HSBC Asset Management

HSBC Global Investment Funds

SINGAPORE DOLLAR INCOME BOND

Monthly report 29 February 2024 | Share class AM2

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).

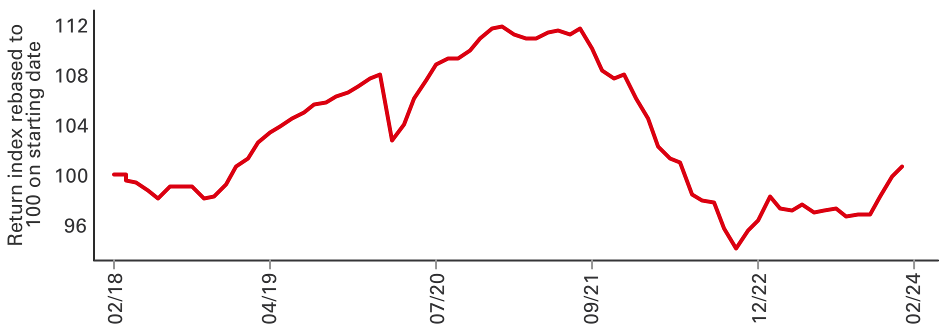
Investment strategy

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	**SGD 7.94**
Performance 1 month	**0.41%**
Yield to maturity	**5.54%**
Fund facts	
UCITS V compliant	**Yes**
Subscription mode	**Cash / SRS (Supplementary Retirement Scheme)**
Dividend treatment	**Distributing**
Distribution Frequency	**Monthly**
Dividend ex-date	**29 February 2024**
Dividend annualised yield	**5.01%**
Last Paid Dividend	**0.032432**
Dealing frequency	**Daily**
Valuation Time	**17:00 Luxembourg**
Share Class Base Currency	**SGD**
Domicile	**Luxembourg**
Inception date	**2 March 2018**
Fund Size	**SGD 242,510,159**
Managers	**William GOH Daniel Lam Sanjay B Shah**
Fees and expenses	
Minimum initial investment (SG)[1]	**SGD 1,000**
Maximum initial charge (SG)	**3.000%**
Management fee	**0.800%**
Codes	
ISIN	**LU1734076539**
Bloomberg ticker	**HSSDAM2 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 29 February 2024

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AM2	**1.29**	**0.41**	**2.91**	**4.66**	**3.84**	**-3.14**	**-0.04**
AM2 (Net)*	-1.66	-2.52	-0.09	1.61	0.81	-4.09	-0.63

Calendar year performance (%)	2019	2020	2021	2022	2023
AM2	**7.97**	**4.30**	**-3.31**	**-10.71**	**3.54**
AM2 (Net)*	4.82	1.27	-6.13	-13.31	0.52

3-Year Risk Measures	AM2	Reference benchmark
Volatility	3.77%	--
Sharpe ratio	-1.47	--

5-Year Risk Measures	AM2	Reference benchmark
Volatility	4.09%	--
Sharpe ratio	-0.47	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	211	--	--
Average coupon rate	4.73	--	--
Yield to worst	5.43%	--	--
Current yield	5.02%	--	--
OAD	5.31	--	--
Option Adjusted Spread Duration	5.82	--	--
Average maturity	8.06	--	--
Rating average	BBB/BBB-	--	--

Credit rating (%)	Fund	Reference benchmark	Relative
AAA	9.86	--	--
AA	1.88	--	--
A	19.36	--	--
BBB	37.77	--	--
BB	18.19	--	--
B	6.14	--	--
CCC	2.58	--	--
CC	0.72	--	--
D	1.52	--	--
NR	3.95	--	--
Cash	-1.95	--	--

Maturity Breakdown (OAD)	Fund	Reference benchmark	Relative
0-2 years	0.21	--	--
2-5 years	1.11	--	--
5-10 years	1.89	--	--
10+ years	2.10	--	--
Total	**5.31**	**--**	**--**

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.
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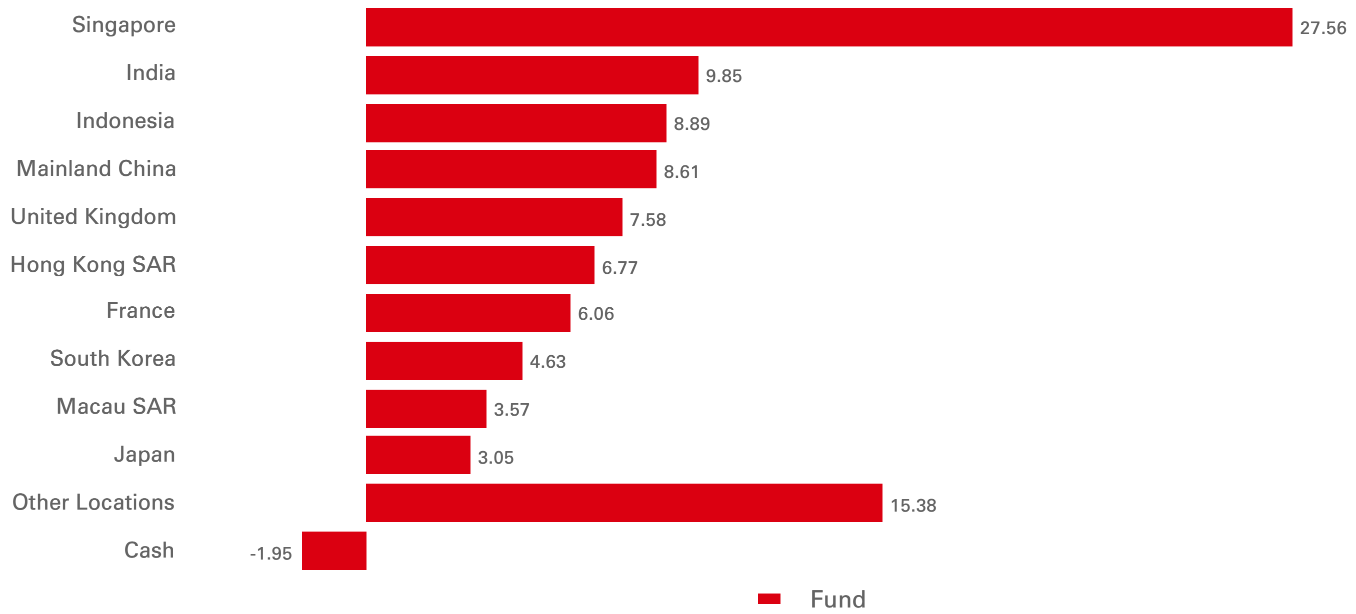
Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Banks	27.55	--	--
Government	12.53	--	--
Consumer Cyclical	8.43	--	--
Reits	6.29	--	--
Insurance	6.27	--	--
Utilities	5.75	--	--
Industrial	5.34	--	--
Energy	5.29	--	--
Communications	4.45	--	--
Diversified Finan serv	4.44	--	--
Other Sectors	15.62	--	--
Cash	-1.95	--	--

Top 10 Holdings	Weight (%)
AIA GROUP 2.900	2.88
SINGTEL GROUP TR 3.300	2.45
SINGAPORE GOV'T 3.000 01/08/72	2.08
STANDARD CHART 4.500 14/06/33	2.03
CHANGI AIRPORT G 1.880 12/05/31	2.03
LLOYDS BK GR PLC 5.250 22/08/33	1.89
HOUSING & DEV 2.315 18/09/34	1.81
COMMERZBANK AG 6.500 24/04/34	1.75
SEMBCORP FIN 4.600 15/03/30	1.74
BARCLAYS PLC 8.300	1.53

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

Source: HSBC Asset Management, data as at 29 February 2024

Monthly performance commentary

Review

The treasury curve shifted upwards as key data surprised to the upside, pushing expectations of rate cuts further into the year. Core CPI for January came in high-than-expected, whilst the labour market also remained more resilient than expected. Overall, the disinflation trend continued, alongside the robust labour market and strong consumer spending. Both the 2-year and 10-year treasury yields rose by 39bps over the month. Following US Treasury curve, Singapore sovereign yield curve shifted higher over the month. January core inflation (excluding accommodation and private road transport) rose in both MoM and YoY terms, lower-than-expected, thanks to easing food inflation and lower services costs. Despite rising core momentum, headline inflation fell MoM (rose YoY), delivering an even larger downside surprise, with both accommodation costs and private road transport costs falling MoM. However, upside risks to inflation have not dissipated, given upcoming hikes in the utility components, including electricity, gas and water tariffs. Non-oil domestic exports (NODX) rebounded strongly in 2024. NODX rose on both MoM and YoY basis in January, easily beating market expectations. While growth was broad-based, a large share of support came from non-electronics shipments, thanks to specialised machinery, non-monetary gold and pharmaceuticals. While electronics shipments only contributed a little part to overall NODX in January, marginal growth was still some progress Singapore has been making from a severe tech downturn in 2023. Despite some ongoing fiscal relief for households and businesses, the core of the FY2024 budget focuses on long-term priorities to unlock Singapore's potential. Singapore's fiscal deficit will likely narrow in FY2024. The Asia credit market posted slight positive returns in February. 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 best performer was China diversified, bolstered by improving sentiment in the region, as the government announced more supportive policies. Philippines quasi-sovereigns and Korean infrastructure also performed strongly. Conversely, China real estate emerged as the worst performer, mainly driven by reports of credit extension issues with a semi-SOE developer. India industrials also saw spreads widening due to downgrades from rating agencies. Singapore real estate saw spreads widen as the industry outlook deteriorated. Turning to the HY space, China oil and gas was the top performer due to better market sentiment in the region. Singapore real estate and Hong Kong consumers also delivered strong performances. On the other hand, China real estate was the worst performer, as a major firm announced weak results. Sri Lanka quasi-sovereigns underperformed due to limited interest in the sale of a firm in the sector. China consumers also performed poorly because of a downgrade issued by a rating agency.

Strategy

The fund ended February higher with credit exposure contributing the most, mainly from Macau gaming and Singapore quasi-sovereigns. On the other hand, duration exposure detracted given the upward shifting sovereign yield curve. Elsewhere, yield carry continued to lift the returns as the fund continued to maintain a decent yield.

The fund's duration was being managed at slightly over five years. The fund continues to hold a meaningful size of SGD denominated investment grade bonds. At the same time, it also diversifies into the USD Asian credit market which offers a wider selection of bonds across the credit rating spectrum than the SGD bond market. From a sectoral standpoint, the fund prefers corporates over sovereigns and agency bonds. The fund has a major allocation to Singapore REITs for their stable income. We also favour bank subordinated debt such as those from Singapore, Europe and broader Asia Pacific region given their relatively defensive nature and attractive yields. Also, the fund is exposed to China industrials, Macau gaming and Hong Kong financials. Moreover, it holds a certain exposure to high quality quasi-sovereign names in Singapore for yield carry.

Outlook

The Singapore Government Securities (SGS) yields went higher while outperforming US Treasuries (UST) this month. Both headline and core CPI for January came lower than expectations, contradicting the earlier guidance from the Monetary Authority of Singapore (MAS) for core CPI to rise in the first quarter. According to the MAS – The Ministry of Trade and Industry (MTI) joint statement, core inflation is anticipated to rise in February on the Lunar New Year effects. Subsequently, a gradual moderation in core inflation is expected for the rest of the year as import cost pressures decrease and the domestic labour market loosens. We believe 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 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 UST as seen in the latest global bond rally. From a technical standpoint, it is expected that the SGS will experience less volatility compared to the USTs, 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 is likely to remain stable, as the MAS maintains its policy stance of appreciation. Moreover, as a trade-dependent currency, the recovery in global exports further supports the SGD. Yields have declined since mid-October, but bonds still offer the most attractive valuations that we have seen over a decade, especially in anticipation of monetary easing by the US Federal Reserve. Under this environment, Asia bonds stand out for quality and valuation as yields are higher than other markets, which offer a downside cushion. The consistency of the credit quality of Asia investment grade (IG) issuers, leads to the stability of spreads. Fundamentals are resilient, backed by stable earnings and strong credit profiles of these Asia IG issuers. The strong macro backdrop in Asia, with strong economic growth, low inflation and pre-emptive monetary policy, will support corporates' credit matrix and restrain rating downgrades. The favourable technicals from limited supply and continuous demand will keep supporting the market.

The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.
Source: HSBC Asset Management, data as at 29 February 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

Source: HSBC Asset Management, data as at 29 February 2024

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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 SGD	1.28	0.40	2.90	4.65	3.83	-3.14	-0.04
AC SGD (Net)*	-1.67	-2.53	-0.09	1.60	0.81	-4.09	-0.63
AM2 SGD	1.29	0.41	2.91	4.66	3.84	-3.14	-0.04
AM2 SGD (Net)*	-1.66	-2.52	-0.09	1.61	0.81	-4.09	-0.63
AM3HAUD AUD	1.35	0.44	3.02	4.81	3.86	-3.50	-0.45
AM3HAUD AUD (Net) *	-1.60	-2.49	0.02	1.76	0.83	-4.44	-1.04
AM3HUSD USD	1.59	0.56	3.36	5.56	5.45	-2.57	0.47
AM3HUSD USD (Net)*	-1.37	-2.37	0.35	2.48	2.37	-3.52	-0.12

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	29 February 2024	0.032432	5.01%
AM3HAUD	AUD	Monthly	29 February 2024	0.034987	5.41%
AM3HUSD	USD	Monthly	29 February 2024	0.044783	6.95%

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	10.11	0.800%	Accumulating
AM2	2 March 2018	LU1734076539	SGD	USD 5,000	7.94	0.800%	Distributing
AM3HAUD	20 March 2018	LU1734076885	AUD	USD 5,000	7.95	0.800%	Distributing
AM3HUSD	20 March 2018	LU1734076703	USD	USD 5,000	7.97	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 29 February 2024