

HSBC Global Investment Funds

INDIA FIXED INCOME

Monthly report 31 December 2023 | Share class AM2



Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of Indian bonds and other similar securities.



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 Indian rupee denominated investment grade bonds, non-investment grade bonds and unrated bonds issued by government and corporate entities; investment grade, non-investment grade and unrated bonds issued by government, government-related entities and companies that are based in or carrying out the larger part of their business in India that are denominated in other currencies; cash and money market instruments; and other financial instruments such as structured products. The Fund may be subject to a limit on its investments in India. Where this is the case the Fund may invest in non-INR denominated fixed income securities or derivatives. The Fund may invest up to 100% in bonds issued by the Indian government and government-related entities. The Fund may invest up to 20% in cash and money market instruments. The Fund may invest up to 10% in contingent convertible securities and up to 10% in other 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.

Share Class Details

Key metrics

NAV per Share	USD 6.71
Performance 1 month	1.46%
Yield to maturity	7.11%

Fund facts

UCITS V compliant	Yes
Subscription mode	Cash
Dividend treatment	Distributing
Distribution Frequency	Monthly
Dividend ex-date	28 December 2023
Dividend annualised yield	7.65%
Last Paid Dividend	0.041323
Dealing frequency	Daily
Valuation Time	17:00 Luxembourg
Share Class Base Currency	USD
Domicile	Luxembourg
Inception date	29 June 2017
Fund Size	USD 741,522,283
Managers	Sanjay B Shah Fouad Mouadine William GOH

Fees and expenses

Minimum initial investment (SG) ¹	USD 1,000
Maximum initial charge (SG)	3.000%
Management fee	1.100%

Codes

ISIN	LU1560771195
Bloomberg ticker	HSIFAM2 LX

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

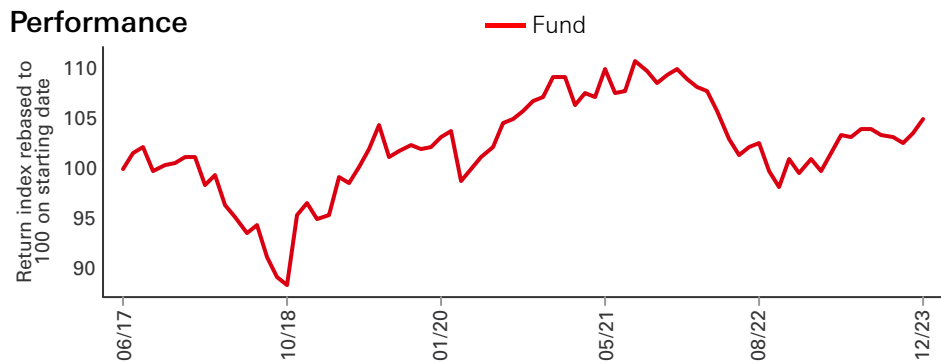
Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis. For comparison with benchmark.

*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 KIID before making any final investment decisions.

Source: HSBC Asset Management, data as at 31 December 2023

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AM2	5.46	1.46	1.85	0.93	5.46	-1.28	1.70
AM2 (Net)*	2.39	-1.49	-1.12	-2.01	2.39	-2.25	1.10

Calendar year performance (%)	2019	2020	2021	2022	2023
AM2	5.96	6.72	0.78	-9.48	5.46
AM2 (Net)*	2.87	3.61	-2.15	-12.12	2.39

3-Year Risk Measures	AM2	Reference benchmark	5-Year Risk Measures	AM2	Reference benchmark
Volatility	5.16%	--	Volatility	5.69%	--
Sharpe ratio	-0.65	--	Sharpe ratio	-0.03	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	74	--	--
Average coupon rate	6.73	--	--
Yield to worst	7.11%	--	--
Yield to maturity	7.11%	--	--
Current yield	6.75%	--	--
OAD	4.92	--	--
Modified Duration to Worst	4.90	--	--
Average maturity	6.98	--	--
Number of issuers	24	--	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (OAD)	Fund	Reference benchmark	Relative
BBB	74.67	--	--	0-2 years	0.06	--	--
BB	1.30	--	--	2-5 years	0.87	--	--
NR	22.40	--	--	5-10 years	2.75	--	--
Cash	1.63	--	--	10+ years	1.25	--	--
				Cash	0.00	--	--
				Total	4.92	--	--

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Source: HSBC Asset Management, data as at 31 December 2023

Sector Allocation (%)	Fund	Reference benchmark	Relative
Sovereign	64.90	--	--
Diversified Finan Serv	10.67	--	--
Bank	10.37	--	--
Regional(state/provnc)	7.09	--	--
Transportation	2.70	--	--
Oil & gas	1.27	--	--
Iron/Steel	0.68	--	--
Electric	0.42	--	--
Auto Manufacturers	0.27	--	--
Cash	1.63	--	--

Top 10 Holdings	Weight (%)
INDIA GOVT BOND 7.180 24/07/37	7.40
INDIA GOVT BOND 7.260 22/08/32	6.21
INDIA GOVT BOND 7.170 08/01/28	5.83
INDIA GOVT BOND 7.170 17/04/30	5.72
INDIA GOVT BOND 6.540 17/01/32	5.17
INDIA GOVT BOND 7.260 14/01/29	5.01
INDIA GOVT BOND 7.100 18/04/29	4.89
INDIA GOVT BOND 7.260 06/02/33	4.57
INDIA GOVT BOND 7.180 14/08/33	4.13
INDIA GOVT BOND 7.060 10/04/28	4.08

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

Monthly performance commentary

Review

The Indian domestic bond market ended December higher amid the downward shift in Indian sovereign yield curve over the month. Similarly, corporate yield curve shifted downwards over the month. Against the backdrop of lower US yields and a weaker dollar since the October policy meeting, the RBI kept the policy repo rate unchanged, in line with expectations, and held on to its “withdrawal of accommodation” stance. It raised its current year growth forecast markedly, while maintaining its inflation forecast. Meanwhile, the RBI did not announce any new liquidity tightening measure this time around, after announcing new measures in the last few meetings, signalling that the bank was more comfortable with prevailing liquidity conditions. November CPI inflation rose YoY, lower than expected, with rising sequential momentum, mainly from food prices. Core inflation remained soft, while growing on a sequential basis, despite lower than its long-term average. The Manufacturing PMI index softened in December but remained above its long-term-average. There was a gradual normalization in activity as manufacturing output has been softening since August, but momentum was still strong. Input prices have also been softening since mid-2023, allowing producers to cut output prices while still holding on to corporate margins. The October Index of Industrial Production rose YoY. On a sequential basis, the index was up after a sharp contraction in the previous month. The underlying momentum of the IP index, however, has softened since July. Manufacturing was flat, after contracting sequentially for four straight months. Of which, electricity and mining reported a strong sequential uptick in October. Meanwhile, consumer goods output remained in the red on a sequential basis. Within consumer goods, durables output grew while non-durables contracted, indicative of a weak rural demand. To highlight, the output of both durables and non-durables have been below pre-pandemic levels for the past two months. Production of capital and infra goods was a mixed bag, with capital goods output growing after a weak September, while infra and construction goods remained in the red for the fifth month. The INR appreciated against the USD in December given the softening greenback amid the Fed’s dovish tilt.

Portfolio strategy

The fund returned positively in December. The fund’s duration exposure contributed the most to the returns given the downward shifting sovereign yield curve as the RBI continued to stay put on its monetary policy. Meanwhile, FX exposure also contributed positively given the appreciation of the INR against the USD over the month due to softening greenback amid the Fed’s dovish tilt. On the other hand, the fund’s credit exposure detracted from the returns, mainly from India sovereigns. Elsewhere, yield carry continued to lift the returns.

In terms of the fund’s strategy, we are neutral duration as a view given the continual pause in rate hike by the RBI. We continue to prefer government bonds over corporates that currently have tight spreads, favouring 5 - 14 year tenor for better risk-reward. That said, we remain constructive on INR corporate bonds and prefer government services names that offer yield pick-up and similar interest rate risk profile against the sovereign bonds. We are holding a certain exposure to offshore USD bonds to counter the additional withholding tax and lock in the benefit from higher UST yields.

Outlook


The 10-year Indian government bond yields have continued to decline in sympathy with the falling global bond yields amid signs of disinflation in the US and dovish notes from the Fed. The Indian Rupee (INR) was slightly stronger this month due to the weakness in US dollar. The INR showed remarkable resilience against the US dollar over 2023 and outperformed other Asian currencies thanks to the Reserve bank of India’s (RBI)’s timely intervention to curb the FX volatility. The strong foreign inflows into the domestic market also provided support to the INR. Going into 2024, the currency could see more upside with the persistent weakness in US Dollar and lower oil prices together with strong services exports narrowing the current account deficit.

The supply demand dynamics are in favour for the India government bonds. The supply is expected to be lower in the coming years due to fiscal consolidation, while the index inclusion of India government bonds is set to boost demand. Meanwhile, various fiscal and trade policy measures have been effectively mitigating volatile food prices and bringing down inflation, we believe that inflation will ease further and fall to the RBI’s 2-6% target range over the course of 2024. We also see that the Indian policy rates have peaked and the mounting risk of global slowdown would allow the RBI to take an accommodative stance. Overall, the cooling inflation, peaking policy rate alongside rate cut expectations in 2024 are positive for India bonds.

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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Performance is annualised when calculation period is over one year. Net of relevant prevailing sales charge on a single pricing (NAV) basis, calculated on the basis that dividends are reinvested.

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HSBC Global Asset Management (Singapore) Limited
10 Marina Boulevard, Marina Bay Financial Centre, Tower 2, #48-01, Singapore 018983

Telephone: (65) 6658 2900 Facsimile: (65) 6225 4324

Website: www.assetmanagement.hsbc.com/sg

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	5.45	1.47	1.84	0.93	5.45	-1.28	1.70
AC USD (Net)*	2.38	-1.49	-1.13	-2.01	2.38	-2.24	1.11
ACSGD SGD	3.72	0.29	-1.58	-1.62	3.72	-1.34	1.04
ACSGD SGD (Net)*	0.70	-2.63	-4.45	-4.49	0.70	-2.30	0.45
AD USD	5.45	1.45	1.83	0.92	5.45	-1.29	1.69
AD USD (Net)*	2.38	-1.50	-1.13	-2.02	2.38	-2.26	1.09
AM2 USD	5.46	1.46	1.85	0.93	5.46	-1.28	1.70
AM2 USD (Net)*	2.39	-1.49	-1.12	-2.01	2.39	-2.25	1.10
AM3OSGD SGD	3.84	1.32	1.38	0.01	3.84	-1.96	1.01
AM3OSGD SGD (Net)*	0.82	-1.63	-1.57	-2.90	0.82	-2.92	0.41

Calendar year performance (%)	2019	2020	2021	2022	2023
AC USD	5.98	6.72	0.78	-9.47	5.45
AC USD (Net)*	2.89	3.61	-2.15	-12.10	2.38
ACSGD SGD	4.54	4.89	2.81	-9.93	3.72
ACSGD SGD (Net)*	1.50	1.84	-0.18	-12.55	0.70
AD USD	5.96	6.72	0.77	-9.48	5.45
AD USD (Net)*	2.87	3.61	-2.17	-12.12	2.38
AM2 USD	5.96	6.72	0.78	-9.48	5.46
AM2 USD (Net)*	2.87	3.61	-2.15	-12.12	2.39
AM3OSGD SGD	5.10	6.16	0.59	-9.79	3.84
AM3OSGD SGD (Net)*	2.04	3.07	-2.34	-12.42	0.82

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Source: HSBC Asset Management, data as at 31 December 2023

Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
ACSGD	SGD	--	--	--	--
AD	USD	Annually	31 May 2023	0.380486	5.05%
AM2	USD	Monthly	28 December 2023	0.041323	7.65%
AM3OSGD	SGD	Monthly	28 December 2023	0.031202	5.78%

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	20 August 2012	LU0780247804	USD	USD 5,000	13.36	1.100%	Accumulating
ACSGD	3 December 2015	LU1317426903	SGD	USD 5,000	11.38	1.100%	Accumulating
AD	18 January 2013	LU0780247986	USD	USD 5,000	7.67	1.100%	Distributing
AM2	29 June 2017	LU1560771195	USD	USD 5,000	6.71	1.100%	Distributing
AM3OSGD	30 June 2017	LU1560771351	SGD	USD 5,000	6.66	1.100%	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.

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 December 2023