

HSBC Global Investment Funds

RMB FIXED INCOME

Monthly report 29 February 2024 | Share class ACOSGD



Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of China Renminbi (RMB) bonds.



Investment strategy

The Fund is actively managed.

In normal market conditions, the Fund will primarily invest its assets in offshore (i.e. issued outside of the People's Republic of China, PRC) and onshore (i.e. issued within the PRC and traded on the China Interbank Bond Market) RMB denominated bonds.

The Fund may invest in investment grade bonds, non-investment grade bonds and unrated bonds issued by government, government-related entities, supranational entities and companies.

The Fund may invest up to 100% in onshore Chinese bonds and up to 10% in bonds which are rated below investment grade (BB+ or below, as assigned by a local credit rating agency in PRC), or which are unrated.

The Fund may also invest up to 10% in cash and money market instruments and up to 10% in other funds.

The Fund may invest up to 10% in convertible bonds and up to 10% in contingent convertible bonds.

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 **SGD 9.84**

Performance 1 month **-0.05%**

Yield to maturity **3.23%**

Fund facts

UCITS V compliant **Yes**

Subscription mode **Cash / SRS
(Supplementary Retirement Scheme)**

Dividend treatment **Accumulating**

Dealing frequency **Daily**

Valuation Time **17:00 Luxembourg**

Share Class Base Currency **SGD**

Domicile **Luxembourg**

Inception date **28 February 2018**

Fund Size **USD 231,648,739**

Managers **Ming Leap
Alfred Mui
Daniel TC Lam**

Fees and expenses

Minimum initial investment (SG)¹ **SGD 1,000**

Maximum initial charge (SG) **3.000%**

Management fee **0.750%**

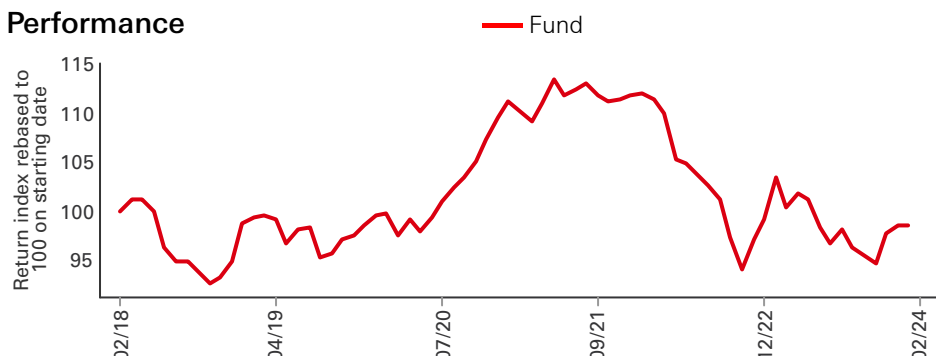
Codes

ISIN **LU1560771518**

Bloomberg ticker **HSRFAO LX**

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

Performance



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
ACOSGD	-0.14	-0.05	0.75	2.39	-1.92	-3.69	-0.19
ACOSGD (Net)*	-3.05	-2.96	-2.19	-0.59	-4.78	-4.64	-0.78

Calendar year performance (%)	2019	2020	2021	2022	2023
ACOSGD	3.89	11.22	2.07	-11.40	-0.57
ACOSGD (Net)*	0.86	7.98	-0.90	-13.98	-3.47

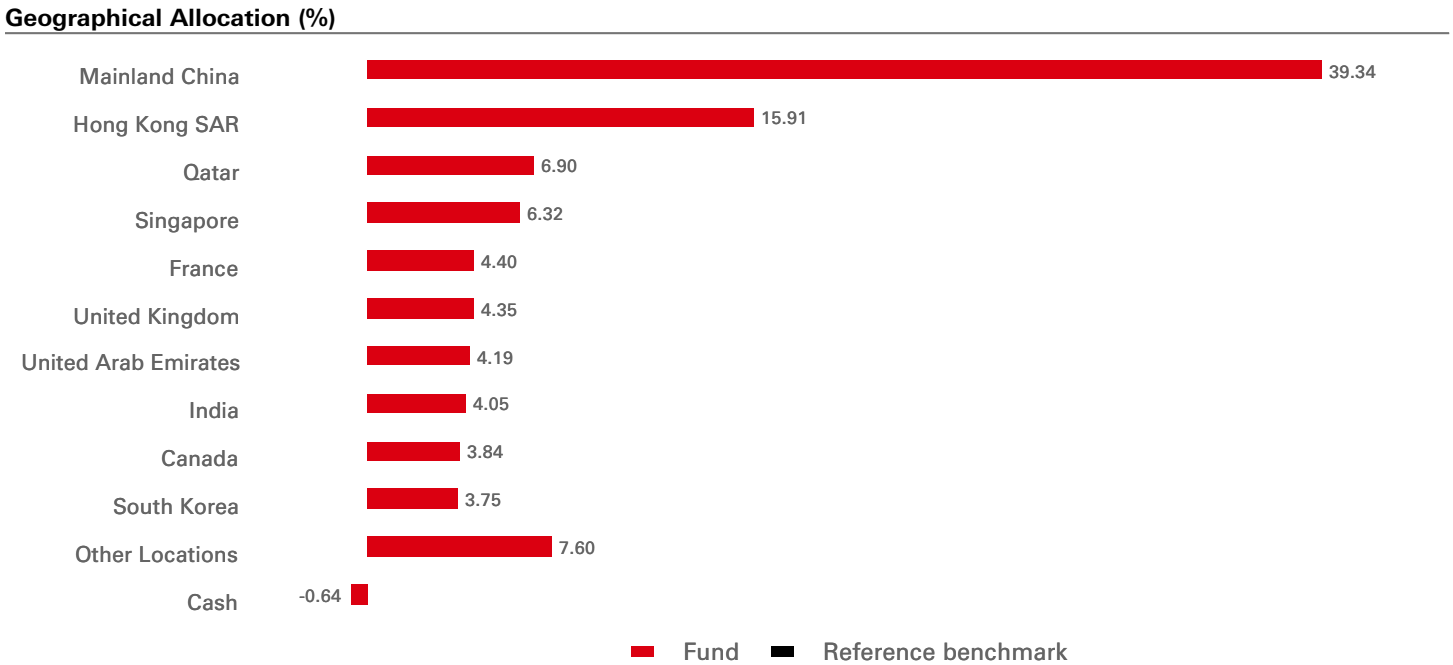
3-Year Risk Measures	ACOSGD	Reference benchmark	5-Year Risk Measures	ACOSGD	Reference benchmark
Volatility	6.77%	--	Volatility	6.27%	--
Sharpe ratio	-0.90	--	Sharpe ratio	-0.33	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	125	0	--
Yield to worst	3.13%	0.00%	3.13%
Yield to maturity	3.23%	0.00%	3.23%
OAD	3.86	0.00	3.86
Modified Duration to Worst	3.78	0.00	3.78
Option Adjusted Spread Duration	4.16	0.00	4.16
Average maturity	4.84	0.00	4.84
Rating average	A/A-	AAA	--
Number of issuers	79	1	--

Credit rating (%)	Fund	Reference benchmark	Relative	Region allocation (%)	Fund	Reference benchmark	Relative
AAA	1.17	--	--	Other CNH Bonds	54.60	--	--
AA	12.02	--	--	Mainland China CNY	35.58	--	--
A	67.93	--	--	Other USD Bonds	6.70	--	--
BBB	14.95	--	--	Mainland China USD	2.56	--	--
BB	1.79	--	--	Mainland China CNH	1.20	--	--
B	0.60	--	--	Cash	-0.64	--	--
CCC	0.07	--	--				
NR	2.11	--	--				
Cash	-0.64	--	--				

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The benchmark data is that of the reference benchmark of the fund, as this data is calculated at fund level rather than share class level. The reference benchmark of the fund is 100% Offshore Renminbi Overnight Deposit Rate
Source: HSBC Asset Management, data as at 29 February 2024

Maturity Breakdown (OAD)	Fund	Reference benchmark	Relative
0-2 years	0.48	--	--
2-5 years	0.94	--	--
5-10 years	1.10	--	--
10+ years	1.34	--	--
Total	3.86	--	--



Sector Allocation (%)	Fund	Reference benchmark	Relative
Banks	58.09	--	--
Government	18.23	--	--
Real Estate	10.91	--	--
Reits	3.45	--	--
Utilities	2.34	--	--
Consumer Cyclical	1.59	--	--
Investment Companies	1.58	--	--
Industrial	1.50	--	--
Energy	1.32	--	--
Diversified Finan serv	0.54	--	--
Other Sectors	1.10	--	--
Cash	-0.64	--	--

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

Top 10 Holdings	Weight (%)
CHINA GOVT BOND 3.320 15/04/52	4.33
UNITED OVERSEAS 4.500 06/04/32	3.16
AGRICUL DEV BANK 3.790 26/10/30	3.09
EX-IM BK IN/LNDN 3.450 25/06/26	3.01
EXP-IMP BK CHINA 3.380 16/07/31	2.85
QNB FINANCE LTD 3.150 04/02/26	2.80
BANK OF MONTREAL 3.850 17/06/25	2.47
CHINA DEV BANK 4.040 06/07/28	2.44
AGRICUL DEV BANK 2.970 14/10/32	2.32
LINK FIN CAYM 09 3.250 27/10/24	2.24

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

Monthly performance commentary

Review

Onshore RMB bonds returned positively in local terms amid the downward shifting China sovereign curve, while returning less positively in USD terms given the weakening RMB against the USD over the month. Meanwhile, offshore RMB bonds returned positively. In February, banks announced a larger-than-expected 25bp cut to the 5-year loan prime rate (LPR), while keeping the 1-year LPR rate unchanged. The larger-than-expected cut showed more determination by the policymakers to help support economic growth and it followed on easing across areas – liquidity injections, capital market support, property market easing. Meanwhile, the Chinese Securities Regulatory Commission (CSRC) had rolled out various policies to stabilise the capital markets, including to curb short-selling practices deemed malicious. The CSRC is also promoting investment value for shareholders, for example, by holding symposiums with large listed companies, to boost confidence in markets and to attract long-term investors. The China February PMI prints pointed to more solid domestic demand stemming from services consumption, based on the official gauge and has largely been reflected in the strong Lunar New Year data. However, there were conflicting signals in the manufacturing gauges, with the NBS PMI showing a slightly faster decline owing to weaker export orders, but the Caixin manufacturing PMI gauge showed the opposite. The inflation print showed a lower-than-expected fall in January, with both headline and core CPI falling YoY. In sequential terms, consumer prices accelerated in January, with both headline and core CPI rising. For January CPI data, seasonality played a big role, as the Lunar New Year fell in February this year compared with January last year, leading to a high base effect. Meanwhile, PPI stayed low, partly on the back of continued weakness in the property sector and stable global commodity prices in January. As for currency, the RMB depreciated against the USD over the month amid the USD resilience, while its performance was mixed against its EM peers.

Portfolio strategy

The fund returned positively in February. The fund benefited from its duration exposure amid a downward shifting sovereign yield curve amid a cut in the 5-year LPR, with the market continued to expect more easing measures to cushion the economy and lift the sentiment. On the other hand, the fund's FX exposure detracted as the RMB depreciated against the USD amid the dollar resilience. Elsewhere, the fund's yield carry help lifting the returns.

Over the month, we reduced exposure to Australia and UK banks, while adding exposure to UK bank subordinated debt, Philippines banks, and Hong Kong property. In terms of sector positioning, we have preference in China quasi-sovereigns and Hong Kong property. We retain our preference for high quality short-dated credit, including geographically diversified names from various sectors. The fund has a majority of its bond holdings in RMB denominated bonds with preference of offshore over onshore bonds, while maintaining some exposure to USD denominated bonds.

Outlook

The People Bank's of China (PBoC) cut in the 5-year LPR by 25 bps earlier this month has reflected the authorities' stepped-up effort to support the property sector. This was then followed by the announcement of 2024 growth target of 5% GDP growth and fiscal deficit of 3% at the National People's Congress (NPC) meeting alongside the RMB 1 trillion special China Government bond (CGB) and RMB 3.9 trillion Local Government bonds to cushion the persistent economic drag and mitigate any liquidity challenges. Nonetheless, investor confidence has remained weak and the CGB yields continued to consolidate around historical low levels. The CGB yields could continue to trend lower as the market continues to see more downside risks to growth and expecting more easing measures to follow through. The potential increase in bond supply together with fiscal support and a gradual resurgence of risk appetite could set a floor to CGB yields.

The return of foreign investors to the onshore bond market in recent months has also provided further support to the onshore RMB bonds. The onshore RMB bonds will continue to offer valuable diversification benefits due to their low correlation with global bonds. Meanwhile, the valuation of offshore RMB bonds remains appealing. Following a year of record issuances last year, we expect the trend of strong issuances of offshore RMB bonds to persist due to further progress in the RMB internationalization and China's comparatively lower yields in relation to global peers. Additionally, the good liquidity of the offshore RMB bonds will provide technical support to this space. On the currency front, we expect the RMB to serve as a key anchor for the appreciation of currencies in the Asia region, in anticipation of the repricing of the USD. The improved risk sentiment on the increasing policy measures aimed at bolstering property sector and stimulating economic growth should benefit the RMB. Furthermore, the ongoing internationalization of the RMB in trade settlement is likely to offer additional support to the currency.

Risk Disclosure

- The Fund may be concentrated in a limited number of securities, economic sectors and/or countries and as a result, may be more volatile and have a greater risk of loss than more broadly diversified funds.
- 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 USD	0.21	0.12	1.25	3.40	-0.14	-2.84	0.55
AC USD (Net)*	-2.71	-2.80	-1.70	0.38	-3.05	-3.79	-0.04
ACOSGD SGD	-0.14	-0.05	0.75	2.39	-1.92	-3.69	-0.19
ACOSGD SGD (Net)*	-3.05	-2.96	-2.19	-0.59	-4.78	-4.64	-0.78
AM2 USD	0.20	0.11	1.24	3.38	-0.15	-2.84	0.55
AM2 USD (Net)*	-2.72	-2.81	-1.71	0.37	-3.06	-3.79	-0.05
AM3OSGD SGD	-0.15	-0.05	0.75	2.40	-1.96	-3.69	-0.26
AM3OSGD SGD (Net)*	-3.06	-2.97	-2.18	-0.59	-4.82	-4.64	-0.85

Calendar year performance (%)	2019	2020	2021	2022	2023
AC USD	4.53	11.80	2.27	-10.95	1.11
AC USD (Net)*	1.49	8.54	-0.71	-13.54	-1.84
ACOSGD SGD	3.89	11.22	2.07	-11.40	-0.57
ACOSGD SGD (Net)*	0.86	7.98	-0.90	-13.98	-3.47
AM2 USD	4.53	11.79	2.27	-10.94	1.11
AM2 USD (Net)*	1.49	8.53	-0.71	-13.54	-1.84
AM3OSGD SGD	3.63	11.12	2.05	-11.37	-0.60
AM3OSGD SGD (Net)*	0.61	7.88	-0.92	-13.95	-3.49

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
ACOSGD	SGD	--	--	--	--
AM2	USD	Monthly	29 February 2024	0.025481	3.62%
AM3OSGD	SGD	Monthly	29 February 2024	0.011432	1.64%

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	25 October 2011	LU0692309627	USD	USD 5,000	12.64	0.750%	Accumulating
ACOSGD	28 February 2018	LU1560771518	SGD	USD 5,000	9.84	0.750%	Accumulating
AM2	30 June 2017	LU1560771435	USD	USD 5,000	8.58	0.750%	Distributing
AM3OSGD	30 June 2017	LU1560771609	SGD	USD 5,000	8.45	0.750%	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: $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n - 1)$, 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 29 February 2024