

HSBC Global Investment Funds

GLOBAL SHORT DURATION HIGH YIELD BOND

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 short duration non-investment grade bonds.



Investment strategy

The Fund is actively managed. In normal market conditions, the Fund will invest at least 90% in non-investment grade bonds, unrated bonds and other higher yielding securities issued by governments, government-related entities and companies that are based in developed markets; including up to 10% in asset-backed securities and mortgage-backed securities. The Fund may also invest up to 10% in bonds issued by companies that are based in or carry out the larger part of their business in emerging markets. The Fund may invest up to 30% in investment grade bonds to manage liquidity and risk. 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 any single government issuer with a non-investment grade rating. The Fund may invest up to 10% in convertible bonds, up to 15% in contingent convertible securities and up to 10% invested in other funds. The Fund's primary currency exposure is to 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.

Share Class Details

Key metrics

NAV per Share	USD 12.71
Performance 1 month	-6.29%
Yield to maturity	9.28%

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	12 June 2013
Fund Size	USD 128,797,855
Reference benchmark	100% Bloomberg Global Short Duration High Yield BB-B 2% Constrained USD Hedged Index

Managers **Mary Gottshall Bowers**

Fees and expenses

Minimum initial investment (SG) ¹	USD 1,000,000
Maximum initial charge (SG)	3.100%
Management fee	0.450%

Codes

ISIN	LU0922810196
Bloomberg ticker	HGSDIAU LX

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

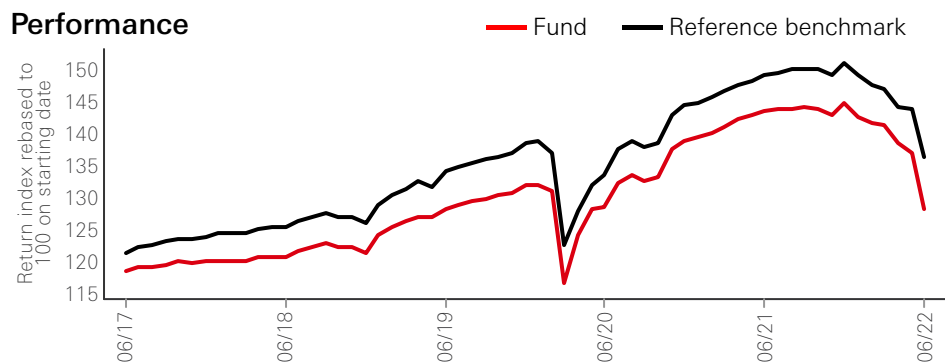
Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark Performance numbers shown are before netting off sales / realisation charges. This is a marketing communication.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

Reference Performance Benchmark: Bloomberg Barclays Global Short Duration High Yield BB-B 2% Constrained USD Hedged Index since 1 March 2019. Before that, the benchmark was BofA Merrill Lynch 1-3 Year BB-B US & Euro Non-Financial High Yield 2% Constrained Hedged USD.

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

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Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
IC	-11.44	-6.29	-9.31	-11.44	-10.69	0.03	1.61
Reference benchmark	-9.71	-5.19	-7.28	-9.71	-8.59	0.57	2.33

Calendar year performance (%)	2017	2018	2019	2020	2021
IC	3.63	1.04	8.65	5.37	4.30
Reference benchmark	4.96	1.89	9.93	4.11	4.61

3-Year Risk Measures	IC	Reference benchmark	5-Year Risk Measures	IC	Reference benchmark
Volatility	9.13%	8.31%	Volatility	7.21%	6.62%
Sharpe ratio	-0.07	-0.01	Sharpe ratio	0.05	0.16
Tracking error	1.63%	--	Tracking error	1.37%	--
Information ratio	-0.33	--	Information ratio	-0.52	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	123	1,181	--
Average coupon rate	5.47	5.12	0.35
Yield to worst	8.79%	8.04%	0.75%
Option Adjusted Duration	2.57	2.70	-0.13
Modified Duration to Worst	2.73	2.83	-0.10
Modified Duration to Maturity	2.79	2.87	-0.08
Option Adjusted Spread Duration	3.12	3.27	-0.15
Average maturity	3.87	3.26	0.60
Rating average	BB-/B+	BB-/B+	--
Number of issuers	106	685	--

Credit rating (%)	Fund	Reference benchmark	Relative	Sleeve Maturity Breakdown (%)	Fund	Reference benchmark	Relative
BBB	0.19	0.08	0.11	USD	79.47	62.69	16.77
BB	44.56	60.51	-15.95	EUR	20.53	37.31	-16.77
B	43.84	39.23	4.60				
CCC	6.32	0.18	6.14				
Cash	5.10	--	5.10				

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

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Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
0-2 years	0.10	0.23	-0.12
2-5 years	2.06	2.47	-0.41
5-10 years	0.26	--	0.26
10+ years	0.14	--	0.14
Total	2.57	2.70	-0.13

Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	100.13	100.00	0.13
GBP	0.01	--	0.01
JPY	0.00	--	0.00
SGD	0.00	--	0.00
EUR	-0.13	--	-0.13

Geographical Allocation (%)



■ Fund ■ Reference benchmark

Sector Allocation (%)	Fund	Reference benchmark	Relative
Consumer Cyclical	26.16	21.06	5.10
Communications	15.16	15.33	-0.17
Financial Institutions	14.86	16.82	-1.96
Consumer Non cyclical	12.79	8.94	3.85
Energy	8.45	10.58	-2.13
Transportation	4.87	5.21	-0.34
Capital Goods	4.54	9.52	-4.98
Technology	2.69	3.80	-1.11
Basic Industry	1.87	4.50	-2.63
Utility	1.42	2.78	-1.36
Other Sectors	2.11	1.46	0.65
Cash	5.10	--	5.10

Top 10 Holdings	Weight (%)
AIRCASTLE LTD 5.250	2.49
DISH DBS CORP 5.250 01/12/26	2.46
AMERICAN AIRLINE 5.500 20/04/26	2.32
CAESARS ENT 6.250 01/07/25	2.24
WASH MULT ACQ 5.750 15/04/26	2.23
CROWNROCK LP/CR 5.625 15/10/25	2.23
EG GLOBAL 6.750 07/02/25	2.22
VALEANT PHARMA 9.000 15/12/25	2.16
FORD MOTOR CRED 4.389 08/01/26	2.06
US ACUTE CARE 6.375 01/03/26	2.00

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

Monthly performance commentary

Fund Review

Volatility continued in credit markets in June with spread weakness in both Investment Grade and High Yield capping off one of the most challenging semi-annual performance periods on record. Although rates finished higher over the month, they fell sharply from their mid-month peaks as investor focus moved from inflationary to recessionary fears. In this market context, monthly total returns came in negative for both Investment Grade and High Yield. IG supply came in at \$92 billion, the lightest June since 2013 while HY saw \$9.5 billion issued. Flows were negative for US IG with -\$21.0 billion while HY saw -\$10.2 billion. Treasury yields spiked in the first half of the month before falling back in the second half but still finishing the month higher and flatter with the short end rising more than the long end of the curve. The US 2, 5, 10 and 30 year Treasuries yields moved 40, 22, 17 and 14 bps to end the month at 2.95%, 3.04%, 3.01% and 3.18% respectively. In this market context the fund's benchmark returned -5.19%.

The strategy delivered negative performance on an absolute basis underperforming the reference benchmark gross of fees.

Regional positioning was positive for relative performance over the month on an asset class basis with US bonds which the strategy is overweight outperforming EUR bonds which the strategy is underweight. Issue selection detracted from performance as both the US and EUR segment saw negative selection effects, underperforming their respective investment universes. The overall underweight to duration added to performance as rates continued to rise in June.

The strategy remains overweight USD bonds and underweight EUR bonds. The average credit rating is in line with that of the benchmark at BB-/B+ with an underweight to BB rated bonds and an overweight to B and CCC rated bonds. The largest sector overweights are in consumer cyclicals, consumer non cyclicals and agencies while the main sector underweights are to capital goods, basic industry and energy. The strategy's running yield is 6.12% and the total gross YTW is 9.27% (total gross yield to worst includes carry from currency hedging). The option adjusted duration is 2.57 years.

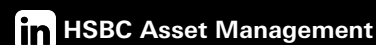
Outlook

June saw a shift in the concerns of investors which up until then had been mainly focused on inflation and Central Bank hawkishness to fears that an economic slowdown will now push economies into recession. As a result, markets exhibited a strong risk off sentiment in the second half of the month. Although credit fundamentals remain solid, even if they have weakened somewhat and with growth concerns and the likelihood of a recession now a larger part of the narrative, we believe that spreads are more likely to test wider levels than move tighter so despite more attractive valuations we remain cautious. While all in yields are looking attractive for High Yield at over 9% as an asset class and 2-year forward returns are starting to look compelling, current spread levels are pricing in a higher likelihood of a U.S. recession and may move wider given the concerns of persistently higher inflation on profit margins as well as market fears around a recession. We therefore believe High Yield spreads are likely to test the recent wides over the next few months and as a result, have reduced risk where valuations may have room to move lower or companies may be less able to continue to weather cost headwinds coupled with the prospect of weaker growth. However, where valuations are already pricing in significant downside, companies have adequate liquidity and the business case remains intact we are maintaining our positioning. We are also adding higher quality risk at attractive lower dollar prices. We remain underweight to EM in the face of weaker global growth and a hawkish Fed. We also continue to stick with our EUR underweight although with current valuations wide to the US, where typically we see EUR spreads inside US spreads, we may begin to cover some of this underweight over the coming months as we also begin to reduce our positioning in structured credit particularly in light of the significant move wider in global high yield spreads.

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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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 relative to the benchmark is monitored, but not constrained, to a defined range.

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

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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	-11.65	-6.33	-9.42	-11.65	-11.13	-0.47	1.10
ACHEUR EUR	-12.32	-6.54	-9.87	-12.32	-12.26	-2.05	-0.98
IC USD	-11.44	-6.29	-9.31	-11.44	-10.69	0.03	1.61

Calendar year performance (%)	2017	2018	2019	2020	2021
AC USD	3.12	0.53	8.12	4.84	3.78
ACHEUR EUR	0.96	-2.30	4.87	3.13	2.79
IC USD	3.63	1.04	8.65	5.37	4.30

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

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	12 June 2013	LU0922809933	USD	USD 5,000	12.14	0.900%	Accumulating
ACHEUR	12 November 2013	LU0922810519	EUR	USD 5,000	10.32	0.900%	Accumulating
IC	12 June 2013	LU0922810196	USD	USD 1,000,000	12.71	0.450%	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 or Bid-to-Bid 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 30 June 2022

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