

HSBC Global Investment Funds

GLOBAL EMERGING MARKETS LOCAL DEBT

Monthly report 31 January 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

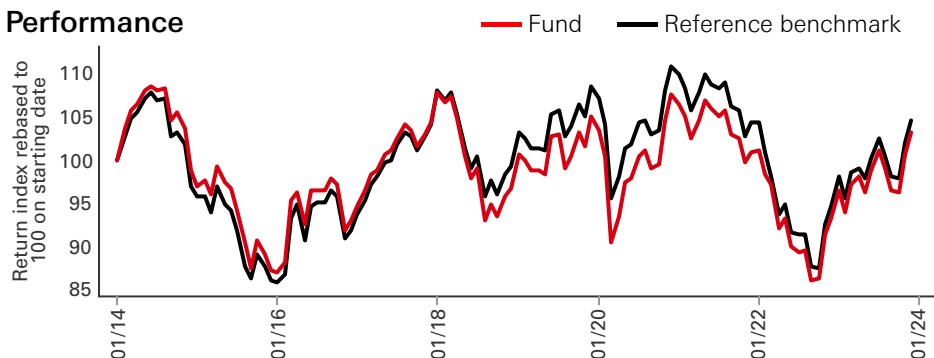
The Fund is actively managed. In normal market conditions, the Fund will primarily invest its assets in investment grade bonds and non-investment grade bonds issued by governments, government-related entities, supranational entities and companies that are based in emerging markets, as well as currency 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



Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis. For comparison with benchmark. Performance numbers shown are before netting off sales / realisation charges. This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions.

There is no guarantee on the principal investment or return on the fund.

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

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Share Class Details

Key metrics

NAV per Share	USD 14.52
Performance 1 month	-1.45%
Yield to maturity	7.69%

Fund facts

UCITS V compliant	Yes
Subscription mode	Cash
Dividend treatment	Accumulating
Dealing frequency	Daily
Valuation Time	17:00 Luxembourg
Share Class Base Currency	USD
Domicile	Luxembourg
Inception date	22 February 2008
Fund Size	USD 931,614,563
Reference benchmark	50% JP Morgan Emerging Local Market Index+ 50% JP Morgan Government Bond Index Emerging Market Global Diversified

Managers	Hugo Novaro Tadashi Sueyoshi
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Fees and expenses

Minimum initial investment (SG) ¹	USD 1,000,000
Maximum initial charge (SG)	3.100%
Management fee	0.625%

Codes

ISIN	LU0234594009
Bloomberg ticker	HGLEMIC LX

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

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
IC	-1.45	-1.45	5.71	0.48	5.30	-1.53	0.18
Reference benchmark	-1.48	-1.48	5.34	0.51	5.13	-2.17	-0.05

Calendar year performance (%)	2019	2020	2021	2022	2023
IC	8.69	2.48	-6.32	-7.53	10.64
Reference benchmark	9.29	2.30	-5.95	-9.39	10.58

3-Year Risk Measures	IC	Reference benchmark	5-Year Risk Measures	IC	Reference benchmark
Volatility	8.80%	8.53%	Volatility	9.80%	8.89%
Sharpe ratio	-0.43	-0.52	Sharpe ratio	-0.18	-0.22
Tracking error	1.29%	--	Tracking error	1.59%	--
Information ratio	0.50	--	Information ratio	0.15	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	75	347	--
Average coupon rate	3.08	2.64	0.44
Yield to worst	7.69%	8.78%	-1.09%
OAD	2.67	2.52	0.16
Modified Duration to Worst	2.63	2.47	0.15
Option Adjusted Spread Duration	-0.09	0.00	-0.09
Average maturity	3.86	3.52	0.34
Rating average	A/A-	AA-/A+	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (%)	Fund	Reference benchmark	Relative
AAA	0.63	--	0.63	0-2 years	57.74	58.10	-0.36
AA	2.47	3.11	-0.63	2-5 years	12.14	15.93	-3.79
A	11.18	15.81	-4.62	5-10 years	14.11	15.34	-1.23
BBB	22.00	20.52	1.48	10+ years	16.01	10.63	5.37
BB	19.50	9.42	10.08				
B	0.48	0.91	-0.43				
NR	--	0.24	-0.24				
Cash	44.38	50.00	-5.62				
Cash Offset	-0.64	--	-0.64				

Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis. For comparison with benchmark.

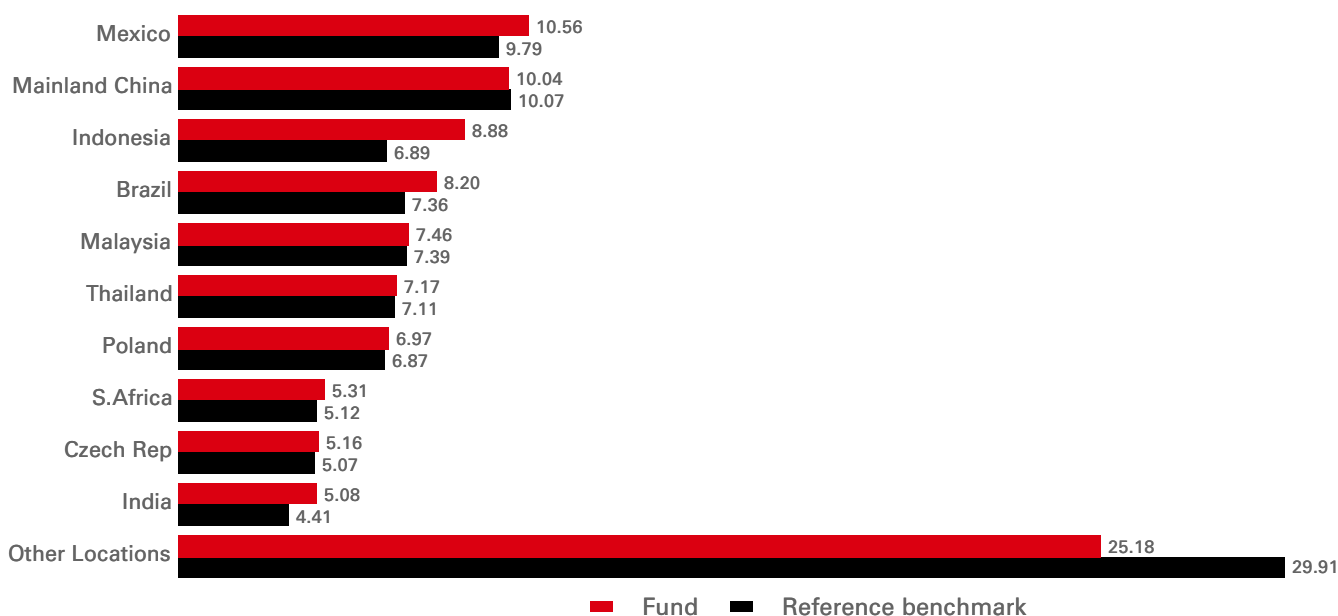
Performance numbers shown are before netting off sales / realisation charges.

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Currency Allocation (%)	Fund	Reference benchmark	Relative
CNY	10.04	10.07	-0.04
MXN	9.85	9.79	0.07
IDR	8.88	6.89	1.99
MYR	7.46	7.39	0.06
BRL	7.37	7.36	0.01
THB	7.17	7.11	0.06
PLN	6.97	6.87	0.10
ZAR	5.31	5.12	0.19
CZK	5.16	5.07	0.09
KRW	4.89	4.91	-0.02
Other Currencies	26.91	29.42	-2.51

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Government	56.25	50.00	6.25
Over The counter	0.00	--	0.00
Cash	44.38	50.00	-5.62
Cash Offset	-0.64	--	-0.64

Top 10 Holdings	Weight (%)
BRAZIL-LTN 0.000 01/04/24	6.40
BRAZIL-LTN 0.000 01/07/24	2.41
BRAZIL NTN-F 10.000 01/01/29	2.36
MEXICAN BONOS 8.500 18/11/38	2.32
INDONESIA GOV'T 7.500 15/06/35	2.10
ROMANIA GOVT 5.800 26/07/27	2.00
POLAND GOVT BOND 0.250 25/10/26	1.84
REP SOUTH AFRICA 9.000 31/01/40	1.79
MEXICAN BONOS 5.000 06/03/25	1.76
BRAZIL NTN-F 10.000 01/01/33	1.67

Top 10 holdings exclude holdings in cash and cash equivalents and money market funds.

Monthly performance commentary

Market review

Momentum in EMD assets faded in January as the market repriced rate cut expectations by the Fed leading to negative returns. Hard currency returns were hurt by wider spreads, while local returns declined due to a strengthening USD despite the small drop in local yields. Performance in January took a breather after strong excess returns in the previous two months. The US economy posted strong data which created volatility as market makers were reassessing the Fed rate cuts. At the FOMC meeting, Chair Powell reaffirmed their data dependency, and all but took March rate cuts off the table. EM central banks continue to remain mixed, with Latam and CEEMEA countries easing policy rates, while Asian countries remain on hold. In China, weakness continues in the data prints and the onshore equity market had double-digit negative returns over the month, prompting the government to intervene. Geopolitical events have been on the rise with escalation in the Red Sea which is leading to higher oil prices and could disrupt shipping routes. On a technical standpoint, net new issuance in January was strong for both hard currency and corporates, with a combined \$41bn in new issues. Finally, flows into EMD were weak in January, with hard currency retail funds seeing the bulk of the outflows.

Performance

EM local assets had negative returns over January. Although yields ended the month lower, overall index returns were negative due to EMFX losses more than offsetting the modest move lower in yields. The fund performed in-line with the benchmark over the period. The main contributor to relative performance came via the idiosyncratic event with Egyptian local bonds. EGP bonds exited the index at month end, however before this event, we rolled our position back to a short-dated FX forwards that priced at month end. The devaluation concerns caused implied yields to spike, and the 12-month NDF that the benchmark used to mark the bonds was much less favorable rate than where our position pricing was at month end. This generated positive active performance for the portfolio. In addition, our underweight to the Taiwanese dollar added to relative returns over the period. Detracting from returns, the underweight position to Chinese rates hurt relative returns as the curve ended the month slightly lower. Within EMFX, the overweight position to the Indonesian rupiah hurt relative returns as the currency weakened during the month following a strong USD. Lastly, our basket of bullish EMFX options known as a seagull marginally detracted from relative returns. The advantage of the Seagull structure is it has a built-in buffer to protect on the downside versus having a larger impact if we held the FX forwards outright.

Positioning

We still hold overweight positions in select LatAm rates as inflation has come down and the central banks are cutting interest rates, while still being underweight to THB and CNY rates as they are anchored there, and those positions moved in line with UST. We kept a small tactical EUR position. We ended the month with an overweight to duration of 0.16 years compared to the benchmark, while slightly decreasing the overweight to EMFX over the month to a 5.2% overweight.

Outlook

2024 is shaping up to be a gangbusters year for Emerging Market Debt asset classes, thanks to a confluence of numerous factors. Firstly, the Federal Reserve has messaged 'peak rates' and returns from underlying duration exposures should be positive going forward, as interest rates are coming down and no longer going up. Emerging debt – especially the hard currency variety – is a long duration asset class and can benefit in an outsized way from the rebound after two years of relentless rate rises.

Secondly, spreads are benefitting from both cyclical and fundamental factors. Cyclically, growth in EM is improving even as it slows in developed economies, providing an investment haven or defensive niche; and fundamental ratings upgrades after years of downward momentum and sovereign distress should spell markedly lower default rates than in US or European credit markets. Although January gave us a backup in credit spreads and a repricing of Fed rate cuts, we view this as a buying opportunity, as we see approximately 40 basis points of EM credit spread compression and 50 basis points of US Treasury yield decline from here to year-end 2024. January also marked a healthy issuance month, and technical factors should improve as new bond issues are digested over coming weeks. The period between the Fed's last rate hike and the first rate cut tends to be the sweet spot for this asset class historically, when improving liquidity in markets and financial conditions leads to euphoric spread levels and suppressed volatility, while the dollar weakens boosting EM balance of payments and corporate earnings. We estimate conservatively that EM hard currency and local currency bonds can land 2024 with a 10-20% return. Although it sounds lofty, this is in line with asset class returns at similar past cycle inflection points (1999, 2003, 2009, 2012, 2019) and is often the environment in which bonds outperform equities.

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.
- Investment involves risk. Past performance figures shown are not indicative of future performance. Investors should read the prospectus (including the risk warnings) and the product highlights sheets, before investing. Daily price change percentage is based on bid-bid price.

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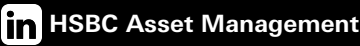
Benchmark disclosure

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.

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

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Glossary



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Performance is annualised when calculation period is over one year. Net of relevant prevailing sales charge on a single pricing (NAV) basis, calculated on the basis that dividends are reinvested.

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Where the Units are subscribed or purchased under Section 305 of the SFA by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within 6 months after that corporation or that trust has acquired the Units pursuant to an offer made under Section 305 of the SFA except (1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; or (4) as specified in Section 305A(5) of the SFA; (5) The sub-fund uses financial derivative instruments significantly and a significant portion of the sub-fund's payout income are generated from financial derivative strategies, investors should take note of expected risks associated with such strategies and higher volatility in payout income profile.

HSBC Global Asset Management (Singapore) Limited

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Company Registration No. 198602036R

Should there be any discrepancy, the English version shall prevail. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

Supplemental information sheet

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AC USD	-1.51	-1.51	5.51	0.12	4.54	-2.24	-0.54
IC USD	-1.45	-1.45	5.71	0.48	5.30	-1.53	0.18

Calendar year performance (%)	2019	2020	2021	2022	2023
AC USD	7.91	1.74	-6.99	-8.20	9.85
IC USD	8.69	2.48	-6.32	-7.53	10.64

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
IC	USD	--	--	--	--

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	30 August 2007	LU0234585437	USD	USD 5,000	12.90	1.250%	Accumulating
IC	22 February 2008	LU0234594009	USD	USD 1,000,000	14.52	0.625%	Accumulating

Different classes may have different performances, dividend yields and expense ratios. For hedged classes, the effects of hedging will be reflected in the net asset values of such classes. Expenses arising from hedging transactions may be significant and will be borne by the relevant hedged classes. Hedged class performs the required hedging on a best efforts basis.

Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis. For comparison with benchmark.

Performance numbers shown are before netting off sales / realisation charges.

The above table cites the last dividend paid within the last 12 months only.

Dividend is not guaranteed and may be paid out of capital, which will result in capital erosion and reduction in net asset value. A positive distribution yield does not imply a positive return. Past distribution yields and payments do not represent future distribution yields and payments. Historical payments may comprise of distributed income, capital, or both.

The calculation method of annualised yield prior to August 2019 is the simple yield calculation: (dividend amount / NAV per share or units as of ex-dividend date) x n; The calculation method of annualised yield from August 2019 is the compound yield calculation: $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n) - 1$, n depends on the distributing frequency. Annually distribution is 1; semi-annually distribution is 2; quarterly distribution is 4; monthly distribution is 12.

The annualised dividend yield is calculated based on the dividend distribution on the relevant date with dividend reinvested, and may be higher or lower than the actual annual dividend yield.

Investors and potential investors should refer to the details on dividend distributions of the Fund, which are available on HSBC Asset Management (Singapore) Limited website.

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

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