HSBC Asset Management

HSBC Global Investment Funds

INDIA FIXED INCOME

Monthly report 31 January 2024 | 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 value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.
- 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
- 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.

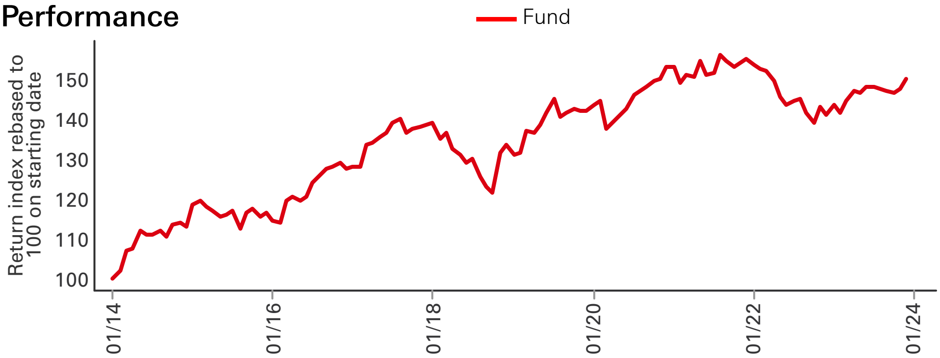
Share class details

Key metrics	
NAV per share	**USD 14.46**
Performance 1 month	**0.51%**
Yield to maturity	**7.31%**
Fund facts	
UCITS V compliant	**Yes**
UK reporting fund status (UKRS)	**Yes**
ISA eligible	**Yes**
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 776,372,306**
Managers	**Sanjay B Shah Fouad Mouadine William GOH**
Fees and expenses	
Minimum initial investment[1]	**USD 1,000,000**
Ongoing charge figure[2]	**0.800%**
Codes	
ISIN	**LU0780248281**
Bloomberg ticker	**HSIFIIU LX**
SEDOL	**BF2CG55**

[1]Please note that initial minimum subscription may vary across different distributors
[2]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 January 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
IC	**0.51**	**0.51**	**2.89**	**1.84**	**5.09**	**-0.47**	**2.79**	**4.17**

Rolling performance (%)	31/01/23-31/01/24	31/01/22-31/01/23	31/01/21-31/01/22	31/01/20-31/01/21	31/01/19-31/01/20	31/01/18-31/01/19	31/01/17-31/01/18	31/01/16-31/01/17	31/01/15-31/01/16	31/01/14-31/01/15
IC	**5.09**	**-6.73**	**0.59**	**6.36**	**9.44**	**-5.44**	**8.55**	**11.49**	**-3.54**	**18.80**

3-Year Risk Measures	IC	Reference Benchmark
Volatility	5.18%	--
Sharpe ratio	-0.53	--

5-Year Risk Measures	IC	Reference Benchmark
Volatility	5.64%	--
Sharpe ratio	0.15	--

Fixed Income Characteristics	Fund	Reference Benchmark	Relative
No. of holdings ex cash	82	--	--
Average coupon rate	6.83	--	--
Yield to worst	7.31%	--	--
Yield to maturity	7.31%	--	--
Current yield	6.86%	--	--
Option adjusted duration	5.25	--	--
Modified duration to worst	5.23	--	--
Average maturity	7.72	--	--
Number of issuers	25	--	--

Credit rating (%)	Fund	Reference Benchmark	Relative
BBB	74.53	--	--
BB	1.77	--	--
NR	24.06	--	--
Cash	-0.35	--	--

Maturity Breakdown (Option adjusted duration)	Fund	Reference Benchmark	Relative
0-2 years	0.07	--	--
2-5 years	1.02	--	--
5-10 years	2.55	--	--
10+ years	1.62	--	--
Cash	0.00	--	--
Total	**5.25**	**--**	**--**

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
Source: HSBC Asset Management, data as at 31 January 2024

Sector allocation (%)	Fund	Reference Benchmark	Relative
Sovereign	65.37	--	--
Diversified Finan Serv	11.88	--	--
Bank	9.99	--	--
Regional(state/provnc)	7.27	--	--
Transportation	2.62	--	--
Oil & gas	1.71	--	--
Iron/Steel	0.84	--	--
Electric	0.41	--	--
Auto Manufacturers	0.26	--	--
Cash	-0.35	--	--

Top 10 holdings	Weight (%)
INDIA GOVT BOND 7.180 24/07/37	7.42
INDIA GOVT BOND 7.260 22/08/32	6.10
INDIA GOVT BOND 7.170 17/04/30	5.61
INDIA GOVT BOND 7.170 08/01/28	5.53
INDIA GOVT BOND 6.540 17/01/32	4.91
INDIA GOVT BOND 7.100 18/04/29	4.80
INDIA GOVT BOND 7.260 14/01/29	4.75
INDIA GOVT BOND 7.260 06/02/33	4.49
INDIA GOVT BOND 7.300 19/06/53	4.36
INDIA GOVT BOND 7.180 14/08/33	4.06

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

Monthly performance commentary

Review

The Indian domestic bond market ended January higher amid the downward shift in Indian sovereign yield curve over the month. Conversely, corporate yield curve shifted upwards over the month. The RBI has kept its policy repo rate unchanged while acknowledging improved global settings via a more balanced commentary of liquidity, and the growth and inflation outlook. It also continued to emphasize the importance of the 4% inflation target. December CPI inflation rose much lower than expected on a YoY basis, with the sequential momentum remained unchanged MoM. Food price momentum eased a tad, led by vegetables and fruits. Core inflation softened further across all definitions. The moderation in the sequential momentum was across the board, including all the miscellaneous sub-indices, clothing, footwear, and tobacco. The Flash India PMI showed that both the manufacturing and services sector grew at a faster clip in January. Of the two, business services grew at a faster clip, in fact the fastest in four months. Rising new orders were a key driver of activity. While domestic orders grew at a faster clip than export orders, the latter rose as well, after four months of falling momentum. The October Index of Industrial Production rose YoY. On a sequential basis, the index was in the red again, after a small acceleration in the previous month. Some part of this weakness could be explained by fewer working days due to festival-related (Diwali) holidays in the month of November. The underlying momentum of the IP index continued to soften since July and compared to pre-pandemic levels (of January 2020). Weakness in industrial production was across the board. Manufacturing contracted on a sequential basis after staying flat in the previous month. Electricity and mining reported an even bigger contraction. Consumer goods output grew on a sequential basis, mainly by a smart pick-up in non-durables output after three months of sequential contraction. Durables output, on the other hand, oscillated back into the red after reporting a small acceleration in the previous month. Production of capital and infra goods was weak, both contracting on a sequential basis. Part of this weakness could be attributed to the gradual softening in central government capex. The INR appreciated against the USD in January on the back of continuous portfolio inflows given India's government bonds to be included in a couple of EM bond indices this year.

Portfolio strategy

The fund returned positively in January. The fund's yield carry was the main contributor to the positive returns. Meanwhile, FX exposure also contributed positively given the appreciation of the INR against the USD over the month on the back of continuous portfolio inflows given India's government bonds to be included in a couple of EM bond indices this year. In terms of the fund's strategy, we turned long duration as a view given the continual pause in rate decision by the RBI and the stabilizing oil prices. We continue to prefer government bonds over corporates that currently have tight spreads, favouring 30-year tenor for duration exposure. That said, 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 are holding a certain exposure to offshore USD bonds to counter the additional withholding tax and lock in the benefit from still-high UST yields.

Outlook

The lower-than-expected December CPI inflation data gave a boost to Indian bonds in January. The Indian Rupee (INR) has continued to exhibit resilience against the US dollar and outperformed other Asian currencies. In the latest Monetary Policy Committee (MPC) meeting, the policy rate and stance were broadly in line with consensus, with the Reserve Bank of India (RBI) keeping its policy rate unchanged and decided to remain focused on the withdrawal of accommodation to ensure inflation progressively align with the target rate, while supporting growth. Indian bond markets have so far been less volatile than the global bond markets. While we do expect an easing cycle in India, the rate cutting cycle could be a shallow one, with the potential rate cut of only 50 bps. Considering growth remains resilient and the government's continued focus on capital spending, there is less need for the RBI to support the economy through drastic easing measures. Meanwhile, the lower gross borrowing announced in the Budget and the commitment to reduce fiscal deficit alongside the demand from foreign portfolio investors (FPI) amid India's index inclusion, have been supporting Indian government bond prices. Index inclusion also attracts additional interests from foreign investors to closely monitor and explore Indian bonds for strategic allocation.
Looking ahead, the INR should see more upside with the repricing of the USD, lower oil prices, strong service exports, remittances and increase in foreign portfolio inflows. Against the expectations of multiple rate cuts in the US and India throughout 2024 and 2025, as well as considering the current oil price scenario, we have lengthened our duration positioning. We remain constructive on Indian government bonds, which will benefit from the favourable supply demand dynamics. Overall, the disinflation trend, peaking policy rate alongside rate cut expectations in 2024 are positive for Indian bonds.

The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.
Source: HSBC Asset Management, data as at 31 January 2024

Risk disclosures

- 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.
- 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.

Important information

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Further information about the Company including the Prospectus, the most recent annual and semi-annual reports of the Company and the latest share prices, may be obtained free of charge, in English, from the Registrar and Transfer Agent by emailing amgtransferagency@lu.hsbc.com , or by visiting www.global.assetmanagement.hsbc.com. The most recent Prospectus is available in English and German. Key Investor Information Document (KIID) are available in the local language where they are registered.
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www.assetmanagement.hsbc.co.uk

Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at www.assetmanagement.hsbc.co.uk
Term: The management company cannot terminate the Fund unilaterally. The Board of Directors may furthermore decide to liquidate the Fund in certain circumstances set out in the prospectus and articles of incorporation of the Fund.Further additional and complete information (including but not limited to) investor rights, costs and charges, please refer to the prospectus.
Source: HSBC Asset Management, data as at 31 January 2024

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HSBC Asset Management

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Lines are open 9am to 5pm Monday to Friday (excluding public holidays). To help the ACD and the Administrator continually improve their services and in the interests of security, they may monitor and/or record your communications with them.

Glossary