HSBC Asset Management

HSBC Global Investment Funds

GLOBAL HIGH YIELD BOND

Monthly report 31 October 2021 | Share class XC

Investment objective

The Fund aims to provide capital growth and income by investing in a portfolio of non-investment grade bonds (denominated in US dollars).

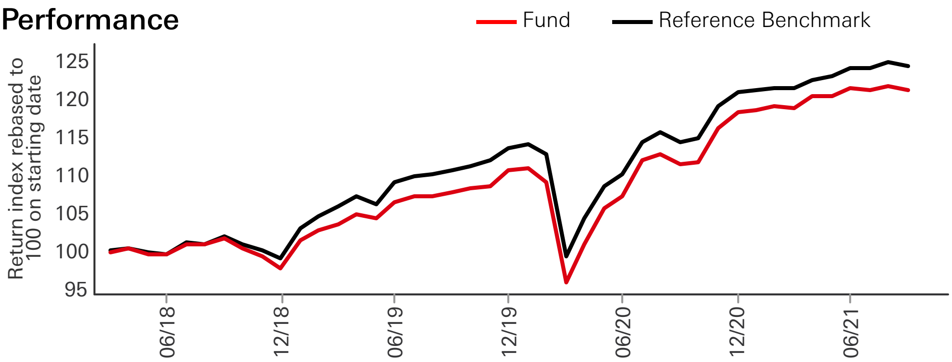
Investment strategy

In normal market conditions, the Fund will invest at least 90% of its assets in non-investment grade bonds and unrated bonds issued by governments, government-related entities, supranational entities and companies that are based in developed and emerging markets. The Fund may invest up to 30% in investment Grade bonds to manage liquidity and up to 10% in asset-backed securities. The Fund may invest up to 10% in onshore Chinese bonds which are issued within the People's Republic of China and traded on the China Interbank Bond Market. The Fund may invest up to 10% in securities issued by or guaranteed by any single government issuer with a credit rating below investment grade. The Fund may invest up to 10% in convertible bonds and up to 15% in contingent convertible securities. The Fund may invest up to 10% in other funds, including HSBC funds. The Fund will normally hedge non-USD exposures into USD. The exposure to non-USD currencies will be up to 20% of assets. 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.
- Investing in assets denominated in a currency other than that of the investor's own currency exposes the value of the investment to exchange rate fluctuations
- 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.

Performance



Share class details

Key metrics	
NAV per share	**USD 12.00**
Performance 1 month	**-0.96%**
Yield to maturity	**5.49%**
Fund facts	
UCITS V compliant	**Yes**
UK reporting fund status (UKRS)	**Yes**
ISA eligible	**No**
Dividend treatment	**Accumulating**
Dealing frequency	**Daily**
Valuation time	**17:00 Luxembourg**
Share class base currency	**USD**
Domicile	**Luxembourg**
Inception date	**19 March 2018**
Fund size	**USD 1,781,860,420**
Reference benchmark	**100% ICE BofA Merrill Lynch Global High Yield BB-B Constrained Hedged USD**
Managers	**Mary Gottshall Bowers**
Fees and expenses	
Minimum initial investment[1]	**USD 10,000,000**
Ongoing charge figure[2]	**0.640%**
Codes	
ISIN	**LU1791447193**
Bloomberg ticker	**HSGHBXC LX**
SEDOL	**BFZ1HW3**

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

[2]Ongoing 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.

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 Asset Management, data as at 31 October 2021

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
XC	**1.51**	**-0.96**	**-0.96**	**-0.10**	**7.49**	**6.21**	**--**	**5.17**
Reference Benchmark	1.88	-0.77	-0.56	0.61	7.42	6.99	--	5.93

Rolling performance (%)	31/10/2020-31/10/2021	31/10/2019-31/10/2020	31/10/2018-31/10/2019	31/10/2017-31/10/2018	31/10/2016-31/10/2017
XC	**7.49**	**3.26**	**7.93**	**--**	**--**
Reference Benchmark	7.42	3.23	10.44	--	--

3-Year Risk Measures	XC	Reference Benchmark
Volatility	9.42%	8.97%
Sharpe ratio	0.53	0.64
Tracking error	1.04%	--
Information ratio	-0.75	--

5-Year Risk Measures	XC	Reference Benchmark
Volatility	--	--
Sharpe ratio	--	--
Tracking error	--	--
Information ratio	--	--

Fixed Income Characteristics	Fund	Reference Benchmark	Relative
No. of holdings ex cash	515	3,504	--
Average coupon rate	5.76	5.13	0.64
Yield to worst	5.05%	4.21%	0.84%
Option adjusted duration	3.30	4.09	-0.79
Modified duration to worst	3.58	3.96	-0.39
Option adjusted spread duration	3.52	3.97	-0.44
Average maturity	4.43	5.07	-0.63
Rating average	BB-/B+	BB/BB-	--
Number of issuers	360	1511	--

Credit rating (%)	Fund	Reference Benchmark	Relative
A	0.21	--	0.21
BBB	1.55	1.30	0.24
BB	40.27	64.22	-23.95
B	40.92	32.79	8.12
CCC	13.05	1.35	11.70
C	--	0.03	-0.03
NR	0.05	--	0.05
Cash	3.95	0.31	3.64

Sleeve maturity breakdown (%)	Fund	Reference Benchmark	Relative
USD	64.27	57.21	7.05
Emerging Markets	15.99	19.84	-3.85
EUR	13.02	22.94	-9.92
Overlay	6.72	--	6.72

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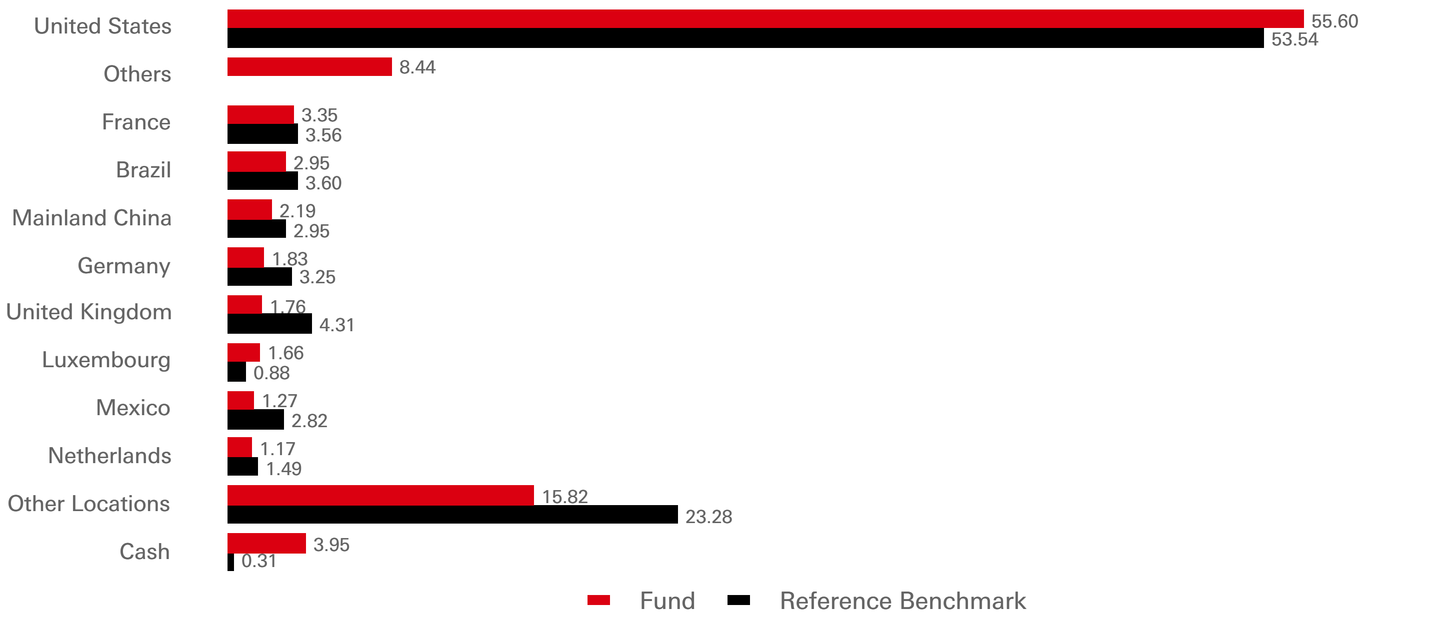
Source: HSBC Asset Management, data as at 31 October 2021

Maturity Breakdown (Option adjusted duration)	Fund	Reference Benchmark	Relative
0-2 years	0.20	0.32	-0.12
2-5 years	1.45	1.41	0.04
5-10 years	1.43	1.61	-0.18
10+ years	0.22	0.74	-0.53
Total	**3.30**	**4.09**	**-0.79**

Currency Allocation (%)	Fund	Reference Benchmark	Relative
USD	99.69	100.00	-0.31
EUR	0.31	--	0.31
HKD	0.00	--	0.00
GBP	0.00	--	0.00
MXN	0.00	--	0.00
AUD	0.00	--	0.00
ZAR	0.00	--	0.00
JPY	0.00	--	0.00

Geographical allocation (%)



Sector allocation (%)	Fund	Reference Benchmark	Relative
Consumer Cyclical	21.34	16.06	5.28
Financial Institutions	12.65	15.03	-2.38
Communications	11.35	14.93	-3.57
Energy	10.06	9.81	0.25
Consumer Non cyclical	9.65	11.60	-1.95
Mutual Fund	8.44	--	8.44
Basic Industry	5.01	6.41	-1.40
Capital Goods	4.86	6.77	-1.91
Technology	4.52	4.21	0.31
Agencies	3.59	7.12	-3.54
Other Sectors	4.59	7.75	-3.17
Cash	3.95	0.31	3.64

Source: HSBC Asset Management, data as at 31 October 2021

Top 10 holdings	Weight (%)
GRUBHUB HOLDINGS 5.500 01/07/27	1.31
MACY'S RETAIL 5.875 01/04/29	1.24
GLB AIR LEASE CO 6.500 15/09/24	1.06
AMERICAN AIRLINE 5.750 20/04/29	0.94
PETSMART INC/PE 7.750 15/02/29	0.93
REALOGY GRP / CO 5.750 15/01/29	0.86
OCCIDENTAL PETE 8.875 15/07/30	0.86
FIRST QUANTUM MINERALS LTD 7.500 01/04/25	0.85
NGL EN OP/FIN 7.500 01/02/26	0.80
DAVE & BUSTER'S 7.625 01/11/25	0.79

Source: HSBC Asset Management, data as at 31 October 2021

Monthly performance commentary

Fund Review

Despite the continued rally in equity markets credit faced headwinds in October in the form of, rate volatility, a flattening yield curve and weaker technicals as a result of continued strong supply and weaker demand. Inflation fears grew as a pick-up in growth and increasing headlines on costs and supply chain disruptions saw the market price in a more hawkish Fed. Global spreads finished wider for both IG and HY with both asset classes delivering negative total returns over the month. IG and HY supply fell but remained strong with $143 billion and $30 billion issued respectively in October. Demand weakened with $5 billion in IG and $1.4 billion in HY. Regionally US, EUR and EM corporate HY spreads moved 0, 18 and 65 bps wider respectively while B rated bonds underperformed both BB and CCC rated bonds over the month. Treasury yields were more volatile in October with a flattening at the long end of the curve. The US 2, 5, 10 and 30 year saw rates move 22, 22, 6 and -11 bps to end the month with a yield of 0.50%, 1.18%, 1.55% and 1.93% respectively. In this market context the fund's benchmark returned -0.76%.

Regionally, the overweigh to the US and underweight to EM was positive for relative performance as EM bonds strongly underperformed the US on an asset class basis. The off benchmark Securitized Credit allocation also added to performance as the best performing asset class over the month. This was offset by negative issue selection effects driven mainly by positioning in EM bonds. While the overall underweight to duration had a positive impact this was offset by curve positioning with the underweight focused at the long end which saw rates fall.

Regionally the strategy is 64% US, 13% Europe and 16% EM representing an overweight to the US and underweights to EUR and EM with an off benchmark allocation to structured credit of 6.6%. The strategy's average credit rating is one notch below the benchmark at BB-/B+ which represents an underweight in BB and an overweight to B and CCC bonds. The CCC exposure is largely in the US and in more defensive, less cyclical industries such as healthcare and packaging. The overall beta of the portfolio is at 1.2 while the duration is underweight the benchmark by 0.8 years on an options adjusted basis. The main sector overweights are to consumer cyclicals and technology while the main sector underweights are to communications and agencies.

Outlook

Inflation fears stoked by a pick-up in growth, labor shortages as well as cost and supply chain issues has seen the market price in a more hawkish Fed but while Chairman Powell confirmed that a modest tapering will begin this month he also stated there was no rush to raise rates which is still expected to be some ways off in mid to late 2022. Economic growth is expected to remain strong but below the levels seen in the peak of the recovery. Corporate credit fundamentals and their outlook remain solid but we see pockets of volatility in risk assets due to the Fed's normalization policy, as well as headline risks on China growth and its crackdown in various industry sectors. Developed market spreads are still at or close to historically tight levels, offering less potential for tightening, and a smaller cushion should we see additional treasury volatility. From a technical perspective we expect to see some support with a decrease in issuance as we move towards year end although shorter term strength in supply could cause some market weakness but also opportunities to add to attractive issuers through the primary market.

In High Yield credit fundamentals remain strong as Q3 earnings are coming in solid overall. Default rates having peaked earlier in the year remain less of a concern as the economy has moved from a restoration to an expansionary phase. Although spreads saw some volatility in October as a result of investor concerns around inflation, supply chain issues and the China property sector, spreads are still close to cyclically tight levels and we expect them to remain somewhat range bound near term. We expect minimal fundamental contagion risk from China property to flow through to developed markets. We continue to prefer cyclical vs non-cyclical sectors given the solid growth environment but we have reduced some exposure to reflationary themed sectors which have performed well in the recovery creating additional capacity at more attractive valuations should markets sell off. We continue to see opportunities in the BB segment in credits which we believe are potential candidates to be upgraded into IG.

Risk disclosures

- 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.
- 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.
- Further information on the Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

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Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at www.assetmanagement.hsbc.co.uk

Source: HSBC Asset Management, data as at 31 October 2021

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