

HSBC Global Investment Funds

ASIA BOND

Monthly report 29 February 2024 | Share class AM3HSGD



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 rated bonds and unrated bonds issued by governments, government-related entities, supranational entities or 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 and mortgage-backed securities. 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. 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	SGD 7.56
Performance 1 month	-0.48%
Yield to maturity	6.05%

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	4.95%
Last Paid Dividend	0.030450
Dealing frequency	Daily
Valuation Time	17:00 Luxembourg
Share Class Base Currency	SGD
Domicile	Luxembourg
Inception date	13 April 2018
Fund Size	USD 365,324,860
Managers	Ming Leap Alfred Mui

Fees and expenses

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

Codes

ISIN	LU1560770627
Bloomberg ticker	HSABAM3 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.

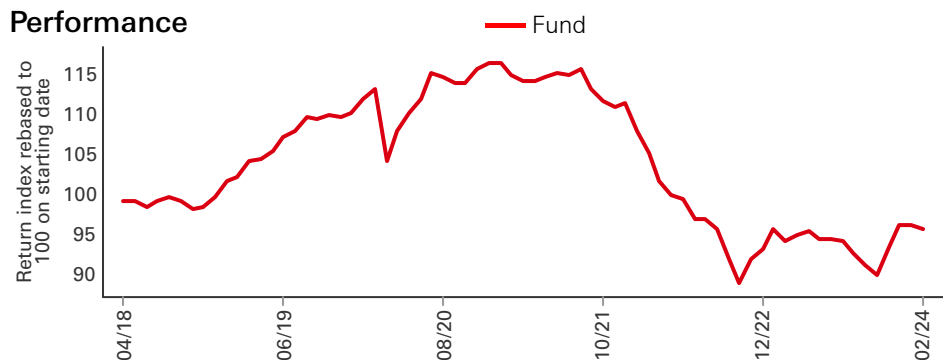
*Share class denoted with "(Net)" refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied.

This is a marketing communication. Please refer to the prospectus and to the KID 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 29 February 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AM3HSGD	-0.68	-0.48	2.26	3.04	1.56	-5.88	-1.29
AM3HSGD (Net)*	-3.57	-3.38	-0.72	0.04	-1.40	-6.80	-1.87

Calendar year performance (%)	2019	2020	2021	2022	2023
AM3HSGD	10.33	5.70	-4.33	-16.34	3.41
AM3HSGD (Net)*	7.12	2.62	-7.12	-18.78	0.40

3-Year Risk Measures	AM3HSGD	Reference benchmark	5-Year Risk Measures	AM3HSGD	Reference benchmark
Volatility	6.35%	--	Volatility	6.89%	--
Sharpe ratio	-1.31	--	Sharpe ratio	-0.46	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	305	1,242	--
Yield to worst	5.92%	5.65%	0.28%
Yield to maturity	6.05%	5.65%	0.40%
Modified Duration to Worst	5.22	4.87	0.35
Option Adjusted Spread Duration	4.99	4.87	0.12
Average maturity	7.77	6.82	0.95
Rating average	BBB+/BBB	A-/BBB+	--
Number of issuers	184	411	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (OAD)	Fund	Reference benchmark	Relative
AAA	1.17	1.17	0.00	0-2 years	0.27	0.31	-0.03
AA	6.59	14.62	-8.03	2-5 years	1.03	1.12	-0.09
A	26.84	32.66	-5.82	5-10 years	1.32	1.29	0.03
BBB	53.19	45.20	7.98	10+ years	2.57	2.15	0.42
BB	9.13	2.21	6.92	Total	5.19	4.87	0.33
B	2.46	0.47	1.99				
CCC	0.55	0.77	-0.22				
CC	0.08	0.04	0.05				
NR	0.93	2.87	-1.94				
Cash	-0.93	--	-0.93				

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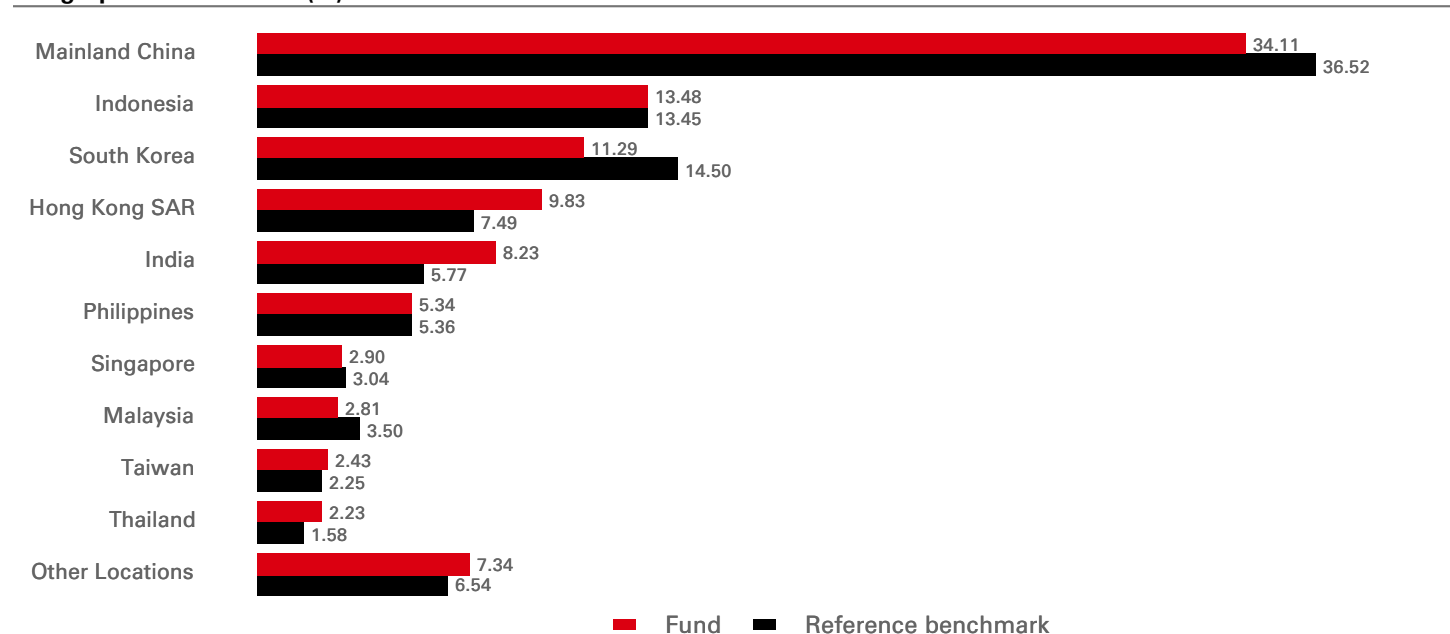
*Share class denoted with "(Net)" refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied.

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% Markit iBoxx USD Asia Bond

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

Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	97.75	100.00	-2.25
JPY	1.26	--	1.26
IDR	1.17	--	1.17
KRW	0.75	--	0.75
SGD	0.31	--	0.31
THB	0.28	--	0.28
CNY	0.27	--	0.27
GBP	0.00	--	0.00
AUD	0.00	--	0.00
CAD	0.00	--	0.00
Other Currencies	-1.80	--	-1.80

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Banks	16.55	9.62	6.93
Government	13.21	24.00	-10.79
Energy	12.47	10.29	2.19
Diversified Finan serv	9.04	8.54	0.50
Communications	8.88	7.00	1.88
Consumer Cyclical	8.68	7.16	1.52
Basic Materials	5.27	3.87	1.40
Utilities	5.20	7.77	-2.58
Consumer Non cyclical	4.46	2.81	1.66
Industrial	4.20	5.12	-0.93
Other Sectors	12.97	13.82	-0.85
Cash	-0.93	--	-0.93

Top 10 Holdings	Weight (%)
TSMC GLOBAL LTD 1.250 23/04/26	2.43
STANDARD CHART 7.875	1.88
BANK OF CHINA 5.000 13/11/24	1.80
HONG KONG 4.000 07/06/33	1.64
PHILIPPINES(REP) 4.200 29/03/47	1.57
ZHONGSHENG 3.000 13/01/26	1.37
PHILIPPINES(REP) 2.950 05/05/45	1.31
INDONESIA (REP) 4.200 15/10/50	1.29
AIRPORT AUTH HK 2.100	1.24
TENCENT HOLDINGS 3.800 11/02/25	1.20

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

Monthly performance commentary

Market Review

The Asia credit market posted slight positive returns in February. The US Treasury yields were up, driven by strength in labour market and inflation data as well as tepid investment demand for various Treasury auctions. Overall, 2-year treasury yields rose 41 bps while 10-year yields rose 34 bps.

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.

Portfolio strategy

In February, the fund returned slightly negatively in absolute terms, due to the uptick in US Treasury yields, but it has outperformed the benchmark on a relative basis. The fund benefited the most from its yield carry as we maintained a higher portfolio yield against the benchmark. The fund also benefited from our favourable selection in China IG corporates and India HY renewables as well as overweight in Macau gaming.

In terms of positioning, we are also overweight China consumer and industrial sectors in a selective manner. In addition, we are overweight the China TMT sector given the removal of regulatory risks and improving sector fundamentals. The fund continues to hold an overweight stance in bank subordinated debt given its relatively defensive nature and attractive yields, particularly those in China and Korea. On the other hand, we are underweight the China property sector as the physical housing market remained weak given the continual decline in home sales. We also remain underweight sovereign and quasi-sovereign bonds given their broadly speaking lower yields than other sectors. Similarly, we are also underweight China and Korea. The fund continues to hold an underweight stance in banks, primarily through an underweight in the China bank senior debt. We are long in duration positioning in view of the downward trend of US Treasury yields. We have also used interest rate futures to help manage our duration exposure actively.

Outlook

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.

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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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 29 February 2024

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 **HSBC Asset Management**

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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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	-0.33	-0.30	2.77	4.06	3.37	-5.15	-0.63
AC USD (Net)*	-3.24	-3.21	-0.23	1.03	0.36	-6.08	-1.21
AM3HSGD SGD	-0.68	-0.48	2.26	3.04	1.56	-5.88	-1.29
AM3HSGD SGD (Net)*	-3.57	-3.38	-0.72	0.04	-1.40	-6.80	-1.87
S47M3HSGD SGD	-0.67	-0.47	2.27	3.09	--	--	--
S47M3HSGD SGD (Net)*	-3.56	-3.37	-0.71	0.09	--	--	--

Calendar year performance (%)	2019	2020	2021	2022	2023
AC USD	11.10	6.17	-4.20	-16.08	5.07
AC USD (Net)*	7.86	3.08	-6.99	-18.52	2.01
AM3HSGD SGD	10.33	5.70	-4.33	-16.34	3.41
AM3HSGD SGD (Net)*	7.12	2.62	-7.12	-18.78	0.40
S47M3HSGD SGD	--	--	--	--	--
S47M3HSGD SGD (Net)*	--	--	--	--	--

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	29 February 2024	0.030450	4.95%
S47M3HSGD	SGD	Monthly	29 February 2024	0.040292	4.94%

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	10.17	1.100%	Accumulating
AM3HSGD	13 April 2018	LU1560770627	SGD	USD 5,000	7.56	1.100%	Distributing
S47M3HSGD	2 August 2023	LU2585153823	SGD	USD 100,000	10.00	0.950%	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