HSBC Asset Management

HSBC Global Investment Funds

INDIA FIXED INCOME

Monthly report 30 June 2022 | Share class IC

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of Indian bonds and other similar securities.

Investment strategy

The Fund is actively managed and is not constrained by a benchmark. In normal market conditions, the Fund will invest at least 90% of its assets in Indian rupee denominated investment grade bonds, non-investment grade bonds and unrated bonds issued by government and corporate entities; investment grade, non-investment grade and unrated bonds issued by government, government-related entities and companies that are based in or carrying out the larger part of their business in India that are denominated in other currencies; cash and money market instruments; and other financial instruments such as structured products.The Fund may be subject to a limit on its investments in India. Where this is the case the Fund may invest in non-INR denominated fixed income securities or derivatives.The Fund may invest up to 100% in bonds issued by the Indian government and government-related entities.The Fund may invest up to 20% in cash and money market instruments.The Fund may invest up to 10% in contingent convertible securities and up to 10% in other funds.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.

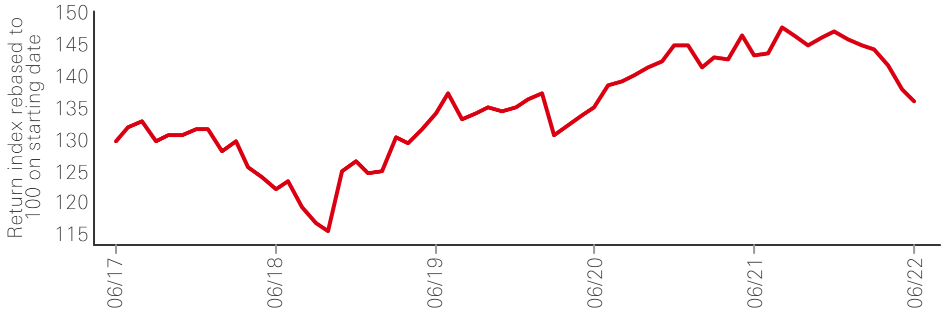
Share Class Details

Key metrics	
NAV per Share	**USD 13.77**
Performance 1 month	**-1.44%**
Yield to maturity	**7.40%**
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	**20 August 2012**
Fund Size	**USD 582,044,431**
Managers	**Sanjay B Shah** **Fouad Mouadine**
Fees and expenses	
Minimum initial investment (SG)[1]	**USD 1,000,000**
Maximum initial charge (SG)	**3.100%**
Management fee	**0.550%**
Codes	
ISIN	**LU0780248281**
Bloomberg ticker	**HSIFIIU LX**

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

Performance is annualised when calculation period is over one year. Past performance does not predict future returns.
Fund return: NAV-to-NAV basis or Bid-to-Bid 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 KIID before making any final investment decisions.
Source: HSBC Asset Management, data as at 30 June 2022

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
IC	**-7.46**	**-1.44**	**-5.75**	**-7.46**	**-5.03**	**0.47**	**0.96**

Calendar year performance (%)	2017	2018	2019	2020	2021
IC	**8.94**	**-3.92**	**6.66**	**7.42**	**1.43**

3-Year Risk Measures	IC	Reference benchmark
Volatility	5.86%	--
Sharpe ratio	-0.03	--

5-Year Risk Measures	IC	Reference benchmark
Volatility	6.99%	--
Sharpe ratio	-0.05	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	46	--	--
Average coupon rate	6.76	--	--
Yield to worst	7.28%	--	--
Yield to maturity	7.40%	--	--
Current yield	6.84%	--	--
Option Adjusted Duration	4.10	--	--
Modified Duration to Worst	4.05	--	--
Average maturity	5.25	--	--
Number of issuers	19	--	--

Credit rating (%)	Fund	Reference benchmark	Relative
BBB	62.11	--	--
BB	2.44	--	--
NR	32.73	--	--
Cash	2.73	--	--

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
0-2 years	0.08	--	--
2-5 years	1.31	--	--
5-10 years	2.52	--	--
10+ years	0.20	--	--
Cash	0.00	--	--
Total	**4.10**	**--**	**--**

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Source: HSBC Asset Management, data as at 30 June 2022

Sector Allocation (%)	Fund	Reference benchmark	Relative
Sovereign	60.52	--	--
Diversified Finan Serv	11.00	--	--
Regional(state/provnc)	10.01	--	--
Bank	5.13	--	--
Electric	4.64	--	--
Oil & gas	3.13	--	--
Transportation	2.86	--	--
Cash	2.73	--	--

Top 10 Holdings	Weight (%)
INDIA GOVT BOND 6.790 15/05/27	11.83
INDIA GOVT BOND 5.630 12/04/26	11.51
INDIA GOVT BOND 7.170 08/01/28	7.81
INDIA GOVT BOND 7.260 14/01/29	6.70
INDIA GOVT BOND 7.270 08/04/26	4.43
INDIA GOVT BOND 5.740 15/11/26	3.63
NHPC LTD 8.120 22/03/29	3.46
INDIA GOVT BOND 6.540 17/01/32	3.15
INDIA GOVT BOND 6.790 26/12/29	3.15
INDIA GOVT BOND 7.950 28/08/32	2.88

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

Monthly performance commentary

Review

The Indian domestic bond market ended June slightly positive despite a mild upward shift in Indian sovereign yield curve. On the other hand, corporate yield curve moved higher over the month. Earlier the month, the RBI continued their front-loaded rate hikes by raising the repo rate by 50bps, which was broadly expected. It removed the word "accommodative" from its guidance, and raised its FY23 inflation forecast meaningfully, highlighting that inflation will be above the 6% upper tolerance limit for three quarters, while retaining its target GDP growth for FY23 considering the continued upbeat momentum in growth. The minutes released later highlighted the need for more rate hikes as each of the MPC members acknowledged elevated inflationary pressures while also cautioning about the sacrifice on 2023-2024 growth as a result. May inflation eased in YoY terms, as broadly expected, on the back of base effects, while the sequential momentum remained strong mainly due to elevated food prices. Core inflation fell in annual terms, while sequential momentum remained unchanged. The manufacturing PMI continued to accelerate in June, albeit at a slower pace, which can be largely explained by the moderation in new export orders. That said, the latter remains above its long-term average. Meanwhile, April industrial production rose at the fastest pace in eight-months. The strong growth momentum was broad-based, with manufacturing growing the fastest. Elsewhere, fiscal deficit for the first two months (April-May) of FY23 came in lower than the pre-pandemic average, on the back of sluggish spending, of which a larger share was directed towards capital expenditure and strong revenue collection, mainly from tax. The INR depreciated against USD in June given its wide twin deficits amid high oil prices.

Portfolio strategy

The fund returned negatively in June. Currency effect was the key detractor to performance given the depreciation of the INR against the USD over the month given its wide twin deficits amid high oil prices. On a positive note, yield carry contributed to the returns and partly offset the losses. In addition, duration exposure also added value despite the INR sovereign curve shifted slightly upwards over the month considering the RBI continued front-loading their rate hikes amid elevated inflationary pressure. In terms of the fund's strategy, we remain short in duration as a view because of the RBI's upcoming rate hike cycle. We continue to prefer government bonds, with a focus on the belly amid the sovereign curve's steepness and attractive roll down. We remain constructive on INR corporate bonds and prefer government services names that offer yield pick-up and similar interest rate risk profile against the sovereign bonds. We maintain only a small position in USD denominated bonds as we continue to expect short end of the US treasury yield curve to grind higher in the near to medium term.

Outlook

In the midst of the storm in global bond markets, it is worth reassessing the longer-term drivers of some of the opportunities in niche markets such as India fixed income. Indian bonds offer relatively attractive yields and can potentially provide the much-desired yield enhancement and diversification in a global bond portfolio. India's 10-year government bonds yield an extra 4.2%, 5.0% and 5.9% more than its US, UK, and Germany counterparts. India bonds even offer a yield pick up against several other major emerging markets. An added point to diversification is the low correlation of only 0.13 between India bonds and global bond markets over the last 10-year period. Inflation upside risks remain a concern for bond investors, but there are signs that India's inflation is peaking: the RBI's projection, for one, sees that inflation will fall back to within the target band by the first quarter of 2023. The MPC's main responsibility is to keep inflation targets set by the RBI, and its establishment since 2016 as part of India's monetary reform has given transparency and accountability to the policy process and lifted overall investor confidence.

Finally, India continues to be a preferred investment destination, having ranked as the seventh top recipient of FDI in the world in 2021 and having attracted a record amount of gross FDI inflows in FY2022. Though foreign inflows to India's equity and bond markets this year are negative, the attractive fundamentals in the medium term and the higher yields of India bonds can potentially attract capital and support the INR. The RBI has built up a healthy amount of foreign exchange reserves, which help insulate domestic borrowers' external debt from currency shocks.

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.
- 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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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.

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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	-7.75	-1.49	-5.90	-7.75	-5.64	-0.18	0.31
ACSGD SGD	-4.78	0.00	-3.24	-4.78	-2.32	0.76	0.52
AD USD	-7.75	-1.49	-5.91	-7.75	-5.66	-0.19	0.30
AM2 USD	-7.77	-1.50	-5.91	-7.77	-5.66	-0.19	0.30
AM2HKD HKD	-7.16	-1.47	-5.72	-7.16	-4.67	-0.05	--
AM3OSGD SGD	-7.83	-1.52	-5.94	-7.83	-5.79	-0.58	-0.27
IC USD	-7.46	-1.44	-5.75	-7.46	-5.03	0.47	0.96

Calendar year performance (%)	2017	2018	2019	2020	2021
AC USD	8.23	-4.54	5.98	6.72	0.78
ACSGD SGD	0.12	-2.64	4.54	4.89	2.81
AD USD	8.23	-4.55	5.96	6.72	0.77
AM2 USD	--	-4.54	5.96	6.72	0.78
AM2HKD HKD	--	--	5.45	6.19	1.33
AM3OSGD SGD	--	-5.50	5.10	6.16	0.59
IC USD	8.94	-3.92	6.66	7.42	1.43

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Source: HSBC Asset Management, data as at 30 June 2022

Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
ACSGD	SGD	--	--	--	--
AD	USD	Annually	8 July 2021	0.425034	4.91%
AM2	USD	Monthly	30 June 2022	0.044317	7.60%
AM2HKD	HKD	Monthly	30 June 2022	0.052727	7.60%
AM3OSGD	SGD	Monthly	30 June 2022	0.044499	7.69%
IC	USD	--	--	--	--

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	20 August 2012	LU0780247804	USD	USD 5,000	12.91	1.100%	Accumulating
ACSGD	3 December 2015	LU1317426903	SGD	USD 5,000	11.60	1.100%	Accumulating
AD	18 January 2013	LU0780247986	USD	USD 5,000	8.19	1.100%	Distributing
AM2	29 June 2017	LU1560771195	USD	USD 5,000	7.24	1.100%	Distributing
AM2HKD	29 August 2018	LU1819531796	HKD	USD 5,000	8.62	1.100%	Distributing
AM3OSGD	30 June 2017	LU1560771351	SGD	USD 5,000	7.19	1.100%	Distributing
IC	20 August 2012	LU0780248281	USD	USD 1,000,000	13.77	0.550%	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.

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 + (dividend amount / 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 30 June 2022