

## HSBC Global Investment Funds

# GLOBAL HIGH YIELD BOND

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 non-investment grade bonds (denominated in US dollars).



### Investment strategy

The Fund is actively managed.

In normal market conditions, the Fund will invest at least 90% of its assets in non-investment grade bonds and unrated bonds issued by governments, government-related entities, state sponsored enterprises, local or regional governments, supranational entities and companies.

The Fund may invest up to 30% in investment Grade bonds to manage liquidity and up to 10% in asset-backed securities.

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 securities issued by or guaranteed by any single government issuer with a credit rating below investment grade.

The Fund may invest up to 10% in convertible bonds, up to 15% in contingent convertible securities and may also invest in bank deposits, money market instruments for treasury purposes.

The Fund may invest up to 10% in other funds, including HSBC funds.

The Fund will normally hedge non-USD exposures into USD. The exposure to non-USD currencies will be up to 20% of assets.

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 13.45**

Performance 1 month **0.36%**

Yield to maturity **6.82%**

#### 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 **24 June 2014**

Fund Size **USD 1,129,657,236**

Reference benchmark **100% ICE BofA BB-B Developed Market High Yield Constrained Index (USD Hedged)**

Managers **Mary Gottshall Bowers**

#### Fees and expenses

Minimum initial investment (SG)<sup>1</sup> **USD 1,000,000**

Maximum initial charge (SG) **3.100%**

Management fee **0.550%**

#### Codes

ISIN **LU0780246319**

Bloomberg ticker **HSGHYIC LX**

<sup>1</sup>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. For comparison with benchmark.

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

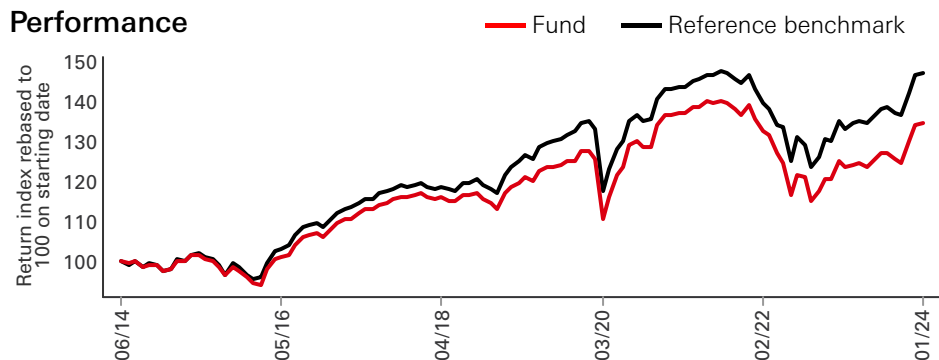
This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions.

Reference Performance Benchmark: ICE BofA BB-B Developed Market High Yield Constrained Index since 03 July 2023. Before that, the benchmark was 100% ICE BofA Global High Yield BB-B Constrained (USD Hedged; net of transaction costs).

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

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## Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
IC	0.36	0.36	7.74	5.81	7.28	-0.50	2.81
Reference benchmark	0.30	0.30	7.96	6.58	9.09	0.93	3.88

Calendar year performance (%)	2019	2020	2021	2022	2023
IC	12.99	6.91	1.82	-13.06	10.95
Reference benchmark	14.72	6.52	2.40	-11.10	12.64

3-Year Risk Measures	IC	Reference benchmark	5-Year Risk Measures	IC	Reference benchmark
Volatility	7.78%	7.80%	Volatility	9.30%	9.05%
Sharpe ratio	-0.35	-0.17	Sharpe ratio	0.10	0.22
Tracking error	1.56%	--	Tracking error	1.40%	--
Information ratio	-0.92	--	Information ratio	-0.77	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	439	2,321	--
Average coupon rate	5.88	5.52	0.36
Yield to worst	6.64%	6.79%	-0.14%
OAD	3.04	3.18	-0.13
Modified Duration to Worst	3.55	3.47	0.07
Option Adjusted Spread Duration	2.98	3.22	-0.24
Average maturity	4.46	4.26	0.20
Rating average	BB/BB-	BB-/B+	--
Number of issuers	284	1046	--

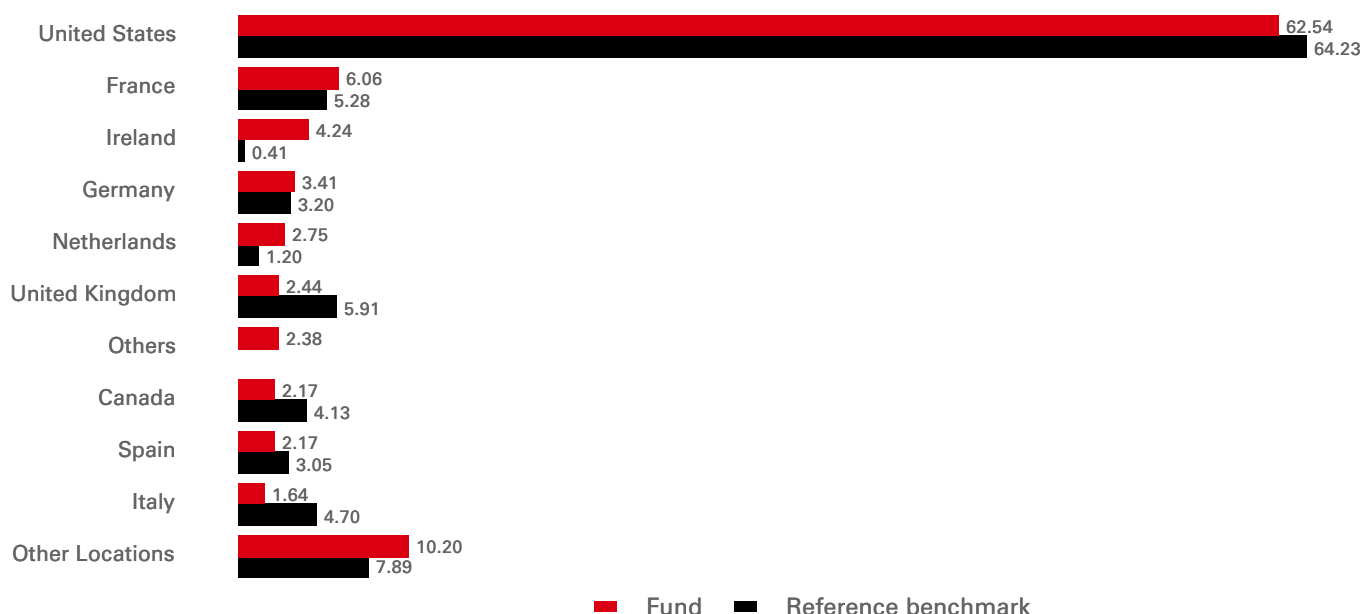
Credit rating (%)	Fund	Reference benchmark	Relative	Sleeve Maturity Breakdown (%)	Fund	Reference benchmark	Relative
AA	0.14	--	0.14	USD	68.95	73.33	-4.38
A	0.15	--	0.15	EUR	21.48	26.64	-5.16
BBB	10.77	0.38	10.39	Overlay	7.17	--	7.17
BB	45.89	56.38	-10.49	Emerging Markets	2.40	0.03	2.37
B	33.79	41.23	-7.44				
CCC	2.98	1.45	1.53				
C	0.07	--	0.07				
NR	3.52	--	3.52				
Cash	2.70	0.56	2.14				

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Maturity Breakdown (OAD)	Fund	Reference benchmark	Relative	Currency Allocation (%)	Fund	Reference benchmark	Relative
0-2 years	0.13	0.16	-0.02	USD	99.32	100.00	-0.68
2-5 years	1.59	1.53	0.07	EUR	0.65	--	0.65
5-10 years	1.14	1.30	-0.16	GBP	0.02	--	0.02
10+ years	0.17	0.19	-0.01	HKD	0.00	--	0.00
<b>Total</b>	<b>3.04</b>	<b>3.18</b>	<b>-0.13</b>	MXN	0.00	--	0.00
				ZAR	0.00	--	0.00
				AUD	0.00	--	0.00
				CAD	0.00	--	0.00
				CHF	0.00	--	0.00
				JPY	0.00	--	0.00
				Other Currencies	0.00	--	0.00

#### Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Consumer Cyclical	17.89	19.45	-1.56
Financial Institutions	12.33	12.89	-0.57
Communications	12.12	16.80	-4.68
Energy	11.77	10.00	1.77
Capital Goods	11.30	9.22	2.08
Consumer Non cyclical	6.74	11.36	-4.62
Basic Industry	5.03	4.93	0.10
Technology	4.12	5.61	-1.49
Transportation	3.67	2.94	0.73
ETF	3.56	--	3.56
Other Sectors	8.77	6.23	2.54
Cash	2.70	0.56	2.14

Top 10 Holdings	Weight (%)
AMERICAN AIRLINE 5.750 20/04/29	1.35
CARNIVAL HLD BM 10.375 01/05/28	1.02
NAVIENT CORP 6.750 15/06/26	0.92
CCO HOLDINGS LLC 4.500 15/08/30	0.88
ROYAL CARIBBEAN 9.250 15/01/29	0.83
CALPINE CORP 5.125 15/03/28	0.78
GRAHAM PKG CO IN 7.125 15/08/28	0.72
SPRINT CAP CORP 6.875 15/11/28	0.72
DAVE & BUSTER'S 7.625 01/11/25	0.71
TENET HEALTHCARE 6.125 01/10/28	0.70

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

## Monthly performance commentary

January was characterized by a continued risk asset rally fuelled by strong US growth data, a resilient consumer and subdued inflation at the same time as markets were anticipating a dovish Fed with markets pricing rate cuts as soon as March. This was partly offset by concerns around the conflict in the Middle East and the implications it may have on global growth due to higher oil prices, disrupted shipping, and higher transport costs. Credit markets were broadly positive over the month delivering another month of positive total return. Monthly supply in IG issuance was \$99.5 billion, as January issuance picked up following the holiday season. HY saw a similar pick up in January with \$28.4 billion issued over the month. US Treasuries saw the curve normalize somewhat with yields on short dated maturities falling while longer dated bonds saw yields rise over the month with the 2, 5, 10 and 30 year moving -4, -1, 3 and 14 basis points to finish the month at 4.21%, 3.84%, 3.91% and 4.17% respectively. In this market context the fund's benchmark returned 0.29% over the month.

The strategy delivered positive performance on an absolute basis outperforming the reference benchmark gross of fees.

Regionally, the off-benchmark allocation to EM and Securitized Credit and underweight to US and EUR HY added to relative performance as both Securitized Credit and EM outperformed US and EUR HY on an asset class basis. Issue selection also add with positive selection effects in all portfolio segments. The duration positioning added with an underweight vs the benchmark as longer end rates rose in January.

From a regional perspective the strategy is 69% US, 21% Europe with 2% EM and 2% Structured Credit. This represents an underweight to the US and EUR with off benchmark overweights to EM and Securitized Credit. The current cash allocation is at 2.7%. The strategy's average credit rating is one notch higher than the benchmark at BB/BB- with an overweight to BBB and CCC rated bonds and an underweight in BB and B rated bonds. The CCC exposure is largely in the US and in more defensive, less cyclical industries such as healthcare and packaging. The overall beta of the portfolio is 0.9 while the duration is 0.13 years underweight the benchmark at 3.04 on an option adjusted basis. The main industry sector overweights are to capital goods, energy and agencies while the main sector underweights are to communications, consumer non cyclicals and consumer cyclicals.

### Outlook

Early February saw a change in market sentiment as Fed comments dashed investor optimism around March rate cuts with markets repricing for a more hawkish stance. As a result, risk assets have sold off and spreads have slightly widened out. While this hasn't changed the underlying fundamentals of the economy, which remains solid, or the expectations for a soft landing, it has moved spreads away from the historical tight levels they had been bumping up against. Our expectation is that the global economy will slow, and the fed will begin to cut rates towards the middle of the year. As a result, over the longer term we still expect that spreads are more likely to move wider as we move towards a slowdown with more moderate inflation. In the short term however, we don't see any specific catalyst that would send spreads meaningfully wider, and we expect they could continue to grind tighter. As a result, we are currently positioned with a more neutral bias. We also remain tactical with our positioning, taking advantage of short-term opportunities as they arise.

For Global High Yield, yields finish January 7.8% with a spread of 385. In the short term we don't see any specific driver to send spreads meaningfully wider and are therefore positioned with a more neutral credit bias in the portfolio. Given our longer-term view of an economic slowdown however we are focusing more on less cyclical sectors and on issuers we believe will be better placed to weather a slowdown in growth. Regionally, we have a slight preference for Euro HY vs US HY given wider valuations and we see some value both in EM and ABS as diversifiers and based on relative value.

## 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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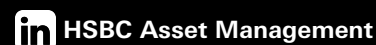
## Benchmark disclosure

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



## Important Information

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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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	0.31	0.31	7.59	5.50	6.64	-1.10	2.19
ACHCAD CAD	0.24	0.24	7.34	5.11	5.92	-1.51	1.68
ACHGBP GBP	0.30	0.30	7.43	5.25	5.95	-1.77	1.19
AM2 USD	0.31	0.31	7.58	5.49	6.63	-1.10	2.19
AM2HKD HKD	0.42	0.42	7.49	5.74	6.34	-0.83	2.11
AM3HAUD AUD	0.19	0.19	7.17	4.65	4.98	-2.18	1.06
AM3HEUR EUR	0.15	0.15	7.02	4.43	4.36	-2.97	0.12
IC USD	0.36	0.36	7.74	5.81	7.28	-0.50	2.81

Calendar year performance (%)	2019	2020	2021	2022	2023
AC USD	12.31	6.26	1.21	-13.57	10.28
ACHCAD CAD	11.43	5.64	1.04	-13.90	9.57
ACHGBP GBP	10.31	4.95	0.91	-14.44	9.46
AM2 USD	12.32	6.26	1.21	-13.58	10.27
AM2HKD HKD	11.78	5.74	1.77	-13.48	10.32
AM3HAUD AUD	11.10	4.97	0.77	-14.58	8.51
AM3HEUR EUR	8.93	4.48	0.24	-15.64	7.81
IC USD	12.99	6.91	1.82	-13.06	10.95

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

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## 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	--	--	--	--
ACHCAD	CAD	--	--	--	--
ACHGBP	GBP	--	--	--	--
AM2	USD	Monthly	31 January 2024	0.051139	8.25%
AM2HKD	HKD	Monthly	31 January 2024	0.051507	8.24%
AM3HAUD	AUD	Monthly	31 January 2024	0.042710	6.97%
AM3HEUR	EUR	Monthly	31 January 2024	0.038419	6.33%
IC	USD	--	--	--	--

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	24 June 2014	LU0780251400	USD	USD 5,000	12.71	1.100%	Accumulating
ACHCAD	28 October 2016	LU0871578737	CAD	USD 5,000	11.55	1.100%	Accumulating
ACHGBP	21 November 2016	LU0871578810	GBP	USD 5,000	11.20	1.100%	Accumulating
AM2	20 July 2012	LU0780247044	USD	USD 5,000	7.72	1.100%	Distributing
AM2HKD	20 July 2012	LU0780247127	HKD	USD 5,000	7.78	1.100%	Distributing
AM3HAUD	20 July 2012	LU0780247473	AUD	USD 5,000	7.59	1.100%	Distributing
AM3HEUR	20 July 2012	LU0780247630	EUR	USD 5,000	7.49	1.100%	Distributing
IC	24 June 2014	LU0780246319	USD	USD 1,000,000	13.45	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:  $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n) - 1$ , 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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