector, there are opportunities where the range of possible outcomes is skewed greatly in favour of the investor. Meanwhile, the sector has contracted to the extent that it will have a far smaller impact on returns in the coming years, thus creating a more balanced and diversified investment. We are therefore more optimistic about the future returns from Asia credit, with the toxic environment for global fixed income abating somewhat and stabilizing investor demand, while the good relative valuations in Asia begin to allure the bargain hunters.

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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Benchmark disclosure

The Investment Advisor will use its discretion to invest in securities not included in the reference benchmark based on active investment management strategies and specific investment opportunities. It is foreseen that a significant percentage of the Fund's investments will be components of the reference benchmark. However, their weightings may deviate materially from those of the reference benchmark. The deviation of the Fund's underlying investments' weightings relative to the benchmark are monitored, but not constrained, to a defined range.

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

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 **HSBC Asset Management**

Glossary



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Where the Units are subscribed or purchased under Section 305 of the SFA by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within 6 months after that corporation or that trust has acquired the Units pursuant to an offer made under Section 305 of the SFA except (1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; or (4) as specified in Section 305A(5) of the SFA.

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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
AC USD	-12.84	0.00	-2.81	-9.99	-15.42	-3.17	-0.38
AM3HSGD SGD	-12.89	-0.01	-2.85	-10.05	-15.49	-3.46	--
IC USD	-12.51	0.05	-2.65	-9.71	-14.87	-2.54	0.25

Calendar year performance (%)	2017	2018	2019	2020	2021
AC USD	5.11	-1.21	11.10	6.17	-4.20
AM3HSGD SGD	--	--	10.33	5.70	-4.33
IC USD	5.78	-0.62	11.82	6.87	-3.59

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
AM3HSGD	SGD	Monthly	27 July 2022	0.036072	5.37%
IC	USD	--	--	--	--

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	29 June 2016	LU1436995101	USD	USD 5,000	10.09	1.100%	Accumulating
AM3HSGD	13 April 2018	LU1560770627	SGD	USD 5,000	8.30	1.100%	Distributing
IC	29 June 2016	LU1436995523	USD	USD 1,000,000	10.49	0.550%	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.

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

Performance numbers shown are before netting off sales / realisation charges.

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 July 2022

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