

## HSBC Global Investment Funds

# GLOBAL EMERGING MARKETS LOCAL DEBT

Monthly report 31 March 2024 | Share class IC



### Investment objective

The Fund aims to provide capital growth and income by investing in a portfolio of emerging market bonds (denominated in local currencies).



### Investment strategy

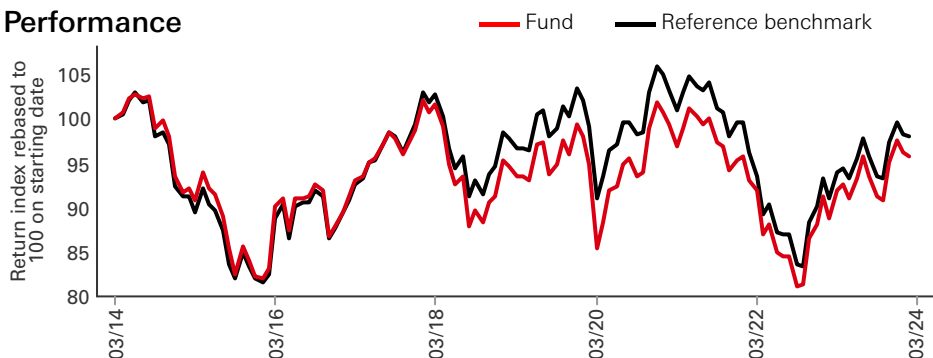
The Fund is actively managed. In normal market conditions, the Fund will primarily invest its assets in investment grade bonds and non-investment grade bonds issued by governments, government-related entities, supranational entities and companies that are based in emerging markets, as well as currency forwards and non-deliverable forwards. 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 convertible bonds, up to 10% in other funds and up to 10% in total return swaps. The Fund's primary currency exposure is to US dollars and currencies of other OECD (Organisation for Economic Co-operation and Development) countries. 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.

### Performance



### Share Class Details

#### Key metrics

NAV per Share	<b>USD 14.46</b>
Performance 1 month	<b>-0.15%</b>
Yield to maturity	<b>6.73%</b>

#### Fund facts

UCITS V compliant	<b>Yes</b>
Dividend treatment	<b>Accumulating</b>
Dealing frequency	<b>Daily</b>
Valuation Time	<b>17:00 Luxembourg</b>
Share Class Base Currency	<b>USD</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>22 February 2008</b>
Fund Size	<b>USD 918,136,089</b>
Reference benchmark	<b>50% JP Morgan Emerging Local Market Index+ 50% JP Morgan Government Bond Index Emerging Market Global Diversified</b>

Managers	<b>Hugo Novaro Tadashi Sueyoshi</b>
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#### Fees and expenses

Minimum Initial Investment	<b>USD 1,000,000</b>
Ongoing Charge Figure <sup>1</sup>	<b>0.875%</b>

#### Codes

ISIN	<b>LU0234594009</b>
Valoren	<b>2327496</b>
Bloomberg ticker	<b>HGLEMIC LX</b>

<sup>1</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.

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

This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions.

For definition of terms, please refer to the Glossary QR code and Prospectus.

Source: HSBC Asset Management, data as at 31 March 2024

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
IC	-1.89	-0.15	-1.89	4.83	4.13	-0.42	0.46	-0.44
Reference benchmark	-1.62	-0.03	-1.62	4.95	4.46	-0.93	0.28	-0.19

Rolling Performance (%)	31/03/23-31/03/24	31/03/22-31/03/23	31/03/21-31/03/22	31/03/20-31/03/21	31/03/19-31/03/20	31/03/18-31/03/19	31/03/17-31/03/18	31/03/16-31/03/17	31/03/15-31/03/16	31/03/14-31/03/15
IC	4.13	0.02	-5.19	13.42	-8.62	-7.92	9.16	3.30	-0.80	-9.19
Reference benchmark	4.46	0.37	-7.27	10.69	-5.75	-5.92	10.84	4.42	-0.88	-10.40

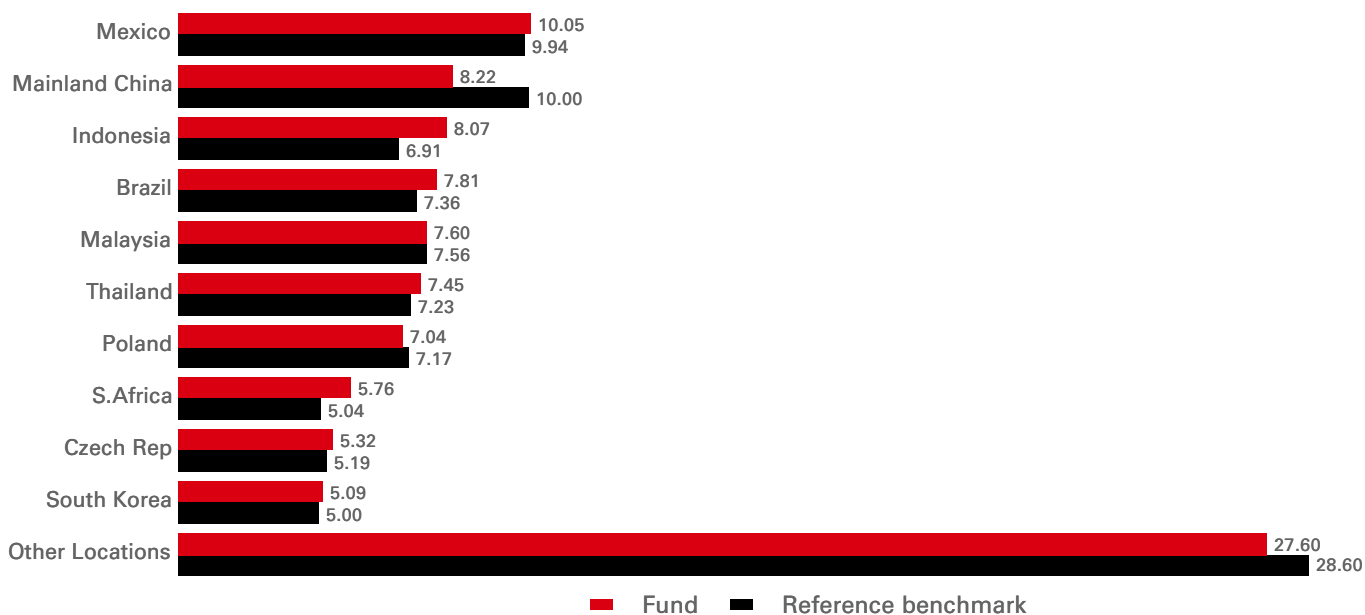
3-Year Risk Measures	IC	Reference benchmark	5-Year Risk Measures	IC	Reference benchmark
Volatility	8.66%	8.39%	Volatility	9.78%	8.87%
Sharpe ratio	-0.34	-0.41	Sharpe ratio	-0.16	-0.19
Tracking error	1.29%	--	Tracking error	1.59%	--
Information ratio	0.40	--	Information ratio	0.11	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	74	334	--
Average coupon rate	3.04	2.59	0.46
Yield to worst	6.73%	7.38%	-0.65%
Option Adjusted Duration	2.66	2.52	0.14
Modified Duration to Worst	2.62	2.47	0.15
Option Adjusted Spread Duration	-0.06	0.00	-0.06
Average maturity	3.69	3.54	0.15
Rating average	A+/A	AA-/A+	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (%)	Fund	Reference benchmark	Relative
AAA	1.25	--	1.25	0-2 years	57.72	58.15	-0.43
AA	2.50	3.18	-0.68	2-5 years	12.16	15.91	-3.75
A	11.33	16.09	-4.75	5-10 years	14.79	15.40	-0.61
BBB	23.08	20.68	2.40	10+ years	15.33	10.53	4.79
BB	15.59	9.33	6.25				
B	0.41	0.43	-0.02				
NR	--	0.28	-0.28				
Cash	47.11	50.00	-2.89				
Cash Offset	-1.26	--	-1.26				

Currency Allocation (%)	Fund	Reference benchmark	Relative
MXN	10.19	9.94	0.24
CNY	8.22	10.00	-1.77
IDR	8.07	6.91	1.16
MYR	7.60	7.56	0.04
THB	7.45	7.23	0.22
PLN	7.04	7.17	-0.13
BRL	6.78	7.36	-0.58
CZK	5.30	5.19	0.11
ZAR	5.14	5.04	0.10
KRW	5.09	5.00	0.09
Other Currencies	29.12	28.60	0.51

#### Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Government	54.09	50.00	4.09
Over The counter	0.06	--	0.06
Cash	47.11	50.00	-2.89
Cash Offset	-1.26	--	-1.26

Top 10 Holdings	Weight (%)
BRAZIL-LTN 0.000 01/10/24	3.25
BRAZIL NTN-F 10.000 01/01/29	2.66
MEXICAN BONOS 8.500 18/11/38	2.52
BRAZIL-LTN 0.000 01/07/24	2.44
INDONESIA GOV'T 7.500 15/06/35	2.12
ROMANIA GOVT 5.800 26/07/27	2.02
MEXICAN BONOS 7.500 03/06/27	1.92
POLAND GOVT BOND 0.250 25/10/26	1.86
MEXICAN BONOS 5.000 06/03/25	1.82
REP SOUTH AFRICA 9.000 31/01/40	1.73

## Monthly performance commentary

### Market review

EMD assets showed mixed performance over the month. The main driver of hard currency returns was the further compression in spreads despite the market pricing fewer Fed cuts on the back of higher-than-expected inflation and record Q1 issuance. EM local debt returns were flat over the month as the USD and Treasuries were mainly unchanged after some monthly volatility. March performance was influenced by the FOMC and the updated DOTS plot which showed a repricing of Fed cuts. As expected, the Fed kept interest rates unchanged at the FOMC and came with a more dovish tone. EM central banks continue to be divergent, with additional countries signaling their willingness to jump ahead of the Fed. From a ratings standpoint, Panama was downgraded over the month on fiscal and growth concerns after the country closed a key copper mine last year, while countries such as Argentina, Ivory Coast and Qatar received an upgrade. On a technical standpoint, net new issuance in March was mixed with hard currency sovereign remaining robust and corporate bonds slowing down materially. Lastly, outflows in EMD grew deeper this month, with nearly two-thirds of the flows coming from local denominated funds.

### Performance and Positioning

EM local assets were generally flat for the month of March as yields on local bonds and the USD moved higher as the global inflation rollover theme seemed to stalled and the market continued to question how many times the Fed can cut this year. The fund performed slightly underperformed the benchmark over the period. In terms of detractors, most of the negative relative performance came from idiosyncratic factors. The biggest idiosyncratic factor contributing to negative relative performance was the devaluation of the EGP over the month. The EGP FX forwards were largely pricing in this event, but excess residual onshore cash from bond liquidations that had been frozen onshore in an FX backlog detracted from relative returns. EM local rates generally underperformed 10yr UST this over the month, and the overweights to Czech Republic, Brazil, Mexico, and Indonesian rates slightly detracted from relative returns. In addition, the overweight to Peru rates added some negative active performance as the risks of a large pension withdrawal bill passing increased and market participants reacted by selling Soberanos putting the curve under pressure towards month end. Lastly, part of the seagull option structure detracted from relative returns. In terms of contributors, we had a tactical overweight to the 10yr US Treasuries which added to relative performance as the 10yr yields ended lower, despite a repricing of the front end. In addition, our short to TWD gave us some small positive relative performance as TWD spot moved higher with a stronger USD.

We maintained an overweight to beta during the month. Given our view, we remain constructive in select LatAm rates as inflation has come down and the central banks are cutting interest rates, while maintaining the underweights to THB and CNY rates. We maintained the small tactical EUR position, while using underweight to SGD and CNY as funding opportunities. We ended the month with an overweight to duration of 0.14 years compared to the benchmark, while slightly decreasing the overweight to EMFX over the month to a 3.0% overweight.

### Outlook

Despite our general narrative that Emerging Market (EM) credit spreads can benefit from easing financial conditions as Federal Reserve rate cuts come into view, this has already re-priced EM sovereign and corporate markets into a 'euphoric' range year to date. The EMBI and CEMBI spread ranges now are below our most 'euphoric' targets for the year, even if we push ourselves to imagine an even lower possible range. At this point, it's difficult to see further spread compression -- although we remain cyclically very constructive and do not expect an imminent selloff. Within credit asset classes, the compression in EM high yield has been particularly sharp. Resolution of some longstanding sovereign defaults have contributed to this, but there have been fundamental improvements in many countries (Brazil and Turkey most notably) that contributed to underlying quality re-pricing. Although we still like high yield exposures, we prefer more idiosyncratic and less beta driven investments at the moment after the November-March rally. We have reduced our beta, as such, although not necessarily reduced our risk. Local markets remain our top trade, both in local rates where EM central banks have been ahead of the Fed and ECB in generating disinflation and policy normalization. However, we are approaching our target on these trades now in many countries. We have updated our local markets view with a refreshed target and composition of the duration basket to take account of most recent information. The enduring trade is EM FX, which has not benefited materially yet from EM growth outperformance, but we expect Fed and ECB rate cuts to accelerate the revaluation of EM currencies as we go through the year as they catch up with EM central banks. The BoJ is a wild card as Yen seems to be having some primary effect on relative currency valuations in EM of late. Latam currencies are our preferred region on balance of payments improvements and expected capital flows effects.

## 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.
- Further information on the potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

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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 performance and underlying investments' weightings relative to the benchmark are monitored, but not constrained, to a defined range.

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The presented fund is authorised for distribution in Switzerland in the meaning of Art. 120 CISA.

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**Source: HSBC Asset Management, data as at 31 March 2024**

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Website:

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### Glossary

