

HSBC Global Investment Funds - Global Credit Floating Rate Fixed Term Bond 2023 - 1

Share Class PM3HAUD (Currently Closed to Subscriptions for All Investors)

28 Feb 2021

Fund Objective and Strategy

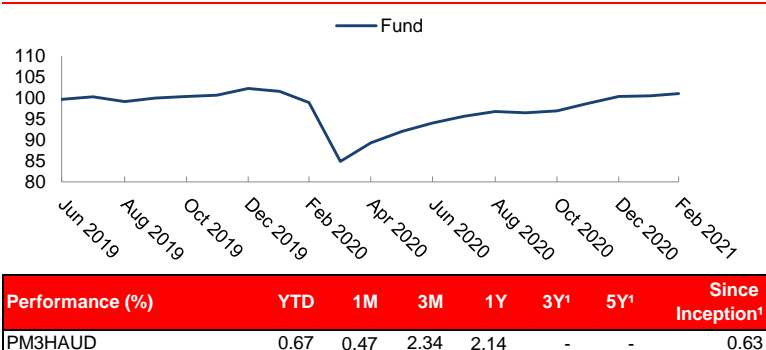
Investment Objective

The Fund aims to provide capital growth and income by investing in a portfolio of bonds for a limited term.

Investment Policy

The Fund is intended to be in operation until 30 June 2023 (the "Term Date"). On the Term Date, the Fund will be liquidated. The Term Date it may be deferred for up to 3 months if the Board of Directors believes it is in the best interest of shareholders. The Fund will seek to invest in bonds with a final maturity date close to the Term Date, aiming to hold them to maturity whilst actively monitoring the portfolio. As the term date approaches, the Fund's assets will increasingly comprise of cash and money market instruments. The Fund will mainly invest in investment grade and non-investment grade bonds, issued by governments, government-related entities, supranational entities and companies based in both developed markets and emerging markets. The Fund will use derivatives to swap its fixed coupon income into a floating rate, with a target of 85% of the Fund's income being based on floating rates and 15% on fixed rates. The Fund may invest up to 10% in other funds. The Fund's primary currency exposure is to USD. See the Prospectus for a full description of the investment objectives and derivative usage.

Since Inception Performance (%)



Rolling Performance (%)	29 Feb 2020-28 Feb 2021	28 Feb 2019-29 Feb 2020	28 Feb 2018-28 Feb 2019	28 Feb 2017-28 Feb 2018	29 Feb 2016-28 Feb 2017
PM3HAUD	2.14	-	-	-	-

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 28 February 2021

Risk Disclosure

- 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.
- 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.
- 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.

Share Class Details

UCITS V Compliant	Yes
UK Reporting Status	Yes
ISA Eligible	Yes
Distribution Type	Distributing
Distribution Frequency	Monthly
Dividend ex-date	26 Feb 2021
Dividend Yield ²	2.24%
Last Paid Dividend	0.0176
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 1,000,000
Ongoing Charge Figure ³	0.425%
Share Class Base Currency	AUD
Domicile	Luxembourg
ISIN	LU1987799977
Share Class Inception Date	24 Jun 2019
NAV per Share	AUD 9.69
Fund Size	USD 869,599,431
Bloomberg Ticker	HG231PA LX
SEDOL	BGV1KW5
Manager	Ricky Liu Jerry Samet Jason E Moshos

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	PM3HAUD
Volatility	-
Sharpe Ratio	-

5-Year Risk Measures	PM3HAUD
Volatility	-
Sharpe Ratio	-

Characteristics	Fund
Number of Holdings ex Cash	134
Average Coupon	3.30
Option Adjusted Duration (OAD)	-0.29
Yield To Worst (Incl. IRS) ⁴	1.09
Yield To Maturity (Incl. IRS) ⁴	1.34
Yield To Maturity (Incl. IRS) ⁴	.IBOR + -0.03

Characteristics	Fund
Modified Duration to Worst	-0.29
Option Adjusted Spread	-0.27
Duration (OASD) ⁵	
Rating Average ⁶	BBB-/BB+
Maturity Average	1.68
Number of Issuers	100

Credit Quality Rating Allocation (Market Value %)	Fund
AA	0.02
A	13.06
BBB	37.99
BB	21.80
B	17.15
CCC	5.94
NR	0.00
Cash	4.05

Sector Allocation (Market Value %)	Fund
Financial	32.17
Consumer Cyclical	22.27
Energy	18.72
Basic Materials	12.91
Utilities	3.33
Communications	2.37
Industrial	2.15
Technology	2.08
Consumer Non cyclical	1.96
Diversified	0.38
Other Sectors	-2.37
Cash	4.05

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

Only top 10 breakdowns are displayed. Other breakdowns are included in Others.

Geographical Allocation (Market Value %)	Fund
United States	36.80
Mainland China	11.16
United Kingdom	8.44
Germany	5.05
Italy	4.43
Australia	3.64
Ireland	3.04
Zambia	2.94
Mexico	2.72
France	2.48
Other Locations	15.25
Cash	4.05

Only top 10 breakdowns are displayed. Other breakdowns are included in Others.

Top 10 Holdings (%)	Weight (%)
FIRST QUANTUM MINERALS LTD 7.250 01/04/23	2.94
INTESA SANPAOLO 3.375 12/01/23	2.30
LUKOIL INTL FINANCE 4.563 24/04/23	2.25
QEP RESOURCES 5.250 01/05/23	2.24
ROYAL CARIBBEAN 9.125 15/06/23	2.22
ENEL FIN INTL NV 2.750 06/04/23	2.13
PETROLEOS MEXICA 3.500 30/01/23	2.10
BRASKEM NETHERLANDS 3.500 10/01/23	2.08
DIAMOND 1 FIN/DI 5.450 15/06/23	2.08
GLENCORE FDG LLC 4.125 30/05/23	2.00

⁴Yields are calculated gross of fees, excluding forwards and including the effect of IRS. IRS yields use the coupon for the fixed leg and the relevant variable rate at the last reset date for the floating leg. The dividend yield is based on the sub-fund's target exposure of 85% floating rate, 15% fixed rate. The LIBOR rate is as of the last quarterly dividend record date.

⁵Spread duration excludes interest rate futures and bond futures. We can force the local government spread duration to zero for certain funds on request.

⁶Average 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.

Source: HSBC Global Asset Management, data as at 28 February 2021

The benchmark data is that of the reference benchmark of the fund, ICE LIBOR USD 3 Month, as this data is calculated at fund level rather than share class level.

Monthly Performance Commentary

Market Review

With vaccine rollouts continuing and a strong likelihood of a larger stimulus package investor focus shifted to the rates market where a rise in inflation expectations saw a large move in 5, 10 and 30 year treasuries. Credit spreads tightened over the month but IG credit saw a negative total return in the face of the rates move while HY remained positive. IG supply remained robust in February with \$118 billion issued while HY saw \$38 billion. IG flows continued to be positive with \$21 billion while HY saw outflows of \$2.4 billion through both ETFs and funds flows.

The US Treasury curve steepened over the month with a pronounced rise in intermediate and long end yields. The US 2, 5, 10 and 30 year moved +2, +31, +34 and +32 bps respectively to finish the month with a yield of 0.13%, 0.73%, 1.40% and 2.15% respectively.

The broad global corporate Investment Grade bond market as represented by the ICE BofA Global Corporate Index USD hedged saw spreads tighten 8 bps with a total return of -1.62%. Regionally, US, EUR, UK and EM spreads tightened 8, 5, 7 and 12 bps respectively. BBB rated bonds outperformed higher rated bonds over the month.

The broad global High Yield bond market as represented by the ICE BofA Global High Yield USD hedged Index saw spreads tighten 27 bps with a total return of 0.45% for the month. Regionally US, EUR and EM corporate spreads tightened 27, 26 and 23 bps respectively. Lower rated bonds outperformed higher rated bonds over the month.

Fund Review

The HY segments of the portfolio was the main contributor to returns as IG bonds were more negatively impacted by upward rate pressure.

The bonds in the energy, basic industry and automotive sectors provided the largest contribution to returns while bonds in the financial services, services and capital goods sectors lagged.

From a regional perspective the top contributing segment was North America followed by Europe with the fund's Asia segment lagging other regions.

The fund saw positive contributions from the IRS and slightly negative contributions from the currency hedges used to hedge non USD bond positions over the month.

As a buy and maintain strategy the portfolio did not materially change over the month.

Outlook

While the spike in rates at the end of February surprised investors, the long end of the curve has been seeing upward pressure since Q3 of last year. Given the recent move we would believe rates to be more range bound going forward in 2021 but sensitivity remains to changing market expectations which could cause additional volatility. Credit fundamentals remain stable and should improve through the course of the year as the economic recovery continues but credit spreads are already at or close to historically tight levels offering less potential for tightening and a smaller cushion should we see more volatility. While vaccinations continue to be administered, focus has turned to the rate inoculation and disparity between regions as well as the impact of variant strains of the virus and what this means for the lifting of restrictions and the pace of recovery.

For Investment Grade portfolios we have continued to reduce beta, selling into market strength as valuations are historically tight but remain comfortable with a positioning above 1. We balance this with an emphasis on issuer selection focusing on credits and sectors that are more cyclical in nature where we see the potential for further compression. We remain underweight duration with a steepening bias. While rates have already seen a large move up this year we believe the longer term cyclical trend will continue albeit at a more moderate pace.

In High Yield credit fundamentals are also improving and default rates are less of a concern as the economy continues to recover but spreads are now also close to historically tight levels and we expect them to be somewhat range bound near term. We continue to rotate out of names that have performed well in order to create additional capacity should markets sell off so we can move into names that have lagged in the recovery so far. We are also looking at credits which we believe are potential candidates to be upgraded into IG.

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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