

## HSBC Global Investment Funds

# EURO BOND TOTAL RETURN

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 bonds (denominated in Euro).



### Investment strategy

The Fund is actively managed and is not constrained by a benchmark. The Fund employs a Total Return strategy that capture the majority of the upside in the Euro credit universe while limiting the downside risk and has a flexible allocation across the bond market, over an investment cycle, to achieve risk-adjusted returns above those of the investment universe. However, your capital is still at risk and there is no guarantee of stable growth over time. In normal market conditions, the Fund will mostly invest in investment grade bonds and non-investment grade bonds denominated in Euro, issued by governments, government-related, supranational entities and companies that are based in or carry out the larger part of their business in developed markets. The Fund may invest up to 49% in cash and money market instruments, up to 10% in other funds and up to 10% in bonds issued by governments, government-related, supranational entities and companies based in emerging markets. The Fund may invest up to 10% in convertible bonds, up to 15% in contingent convertible securities and 10% in asset-backed securities and mortgage-backed securities. The Fund's primary currency exposure is to Euro. 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.
- 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.

### Share Class Details

#### Key metrics

NAV per Share	<b>EUR 12.02</b>
Performance 1 month	<b>0.12%</b>
Yield to maturity	<b>4.61%</b>

#### Fund facts

UCITS V compliant	<b>Yes</b>
Dividend treatment	<b>Accumulating</b>
Dealing frequency	<b>Daily</b>
Valuation Time	<b>17:00 Luxembourg</b>
Share Class Base Currency	<b>EUR</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>12 December 2013</b>
Fund Size	<b>EUR 92,572,384</b>
Managers	<b>Jean Olivier Neyrat</b>

#### Fees and expenses

Minimum Initial Investment	<b>USD 1,000,000</b>
Ongoing Charge Figure <sup>1</sup>	<b>0.650%</b>

#### Codes

ISIN	<b>LU0988493606</b>
Valoren	<b>22769468</b>
Bloomberg ticker	<b>HECBTRI LX</b>

<sup>1</sup>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.

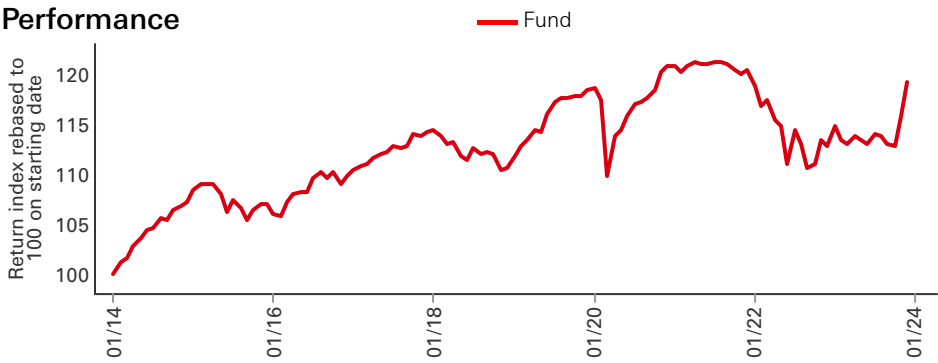
Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

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	0.12	0.12	5.81	4.70	3.89	-0.43	1.31	1.79

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	3.89	-3.38	-1.67	1.86	6.15	-2.28	3.70	4.03	-2.18	8.50

3-Year Risk Measures	IC	Reference benchmark	5-Year Risk Measures	IC	Reference benchmark
Volatility	4.63%	6.47%	Volatility	5.15%	6.85%
Sharpe ratio	-0.31	-0.44	Sharpe ratio	0.17	0.02

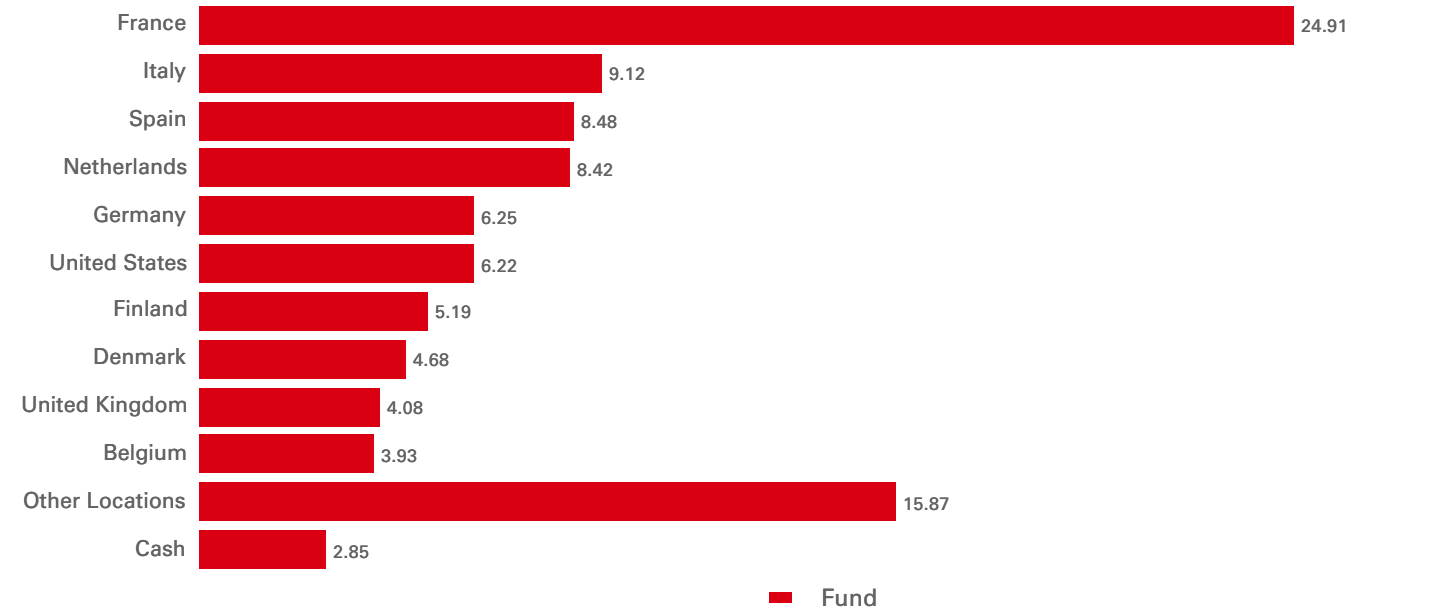
Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	79	--	--
Yield to worst	4.28%	--	--
Yield to maturity	4.61%	--	--
Option Adjusted Duration	3.98	--	--
Option Adjusted Spread Duration	4.71	--	--
Average maturity	5.23	--	--
Minimum rating	BBB+/BBB	--	--

Credit rating (%)	Fund	Reference benchmark	Relative	Geographical Allocation (Option Adjusted Duration)	Fund	Reference benchmark	Relative
AAA	1.46	--	--	United States	0.97	--	--
AA	8.94	--	--	France	0.71	--	--
A	9.97	--	--	Netherlands	0.41	--	--
BBB	48.42	--	--	Spain	0.28	--	--
BB	28.05	--	--	Finland	0.24	--	--
NR	0.31	--	--	Denmark	0.23	--	--
Cash	2.85	--	--	Australia	0.22	--	--
				New Zealand	0.20	--	--
				Italy	0.19	--	--
				Belgium	0.17	--	--
				Other Locations	0.36	--	--
				Cash	0.00	--	--
				Total	3.98	--	--

Sector Allocation (Option Adjusted Duration)	Fund	Reference benchmark	Relative
Banking	1.33	--	--
Insurance	0.54	--	--
Treasuries	0.34	--	--
Electric	0.34	--	--
Communications	0.32	--	--
Owned No guarantee	0.22	--	--
Supranational	0.17	--	--
Capital Goods	0.15	--	--
Consumer Cyclical	0.10	--	--
Mortgage Assets	0.10	--	--
Other Sectors	0.36	--	--
Cash	0.00	--	--
Total	3.98	--	--

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
0-2 years	0.36	--	--
2-5 years	0.72	--	--
5-10 years	2.20	--	--
10+ years	0.70	--	--
Total	3.98	--	--

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Banking	35.75	--	--
Treasuries	12.33	--	--
Insurance	11.10	--	--
Electric	8.69	--	--
Communications	4.68	--	--
Owned No guarantee	4.07	--	--
Consumer Cyclical	2.96	--	--
Capital Goods	2.66	--	--
Consumer Non cyclical	2.25	--	--
Utility Other	2.09	--	--
Other Sectors	10.57	--	--
Cash	2.85	--	--

Top 10 Holdings	Weight (%)
FRANCE O.A.T. 0.000 25/02/24	5.37
BTPS 4.500 01/03/24	4.39
NEW ZEALAND GVT 3.500 14/04/33	2.56
ELIA GROUP SA/NV 5.850	2.30
VEOLIA ENVRNMT 2.250	2.09
BNP PARIBAS 4.032	2.05
DEUTSCHE BOERSE 2.000 23/06/48	2.00
ASR NEDERLAND NV 7.000 07/12/43	1.85
EDP SA 1.875 14/03/82	1.85
TDC NET AS 6.500 01/06/31	1.82

## Monthly performance commentary

### Market

In January 2024, risky assets and global government bonds market followed opposite trajectories. For global government bonds, as central bank officials pushed back on the prospect of Q1 rate cuts, we had a correction of the rally of December 2023 for the eurozone German Bund at 10 years where 15 bps higher at 2.17% and French 10Y OAT 10bps higher at 2.66%, the outperformer was the Italian BTP which finished the month at 3.72% which is 4bps higher and 10bps tighter against Germany.

For risky assets, they hold their momentum from November and December as hopes for a soft landing continued. US data surprised on the upside once again, with Q4 growth at annualized rate of +3.3%, whilst the unemployment rate remained at 3.7% in December. Likewise in the Euro Area, the single currency area unexpectedly avoided a technical recession in Q4, as GDP was unchanged, rather than contracting by -0.1% as the consensus expected.

In this context equity markets were positive on the month with the Eurostoxx 50 at 4648 (+2.8%) and the S&P500 at 4845 (+1.6%). For the credit market, investment grade cash indices were 5bps tighter on the month as High yield 10bps tighter. For the sectors, outperformance of Subordinated Insurance (-15bps), Corporate Hybrids (-17bps) and Real Estate. Banks, both senior and subordinated performed in line with the market while Utilities (-2bps) and Telecoms (-2bps) underperformed. The primary market was quite active but overall, the volume of new issues was 30-35% lower than for January 2023.

### Credit Exposure

The credit duration of the portfolio is lower at 3.78 years at the end of January, but we increased the average yield of the portfolio which is now of 5.24%. For our holdings, we increased the weight of AT1 securities to 4%, reduced our Corporate Hybrids exposure by 10% to 14% and have 28% of High Yield in the portfolio. For the sector, our biggest exposures are on Banks, Utilities and Insurance.

### Duration & Sovereign Exposure

Our exposure to rates is stable at 3.93 years.

### Currency Exposure

We decided to close the long EUR vs. GBP as the GBP is no longer considered as the top G10 underperformer. Negative sentiment has faded, and growth outlook is not worse than Euro zone.

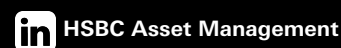
### Strategy & Perspectives

With the soft-landing scenario gaining traction in the financial markets and with Euro Investment grade spreads at fair value, we are keeping a procyclical positioning in our portfolio. While geopolitical concerns have persisted, particularly given attacks from the Houthi rebels on commercial shipping in the Red Sea; the next move on rates is seen to be supportive for risky assets and after the retracement of January, the market are now more in line with central bank officials in their rate expectations. For Euro credit, investment grade issuers are still in a good shape if ones stay away from problematic sectors (Commercial Real Estate ex logistic, Autos and Retail), we find Subordinated Banks and Insures attractive at these levels. We aim to maintain the carry of the portfolio as valuations are still fair at these levels of spread.

## Risk Disclosure

- 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.
- Further information on the potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

Follow us on:



For more information please contact us  
at Tel: +41 (0) 44 206 26 00.

Website:  
[www.assetmanagement.hsbc.com/ch](http://www.assetmanagement.hsbc.com/ch)

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## Glossary



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The presented fund is authorised for distribution in Switzerland in the meaning of Art. 120 CISA.

The fund presented in this document is a sub-fund of HSBC Global Investment Funds, an investment company constituted as a société à capital variable domiciled in Luxembourg. The shares in HSBC Global Investment Funds have not been and will not be registered under the US Securities Act of 1933 and will not be sold or offered in the United States of America, its territories or possessions and all areas subject to its jurisdiction, or to United States Persons. Further Information can be found in the prospectus.

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