

HSBC Investment Funds - Gilt & Fixed Interest Fund

Share Class Income C

31 May 2021

Fund Objective and Strategy

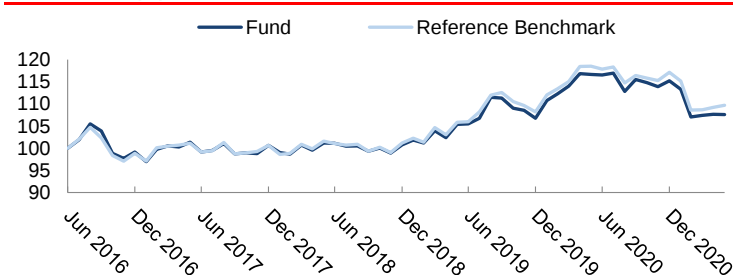
Investment Objective

The Fund aims to provide higher returns (before charges and tax are deducted from the Fund) than the FTSE Actuaries UK Conventional Gilts All Stocks Index plus 0.75% per year, over three-year periods.

Investment Policy

To achieve its objective, the Fund will invest at least 95% of its value in bonds that have a credit rating the same or higher than that of the UK and are issued in sterling or hedged back to sterling. The bonds may be issued by governments and government-backed organisations which may be located anywhere in the world. The Fund will invest at least of 80% of its value in bonds issued by the UK government (gilts). The Fund is managed with reference to the FTSE Actuaries UK Conventional Gilts All Stocks Index. The fund manager aims to generate returns in excess of the FTSE Actuaries UK Conventional Gilts All Stocks Index plus 0.75% per year, over three-year periods, before charges and tax are deducted from the Fund. This is based on our current view of returns the Fund may potentially achieve, which may change. The fund manager is not limited to investing in bonds that are part of the FTSE Actuaries UK Conventional Gilts All Stocks Index. The FTSE Actuaries UK Conventional Gilts All Stocks Index is also considered as part of our investment risk monitoring process, to check that the overall level of risk taken by the fund manager is not inconsistent with the UK government bond (gilts) market. The performance of the Fund is shown against the performance of the FTSE Actuaries UK Conventional Gilts All Stocks Index plus 0.75% per year.

Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹
Income C	-6.58	-0.03	0.54	-7.75	2.08	2.52
Reference Benchmark	-6.05	0.49	1.18	-6.73	3.36	3.76

Rolling Performance (%)	31 May 2020-31 May 2021	31 May 2019-31 May 2020	31 May 2018-31 May 2019	31 May 2017-31 May 2018	31 May 2016-31 May 2017
Income C	-7.75	10.67	4.18	-0.19	6.69
Reference Benchmark	-6.73	12.82	4.92	1.25	7.61

Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

Source: HSBC Global Asset Management, data as at 31 May 2021

Share Class Details

UCITS V Compliant	Yes
ISA Eligible	Yes
Distribution Type	Distributing
Distribution Frequency	Quarterly
Dividend ex-date	16 Apr 2021
Dividend Yield ²	1.54%
Last Paid Dividend	0.0027
Dealing Frequency	Daily
Valuation Time	12:00 United Kingdom
Min. Initial Investment	GBP 1,000,000
Ongoing Charge Figure ³	0.400%
Share Class Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00B7ZPX096
Share Class Inception Date	03 Dec 2012
NAV per Share	GBP 0.73
Fund Size	GBP 51,155,005
Bloomberg Ticker	HSGFICI LN
SEDOL	B7ZPX09
Reference Benchmark	FTSE Actuaries UK Conventional Gilts All Stocks Index plus 0.75% per year
Manager	Richard Balfour

Risk Disclosure

- The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- 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.
- 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.
- Liquidity is a measure of how easily the Fund's holdings can be quickly converted to cash. The value of the Fund's holdings may be significantly impacted by liquidity risk during adverse market conditions.
- Further information on the Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

¹Result is annualised when calculation period is over one year.

²Dividend Yield: represents the ratio of distributed income over the last 12 months to the fund's current Net Asset Value.

³Ongoing Charges Figure, is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

3-Year Risk Measures	Income C	Reference Benchmark	5-Year Risk Measures	Income C	Reference Benchmark
Volatility	6.65%	-	Volatility	7.02%	-
Sharpe Ratio	0.23	-	Sharpe Ratio	0.29	-
Tracking Error	1.34%	-	Tracking Error	1.42%	-
Information Ratio	-0.38	-	Information Ratio	-0.33	-

Characteristics	Fund	Reference Benchmark	Relative	Characteristics	Fund	Reference Benchmark	Relative
Number of Holdings ex Cash	41	54	-	Current Yield (Gross)	1.92	2.06	-0.14
Average Coupon	2.58	2.70	-0.12	Modified Duration to Worst	11.42	11.91	-0.49
Option Adjusted Duration (OAD)	11.52	12.05	-0.53	Rating Average ⁴	AA/AA-	AA-	-
Yield to Worst (Gross)	0.84	0.80	0.04	Maturity Average	14.93	15.46	-0.53
Yield to Maturity (Gross)	0.84	0.80	0.04	Number of Issuers	3	1	-

Credit Quality Rating Allocation (Market Value %)	Fund	Reference Benchmark	Relative	Sector Allocation (Market Value %)	Fund	Reference Benchmark	Relative
AAA	8.24	-	8.24	Gilts	83.81	95.40	-11.60
AA	88.66	100.00	-11.34	Sovereigns	15.38	4.60	10.78
A	2.28	-	2.28	Cash	0.82	-	0.82
Cash	0.82	-	0.82				

Sorted from highest to lowest rating. Cash is not included in any rating.

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference Benchmark	Relative
0-3 years	0.21	0.28	-0.07
3-5 years	0.60	0.41	0.19
5-10 years	0.61	1.35	-0.74
10-15 years	1.14	1.16	-0.03
15-20 years	1.18	1.14	0.05
20-30 years	3.31	3.40	-0.09
30+ years	4.47	4.30	0.17
Total	11.52	12.05	-0.53

Sorted from shortest to longest per the length of maturity.

Top 10 Holdings (%)	Weight (%)
UK TSY GILT 4.250 07/12/55	6.19
UK TSY GILT 4.750 07/12/30	5.24
UK TSY GILT 0.125 31/01/23	5.17
UK TSY GILT 0.625 07/06/25	4.47
UK TSY GILT 4.250 07/06/32	4.16
US TREASURY N/B 0.125 30/09/22	4.13
US TREASURY N/B 1.500 15/02/30	4.11
UK TSY GILT 5.000 07/03/25	3.96
UK TSY GILT 2.500 22/07/65	3.93
UK TSY GILT 0.125 30/01/26	3.77

⁴ Average credit rating uses 'Index rating' which is an average of S&P, Fitch, Moody's. The average fund and benchmark rating does not include securities rated NR or NA.

Monthly Performance Commentary

Strategy

The underweight duration position in Gilts had a negative effect over the month as yields fell in May. This position was maintained during the month. We maintained the long Spain overweight position which was neutral to performance as spreads widened during the former part of the month, impacted by previous concerns of an ECB tapering in June, which was later reversed during the latter part of the month.

Outlook

The UK economy is expected to experience a near term bounce in activity levels due to high vaccination rates and the expected loosening of social distancing measures. Consequently, yields could rise further and higher expected inflation will likely add to the bearish momentum but the magnitude of any move should be highly dependent on developments for US Treasuries. UK headline inflation remained below target in Q1 and we believe it to converge slowly to the 2% target due to the Covid-19 disinflationary impact. Core inflation is likely to remain subdued due to economic slack and wage growth is expected to benefit from the reopening of the economy although slack in labour market is still large. The impact of BoE monetary policy on UK rates markets is seen as neutral at the moment.

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Contact Information

UK Investor/Adviser Tel: 0800 358 3011

Lines are open 9am to 5pm Monday to Friday (excluding public holidays). To help the ACD and the Administrator continually improve their services and in the interests of security, they may monitor and/or record your communications with them.

Terms of Glossary

Accumulation Share: a type of share where the income earned by the Fund is retained in the Fund

ACD: HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director of the Company

Actively Managed: where the fund manager uses their expertise to pick investments to achieve the fund's objectives

Beta: an historical measure of volatility to measure how a fund moves versus its benchmark (i.e. an Index)

Bond(s): a loan, usually to a company or government, that pays interest

Bond Index Futures: a contract stating that the holder agrees to purchase a bond index at a particular price on a specified future date

Collective Investment Scheme: a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property

Credit Rating: an assessment of the credit risk of a company, government or other organisation. It seeks to measure how likely it is that the issuer of a bond will be able to continue to make interest payments and repay the money loaned to it

Developed Markets: countries with relatively high levels of personal income and established economies

Duration: a measure of how long it takes in years for an investor in a bond to recoup the price they paid for the bond from its interest payments. It provides an indication of how much bond prices are likely to change if and when interest rates change

Emerging Markets (EM): countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body

Futures: a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price

Growth: the increase in the value of investments

Government Bond or Gilt: a loan to a national government in return for regular payments (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date. Gilts are loans to the UK government

Hedge Funds: an investment fund that pools money from investors and invests in a variety of assets, often with complex investment strategies and risk management techniques

Hedge or Hedging: using derivative type investments as a way to reduce risk

High yield bond: a bond paying a higher level of interest but which has a lower credit rating than investment grade

Income: money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or paid back into the fund and reinvested

Income Share: the type of Share where the income earned by the Fund is paid out to you

Information Ratio: a measure of the risk-adjusted return of a fund against its benchmark

Investment Grade: a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it

Maturity: the period of time left for a bond or gilt to remain outstanding before the original loan and any final interest is repaid to the lender

Net Asset Value (NAV): the value of the scheme property of a fund less the liabilities of the fund

Ongoing Charges Figure: a measure of what it costs to invest in a fund. It includes the fee paid to the ACD and other operating costs

Option adjusted duration (OAD): a duration value based on the probability of early redemption call by the bond issuer

Option adjusted spread duration (OASD): estimates the price sensitivity of a bond to a 100 basis-point movement (either widening or narrowing) in its spread relative to treasuries, taking into account the likelihood of early redemption

Property-related securities: shares of property companies that own, manage or develop property and Real Estate Investment Trusts (REITs), which are investment companies that own buildings and land

Return(s): the money made or lost on an investment

Share(s): an equally valued holding in a fund of a company, representing part ownership of that fund, (including larger denomination shares and smaller denomination shares)

Sharpe ratio: a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations

Volatility: a measure of the size and frequency of changes in the value of an investment over a short space of time

Yield: the income from an investment, usually stated as a percentage of the value of the investment

Yield to Maturity: the total return anticipated on a bond if the bond is held until the end of its lifetime, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage

Yield to Worst: the lowest potential yield that can be received on a bond without the issuer actually defaulting, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage