

## HSBC Global Investment Funds

# ASIA HIGH YIELD BOND

Monthly report 31 March 2024 | Share class IC



### Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of Asian high yield bonds.



### Investment strategy

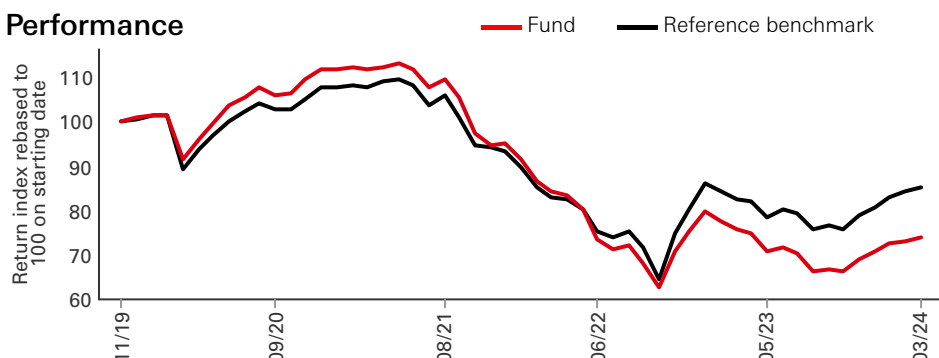
The Fund is actively managed. In normal market conditions, the Fund will invest at least 70% of its assets in non-investment grade bonds and unrated bonds issued either by companies based in or carry out the larger part of their business in Asia, or by governments, government-related entities and supranational entities based in Asia. The Fund may invest up to 30% of its assets in onshore Chinese bonds which are issued within the People's Republic of China (PRC) and traded on the China Interbank Bond Market. The Fund may invest up to 10% in convertible bonds. The Fund may also invest up to 15% of its assets in contingent convertible securities. The Fund may invest up to 10% of its assets in other funds, including HSBC funds. The Fund's primary currency exposure is to US dollars (USD). 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 7.42</b>
Performance 1 month	<b>1.19%</b>
Yield to maturity	<b>12.69%</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>27 November 2019</b>
Fund Size	<b>USD 667,135,244</b>
Reference benchmark	<b>100% JACI Non-Investment Grade Corporate Index</b>
Managers	<b>Alfred Mui Alex CHOI Ming Leap</b>

#### 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>LU2065168440</b>
Valoren	<b>51361920</b>
Bloomberg ticker	<b>HSAHYIC 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	Since inception ann
IC	4.58	1.19	4.58	10.97	-2.07	-12.74	--	-6.63
Reference benchmark	5.78	1.06	5.78	11.56	3.35	-7.47	--	-3.56

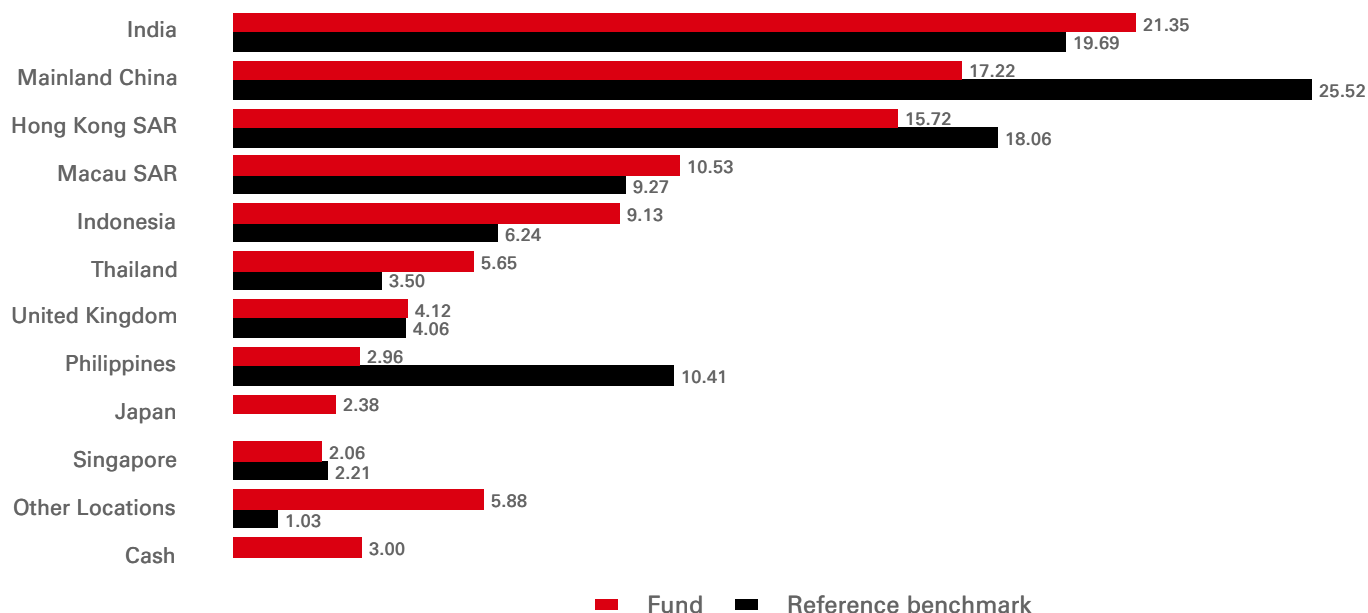
Rolling Performance (%)	31/03/23-31/03/24	31/03/22-31/03/23	31/03/21-31/03/22	31/03/20-31/03/21	31/03/19-31/03/20
IC	-2.07	-10.05	-24.58	22.13	--
Reference benchmark	3.35	-0.62	-22.88	20.54	--

3-Year Risk Measures	IC	Reference benchmark	5-Year Risk Measures	IC	Reference benchmark
Volatility	14.86%	15.62%	Volatility	--	--
Sharpe ratio	-1.03	-0.64	Sharpe ratio	--	--
Tracking error	3.30%	--	Tracking error	--	--
Information ratio	-1.60	--	Information ratio	--	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	178	230	--
Yield to worst	12.43%	11.20%	1.23%
Yield to maturity	12.69%	11.52%	1.17%
Modified Duration to Worst	3.18	2.57	0.62
Option Adjusted Spread Duration	2.75	2.66	0.09
Average maturity	5.21	3.58	1.63
Rating average	BB/BB-	BB/BB-	--
Number of issuers	98	123	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
A	1.57	0.42	1.15	0-2 years	0.38	0.50	-0.13
BBB	3.30	0.88	2.42	2-5 years	1.05	1.12	-0.07
BB	56.22	59.08	-2.86	5-10 years	0.55	0.48	0.08
B	17.58	12.21	5.37	10+ years	1.04	0.24	0.79
CCC	3.90	2.06	1.84	Total	3.02	2.34	0.67
CC	0.85	1.40	-0.55				
D	1.44	--	1.44				
NR	12.15	23.95	-11.80				
Cash	3.00	--	3.00				

Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	96.58	100.00	-3.42
JPY	2.22	--	2.22
IDR	1.71	--	1.71
KRW	0.74	--	0.74
INR	0.51	--	0.51
CNH	0.25	--	0.25
SGD	0.10	--	0.10
AUD	0.01	--	0.01
HKD	0.00	--	0.00
Other Currencies	-2.11	--	-2.11

**Geographical Allocation (%)**


Sector Allocation (%)	Fund	Reference benchmark	Relative
Consumer Cyclical	19.89	17.83	2.05
Real Estate	18.45	16.63	1.82
Banks	16.21	23.27	-7.05
Energy	9.25	8.82	0.44
Basic Materials	7.36	6.18	1.17
Utilities	6.23	8.52	-2.29
Communications	3.96	3.30	0.65
Industrial	3.52	3.45	0.06
Consumer Non cyclical	2.83	2.63	0.20
Investment Companies	2.72	3.80	-1.09
Other Sectors	6.59	5.56	1.02
Cash	3.00	--	3.00

Top 10 Holdings	Weight (%)
KASIKORNBANK PCL 5.275	2.13
GLP PTE LTD 3.875 04/06/25	2.06
MGM CHINA HOLDIN 4.750 01/02/27	2.00
STANDARD CHART 7.875	1.88
WYNN MACAU LTD 5.625 26/08/28	1.67
NWD FINANCE(BVI) 6.150	1.64
BANGKOK BANK/HK 5.000	1.55
CAS CAPITAL NO1 4.000	1.40
CA MAGNUM HLDING 5.375 31/10/26	1.38
STUDIO CITY FIN 5.000 15/01/29	1.29

## Monthly performance commentary

### Market Review

The Asia credit market posted positive returns in March. US Treasury yields were mostly down, driven by a more dovish tone from the Fed at the FOMC meeting. Overall, 2-year treasury yields remained unchanged while 10-year yields dropped by 5 bps.

High-yield (HY) bonds outperformed investment grade (IG) bonds as HY spreads tightened to a greater extent than IG spreads. Within the IG space, the top performer was China diversified, benefitting from positive management changes in a dominant aircraft maker. Indonesian utilities also experienced significant spread compression due to positive market sentiment. Macau consumers showed strong performance, supported by the sector's highest post-pandemic gross gaming revenue in March. Conversely, Philippines quasi-sovereigns performed poorly due to a cash-strapped firm selling assets for additional liquidity. Hong Kong infrastructure underperformed because of changes in company and group leadership of a port operator. Indian utilities also detracted, largely attributed to the news on potential investigations into a large conglomerate by US prosecutors.

Within the HY space, Pakistan quasi-sovereigns stood out as the best performer, driven by positive development around the IMF programme. China consumers also performed well, fuelled by the refinancing plans of a car rental firm that was downgraded by a rating agency. Sri Lanka sovereigns saw strong performance because of the progress on debt restructuring plans to secure IMF funding. On the other hand, China oil & gas was the largest detractor, attributable to a major firm delaying the release of its annual results. China real estate also suffered due to worse than expected decline in net income of a large developer. Sri Lanka quasi-sovereigns saw spreads widening.

### Outlook

The more dovish tone from the Fed's chair Powell in late March was slightly positive for credit while the market now is considering the possibility of a more modest easing cycle as the US economy remains resilient. Under such circumstances, Asia investment grade bonds should encounter less volatility than their global counterparts given their shorter duration and lower correlation with the UST. Asia credit is expected to continue to produce good risk-adjusted performance over the course of this year. From a fundamental perspective, we see a consistency in credit quality among Asia IG issuers, consisted of mostly national champions and government related entities, leading to the stability of spreads. The macro tailwind in Asia, including strong economic growth, low inflation pressure and pre-emptive monetary policy, will also support corporates' credit matrix and limit fallen angel risk.

Meanwhile, we have been seeing more USD bond issuances in Asia, with the aim to capitalize the tight credit spreads as the USD bond market is becoming increasingly competitive relative to onshore markets. Nevertheless, with lower supply so far this year comparing to last year, we continue to expect the net issuance this year to remain negative. Therefore, the favourable technicals on the back of limited supply and strong demand from investors who are trying to lock in better levels of yield, are supportive for Asia credit.

The Asia high yield has outperformed its global peers due to meaningful spread compression this quarter. The Asia high yield market has transformed following challenges in the China real estate sector, which is now characterized with increased sectoral and geographical diversification. Credit quality and fundamental trend are sound in majority of the market, meaning that any negative sentiment towards this asset class would provide good valuations and better total returns. Despite ongoing challenges facing the Chinese economy, we continue to see value and potential opportunities in the market, particularly in the TMT sector, as well as China consumer and industrial sectors. China aside, ASEAN and India continue to provide attractive yields. The better macro tailwind in Asia could also shield corporates from defaulting. At the same time, we expect spread to continue narrowing if there are more signs of China economy stabilising, while the relatively low spread duration in Asia high yield could help to cushion any potential spread widening.

### Portfolio strategy

The fund registered a positive return and outperformed the benchmark in March as US Treasury yields edged lower towards the end of the month. On a relative basis, the fund benefited the most from credit exposure, particularly from underweight in the weakest China property developers. The fund also benefited from its favourable selection in China HY industrials as well as positioning in perpetual bonds. Meanwhile, yield carry was also a key contributor as the fund maintained a higher portfolio yield against the benchmark.

In terms of positioning, we turned overweight in Sri Lanka sovereigns amid positive headlines on macro-economic conditions. Meanwhile, we remained overweight in Macau gaming in view of continual sector recovery from rising visitor number and strong gross gaming revenue. In addition, we are overweight in the China consumer and industrial sectors, given selective attractive opportunities. Also, we maintain our overweight in India and Indonesia corporates, particularly those we expect to benefit from the economic growth. Of note, we favour the commodity sector in India and Indonesia. We expect the strong demand for commodities and energy will keep prices well supported and will in turn, benefit these companies. In India, we also favour the renewable energy sector which we expect to remain well supported by global sustainable investors. In Indonesia, we favour the property sector on a selective basis. On the other hand, we remain underweight the China property sector as the physical housing market remained weak given the continual decline in home sales. We remain selectively overweight developers with better visibility in repaying their near-term maturities. We are underweight sectors which we find valuations unattractive. For instance, we are underweight Philippines, Hong Kong, and China. Similarly, we are also underweight sovereign, quasi sovereign bonds as well as bank subordinated debt. During the month, we remained overweight duration for the fund amid expectation of a downward for US Treasury yields. We have also used interest rate futures to help manage our duration exposure actively.

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

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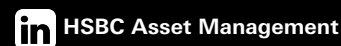
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The presented fund is authorised for distribution in Switzerland in the meaning of Art. 120 CISA.

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

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Website:

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## Glossary

