

# HSBC Global Investment Funds - Global Credit Floating Rate Fixed Term Bond 2023 - 2

Share Class PM3HGBP (Currently Closed to Subscriptions for All Investors)

31 May 2021

## Fund Objective and Strategy

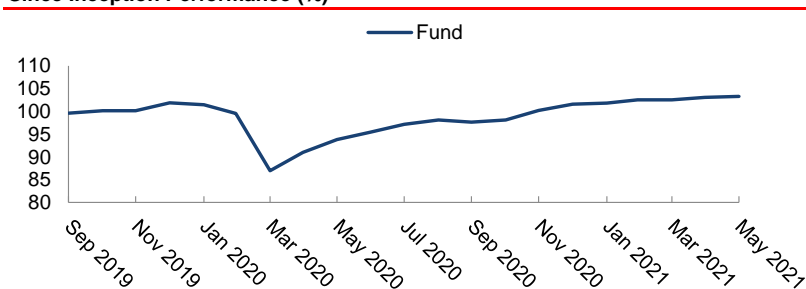
### Investment Objective

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 31 December 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 (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>	Since Inception <sup>1</sup>
PM3HGBP	1.67	0.19	0.74	10.14	-	-	1.93

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
PM3HGBP	10.14	-	-	-	-

**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 31 May 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.
- 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	28 May 2021
Dividend Yield <sup>2</sup>	2.07%
Last Paid Dividend	0.0181
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 1,000,000
Ongoing Charge Figure <sup>3</sup>	0.422%
Share Class Base Currency	GBP
Domicile	Luxembourg
ISIN	LU2027603252
Share Class Inception Date	19 Sep 2019
NAV per Share	GBP 9.94
Fund Size	USD 732,095,105
Bloomberg Ticker	H232PMG LX
SEDOL	BJRDF54
Manager	Ricky Liu Jerry Samet Jason E Moshos Viral Desai

<sup>1</sup>Result is annualised when calculation period is over one year.

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

<sup>3</sup>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.

3-Year Risk Measures	PM3HGBP
Volatility	-
Sharpe Ratio	-

5-Year Risk Measures	PM3HGBP
Volatility	-
Sharpe Ratio	-

Characteristics	Fund
Number of Holdings ex Cash	93
Average Coupon	3.81
Option Adjusted Duration (OAD)	-0.23
Yield To Worst (Incl. IRS) <sup>4</sup>	0.84
Yield To Maturity (Incl. IRS) <sup>4</sup>	1.23
Yield To Maturity (Incl. IRS) <sup>4</sup>	LIBOR + 1.02

Characteristics	Fund
Modified Duration to Worst	-0.21
Option Adjusted Spread	-0.37
Duration (OASD) <sup>5</sup>	
Rating Average <sup>6</sup>	BBB-/BB+
Maturity Average	2.00
Number of Issuers	75

Credit Quality Rating Allocation (Market Value %)	Fund
AA	-2.01
A	12.64
BBB	43.30
BB	21.14
B	18.02
CCC	2.57
NR	0.00
Cash	4.35

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

Geographical Allocation (Market Value %)	Fund
United States	37.14
Mainland China	12.25
United Kingdom	9.31
Germany	8.25
Italy	7.29
Ireland	4.60
Zambia	3.00
Russia	2.64
France	2.43
Switzerland	2.22
Other Locations	6.54
Cash	4.35

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	3.00
ENI SPA 4.000 12/09/23	2.85
NATWEST GROUP 6.000 19/12/23	2.80
GENERAL MOTORS 4.875 02/10/23	2.73
ROYAL CARIBBEAN 9.125 15/06/23	2.65
NAVIENT CORP 7.250 25/09/23	2.64
LUKOIL INTL FINANCE 4.563 24/04/23	2.64
AVOLON HDGS 5.125 01/10/23	2.63
ENEL FIN INTL NV 4.250 14/09/23	2.55
NISSAN MOTOR ACC 3.875 21/09/23	2.40

Sector Allocation (Market Value %)	Fund
Financial	38.90
Consumer Cyclical	17.65
Energy	17.20
Basic Materials	6.53
Consumer Non cyclical	5.62
Communications	4.04
Industrial	3.05
Utilities	2.55
Technology	2.30
Government	1.03
Other Sectors	-3.21
Cash	4.35

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

<sup>4</sup>Yields 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.

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

<sup>6</sup>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.

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

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### Market Review

Despite relatively small moves in rates and spreads month over month May saw some, if only moderate intra month volatility as markets reacted to a weak jobs report and a continued dovish Federal Reserve on one hand and strong inflation data on the other. IG spreads were somewhat muted over the month continuing to grind tighter while HY saw more movement ending the month slightly wider. IG supply was weaker than expected in May with \$147 billion issued while HY saw strong issuance again with \$49 billion. IG flows remained positive but weakened from the previous month with \$12.2 billion while HY saw a reversal back to negative with outflows of \$3.9 billion.

Despite some intra month volatility the US Treasury curve finished only marginally lower over the month. The US 2, 5, 10 and 30 year saw rates fall -2, -5, -3 and -1 bps to end the month with a yield of 0.14%, 0.80%, 1.59% and 2.28% respectively.

The broad global corporate Investment Grade bond market as represented by the ICE BofA Global Corporate Index USD hedged saw spreads tighten 2 bps with a total return of +0.45%. Regionally, US and EM spreads tightened 3 bps each while EUR and GBP spreads moved 1 bp wider. AAA and BBB rated bonds outperformed over the month.

The broad global High Yield bond market as represented by the ICE BofA Global High Yield USD hedged Index saw spreads widen 2 bps with a total return of 0.42% for the month. Regionally US corporate spreads moved 6 bps wider while EUR and EM tightened 1 and 7 bps respectively. CCC rated bonds were the best performing segment while B rated bonds saw the weakest returns.

### Fund Review

Total return was positive over the month on a gross basis. While both the Investment Grade and High Yield portions of the portfolio saw positive returns, the High Yield segment saw the strongest contribution to returns over the month. From a sector perspective bonds in the energy, banking and financial services sectors provided the largest contribution to returns while bonds in the services, transportation and media sectors lagged. From a regional perspective the top contributing segment was Europe followed by North America with the fund's Asia segment lagging other regions. The fund saw negative contributions from the IRS as well as 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

Moving forward markets are having to balance strong growth and elevated inflation data on the one hand and a continued dovish Fed on the other. While the recent fall in rates volatility suggests maybe the market has had some confidence in the Fed, recent comments by more hawkish members and the decision to begin to sell corporate bonds and ETFs bought through the secondary market facility at the height of the crisis may spark volatility around concerns of when tapering is going to become a larger part of the Fed's narrative. Credit fundamentals remain solid and are expected to keep improving through the course of the year as the economic recovery continues but spreads are already at or close to historically tight levels offering less potential for tightening and a smaller cushion should we see additional volatility.

For Investment Grade portfolios we have continued to reduce beta, selling into market strength and are now closer to a neutral positioning with a continued focus on issuer selection in credits and sectors that are more cyclical in nature where we see some potential for further compression. We remain underweight duration with a steepening bias along the yield curve. While rates have already seen a large move higher this year we believe the longer term cyclical trend will continue albeit at a more moderate pace.

In High Yield credit fundamentals continue to improve. Default rates having peaked earlier in the year are now less of a concern as the economy continues to recover. Spreads are close to historically tight levels however and we expect them to remain 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 also continue to look at credits which we believe are potential candidates to be upgraded into IG.

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## Terms of Glossary

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**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