HSBC Asset Management

HSBC Global Investment Funds

SINGAPORE DOLLAR INCOME BOND

Monthly report 31 March 2024 | Share class AM3HUSD

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of bonds denominated in or hedged to Singapore dollars (SGD).

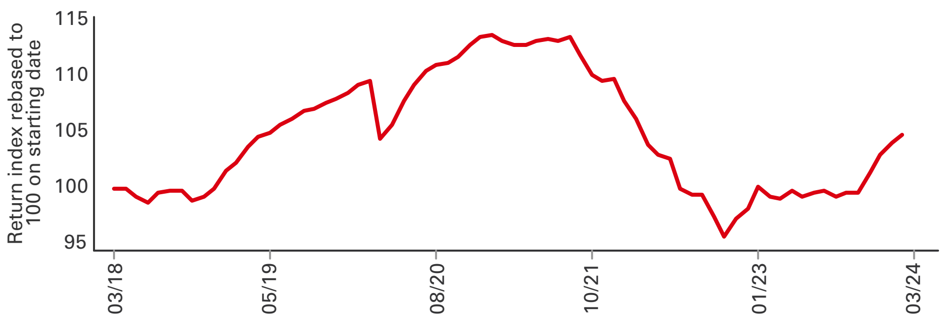
Investment strategy

The Fund is actively managed and is not constrained by a benchmark.In normal market conditions, the Fund will invest at least 90% of its assets in investment grade bonds, non-investment grade bonds and unrated 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, either denominated in SGD or non-SGD currencies that are hedged back to SGD.The Fund may invest up to 30% in non-investment grade bonds, and invest up to 10% in asset-backed securities and mortgage-backed securities. The Fund may invest up to 10% in convertible bonds and up to 10% in contingent convertible securities.The Fund may invest up to 10% in other funds, including HSBC funds.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.

Performance



Share Class Details

Key metrics	
NAV per Share	**USD 8.01**
Performance 1 month	**1.04%**
Yield to maturity	**5.45%**
Fund facts	
UCITS V compliant	**Yes**
Subscription mode	**Cash**
Dividend treatment	**Distributing**
Distribution Frequency	**Monthly**
Dividend ex-date	**27 March 2024**
Dividend annualised yield	**6.94%**
Last Paid Dividend	**0.044882**
Dealing frequency	**Daily**
Valuation Time	**17:00 Luxembourg**
Share Class Base Currency	**USD**
Domicile	**Luxembourg**
Inception date	**20 March 2018**
Fund Size	**SGD 250,954,948**
Managers	**William GOH** **Daniel Lam** **Sanjay B Shah**
Fees and expenses	
Minimum initial investment (SG)[1]	**USD 1,000**
Maximum initial charge (SG)	**3.000%**
Management fee	**0.800%**
Codes	
ISIN	**LU1734076703**
Bloomberg ticker	**HSSA3HU LX**

[1]Please 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. 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.**
This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions.
Source: HSBC Asset Management, data as at 31 March 2024

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AM3HUSD	**2.64**	**1.04**	**2.64**	**6.27**	**6.78**	**-2.12**	**0.41**
AM3HUSD (Net)*	-0.35	-1.90	-0.35	3.18	3.67	-3.08	-0.18

Calendar year performance (%)	2019	2020	2021	2022	2023
AM3HUSD	**8.55**	**4.63**	**-3.34**	**-10.59**	**4.99**
AM3HUSD (Net)*	5.39	1.58	-6.16	-13.19	1.94

3-Year Risk Measures	AM3HUSD	Reference benchmark
Volatility	3.93%	--
Sharpe ratio	-1.19	--

5-Year Risk Measures	AM3HUSD	Reference benchmark
Volatility	4.10%	--
Sharpe ratio	-0.39	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	206	--	--
Average coupon rate	4.75	--	--
Yield to worst	5.33%	--	--
Current yield	5.00%	--	--
OAD	5.43	--	--
Option Adjusted Spread Duration	5.84	--	--
Average maturity	8.24	--	--
Rating average	BBB/BBB-	--	--

Credit rating (%)	Fund	Reference benchmark	Relative
AAA	9.11	--	--
AA	0.41	--	--
A	20.26	--	--
BBB	36.80	--	--
BB	16.67	--	--
B	7.47	--	--
CCC	2.64	--	--
CC	0.69	--	--
D	1.60	--	--
NR	4.84	--	--
Cash	-0.50	--	--

Maturity Breakdown (OAD)	Fund	Reference benchmark	Relative
0-2 years	0.21	--	--
2-5 years	1.09	--	--
5-10 years	1.90	--	--
10+ years	2.23	--	--
Total	**5.43**	**--**	**--**

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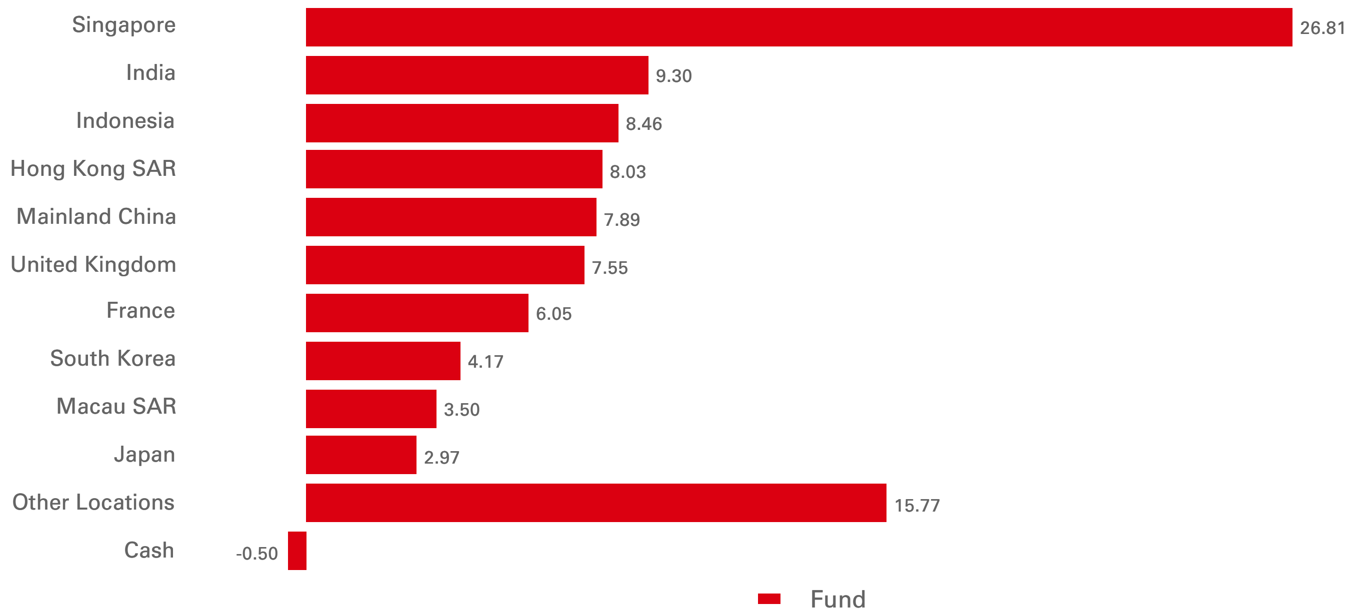
Source: HSBC Asset Management, data as at 31 March 2024

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Banks	27.26	--	--
Government	12.40	--	--
Consumer Cyclical	8.02	--	--
Reits	7.25	--	--
Insurance	6.48	--	--
Industrial	6.09	--	--
Utilities	5.39	--	--
Energy	5.31	--	--
Communications	4.33	--	--
Basic Materials	4.29	--	--
Other Sectors	13.67	--	--
Cash	-0.50	--	--

Top 10 Holdings	Weight (%)
AIA GROUP 2.900	3.34
SINGTEL GROUP TR 3.300	2.38
STANDARD CHART 4.500 14/06/33	2.18
COMMERZBANK AG 6.500 24/04/34	2.02
SINGAPORE GOV'T 3.000 01/08/72	2.00
CHANGI AIRPORT G 1.880 12/05/31	1.96
LLOYDS BK GR PLC 5.250 22/08/33	1.83
NATIONAL ENV AG 2.500 15/09/51	1.78
HOUSING & DEV 2.315 18/09/34	1.73
SEMBCORP FIN 4.600 15/03/30	1.65

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

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

Monthly performance commentary

Review

US Treasury yields were mostly down, driven by a more dovish tone from the Fed at the FOMC meeting. Overall, 2-year treasury yields remained unchanged while 10-year yields dropped by 5 bps. The Singapore sovereign yield curve was largely stable over the month, except for 2Y yields which saw a spike. Both headline and core inflation surprised to the upside y-o-y in February, as inflation accelerated in the region driven by Lunar New Year distortions. If the average of January and February core CPI data is taken, to account for Lunar New Year distortions, it averaged slightly above 4Q23 inflation levels, showing that the last mile of disinflation is proving difficult. Inflation was likely supported by a strong labour market, with further upside risk due to the implementation of increased taxes and utility hikes by the government. After seeing double digit growth in January, February's non-oil domestic exports (NODX) were disappointing, as it contracted both on a y-o-y and m-o-m basis. The main drag in exports came from non-electronic shipments - declines in food preparations, specialty chemicals and electrical circuit apparatus segments. However, there were some signs of a technology recovery, as the semiconductor NODX grew for the first time in 18 months, in double-digits. Furthermore, taking January and February together to reduce Lunar New Year distortions, NODX has still rebounded in 2024. By geography, export growth was mixed, with NODX to Hong Kong and the US growing, whilst seeing weak shipments to the EU, ASEAN-3 (Indonesia, Malaysia and Thailand) and mainland China. Overall, although trade numbers were disappointing for February, taken together with January there is still positive momentum. The Asia credit market posted positive returns in March. High-yield (HY) bonds outperformed investment grade (IG) bonds as HY spreads tightened to a greater extent than IG spreads. Within the IG space, the top performer was China diversified, benefitting from positive management changes in a dominant aircraft maker. Indonesian utilities also experienced significant spread compression due to positive market sentiment. Macau consumers showed strong performance, supported by the sector's highest post-pandemic gross gaming revenue in March. Conversely, Philippines quasi-sovereigns performed poorly due to a cash-strapped firm selling assets for additional liquidity. Hong Kong infrastructure underperformed because of changes in company and group leadership of a port operator. Indian utilities also detracted, largely attributed to the news on potential investigations into a large conglomerate by US prosecutors. Within the HY space, Pakistan quasi-sovereigns stood out as the best performer, driven by positive development around the IMF programme. China consumers also performed well, fuelled by the refinancing plans of a car rental firm that was downgraded by a rating agency. Sri Lanka sovereigns saw strong performance because of the progress on debt restructuring plans to secure IMF funding. On the other hand, China oil & gas was the largest detractor, attributable to a major firm delaying the release of its annual results. China real estate also suffered due to worse than expected decline in net income of a large developer. Sri Lanka quasi-sovereigns saw spreads widening.

Outlook

The recent uptick in Singapore's CPI was attributed to the Lunar New Year effects and aligned with the expectations of policymakers who forecasted a rise in core CPI for the current quarter. It is projected that the Monetary Authority of Singapore (MAS) will uphold its current policy at the Monetary Policy Committee (MPC) meeting in April, as the ongoing appreciation trajectory of the S$NEER policy band is deemed suitable given the core CPI trends. The Singapore Government Securities (SGS) remained stable and the SGS curve continued to be inverted across 2-year and 5-year on lower rates expectations this month. We maintain our view that the MAS should be on a pause mode for an extended period and will remain vigilant towards potential risks to inflation and growth. Nevertheless, the MAS could pivot this year if external inflation pressures subside and core inflation eases materially, or if the Fed and other major central banks begin their rate cut cycle. The SGS should continue to stay relatively stable compared to US treasury (UST) yields due to the support provided by the low bond supply, as stated in the SGS issuance calendar for this year alongside solid demand from investors. We anticipate that SGS yields will follow a gradual downward trend, mirroring the decline in UST yields over the course of this year. In terms of currency, while we need to monitor the easing progress of core inflation, the SGD could see mild appreciation potential with the repricing of the USD on the expectations of Fed rate cut in the coming months and China economy stabilizing. The more dovish tone from the Fed's chair Powell in late March was slightly positive for credit while the market now is considering the possibility of a more modest easing cycle as the US economy remains resilient. Under such circumstances, Asia investment grade bonds should encounter less volatility than their global counterparts given their shorter duration and lower correlation with the UST. Asia credit is expected to continue to produce good risk-adjusted performance over the course of this year. From a fundamental perspective, we see a consistency in credit quality among Asia IG issuers, consisted of mostly national champions and government related entities, leading to the stability of spreads. The macro tailwind in Asia, including strong economic growth, low inflation pressure and pre-emptive monetary policy, will also support corporates' credit matrix and limit fallen angel risk. Meanwhile, we have been seeing more USD bond issuances in Asia, with the aim to capitalize the tight credit spreads as the USD bond market is becoming increasingly competitive relative to onshore markets. Nevertheless, with lower supply so far this year comparing to last year, we continue to expect the net issuance this year to remain negative. Therefore, the favourable technicals on the back of limited supply and strong demand from investors who are trying to lock in better levels of yield, are supportive for Asia credit. The Asia high yield has outperformed its global peers due to meaningful spread compression this quarter. The Asia high yield market has transformed following challenges in the China real estate sector, which is now characterized with increased sectoral and geographical diversification. Credit quality and fundamental trend are sound in majority of the market, meaning that any negative sentiment towards this asset class would provide good valuations and better total returns. Despite ongoing challenges facing the Chinese economy, we continue to see value and potential opportunities in the market, particularly in the TMT sector, as well as China consumer and industrial sectors. China aside, ASEAN and India continue to provide attractive yields. The better macro tailwind in Asia could also shield corporates from defaulting. At the same time, we expect spread to continue narrowing if there are more signs of China economy stabilising, while the relatively low spread duration in Asia high yield could help to cushion any potential spread widening.

The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.
Source: HSBC Asset Management, data as at 31 March 2024

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.
- 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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Supplemental information sheet

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AC SGD	2.22	0.92	2.22	5.37	5.11	-2.74	-0.12
AC SGD (Net)*	-0.76	-2.02	-0.76	2.30	2.05	-3.69	-0.70
AM2 SGD	2.20	0.90	2.20	5.37	5.10	-2.74	-0.12
AM2 SGD (Net)*	-0.77	-2.04	-0.77	2.30	2.04	-3.69	-0.71
AM3HAUD AUD	2.30	0.94	2.30	5.53	5.23	-3.08	-0.52
AM3HAUD AUD (Net) *	-0.68	-2.00	-0.68	2.45	2.16	-4.03	-1.11
AM3HUSD USD	2.64	1.04	2.64	6.27	6.78	-2.12	0.41
AM3HUSD USD (Net)*	-0.35	-1.90	-0.35	3.18	3.67	-3.08	-0.18

Calendar year performance (%)	2019	2020	2021	2022	2023
AC SGD	7.96	4.31	-3.31	-10.70	3.53
AC SGD (Net)*	4.82	1.27	-6.12	-13.30	0.51
AM2 SGD	7.97	4.30	-3.31	-10.71	3.54
AM2 SGD (Net)*	4.82	1.27	-6.13	-13.31	0.52
AM3HAUD AUD	7.50	3.83	-3.69	-11.29	3.35
AM3HAUD AUD (Net)*	4.37	0.81	-6.49	-13.88	0.34
AM3HUSD USD	8.55	4.63	-3.34	-10.59	4.99
AM3HUSD USD (Net)*	5.39	1.58	-6.16	-13.19	1.94

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	SGD	--	--	--	--
AM2	SGD	Monthly	27 March 2024	0.032574	5.01%
AM3HAUD	AUD	Monthly	27 March 2024	0.035381	5.45%
AM3HUSD	USD	Monthly	27 March 2024	0.044882	6.94%

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	2 March 2018	LU1734076612	SGD	USD 5,000	10.20	0.800%	Accumulating
AM2	2 March 2018	LU1734076539	SGD	USD 5,000	7.98	0.800%	Distributing
AM3HAUD	20 March 2018	LU1734076885	AUD	USD 5,000	7.99	0.800%	Distributing
AM3HUSD	20 March 2018	LU1734076703	USD	USD 5,000	8.01	0.800%	Distributing

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.

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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 + (dividend amount / 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 March 2024