

## HSBC Global Investment Funds

# EURO BOND

Monthly report 31 January 2024 | Share class AC



### Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of bonds (denominated in Euros), while promoting environmental, social and governance (ESG) characteristics. The Fund also aims to achieve a higher ESG rating than the weighted average of the constituents of its reference benchmark. The Fund qualifies under Article 8 of SFDR.



### Investment strategy

The Fund is actively managed. The Fund will invest normally at least 90% in high quality bonds or similar securities which are denominated in Euros and normally invest in bonds issued by governments, government related agencies or companies. The Fund may also invest in securities from any country including developed markets and emerging markets. The Fund will not invest in companies with involvement in specific excluded activities, such as: companies involved in the production controversial weapons and tobacco; companies with more than 10% revenue generated from thermal coal extraction; and companies with more than 10% revenue generated from coal-fired power generation. The Fund may invest up to 10% in bonds issued by issuers based in emerging markets, up to 10% in asset-backed securities and mortgage-backed securities, 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.
- 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 24.81</b>
Performance 1 month	<b>-0.91%</b>
Yield to maturity	<b>3.39%</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>4 April 2003</b>
Fund Size	<b>EUR 55,341,988</b>
Reference benchmark	<b>100% Bloomberg Euro Aggregate Bond Index</b>
Managers	<b>Jean Philippe Munch Karen Benouaich Kadosch</b>

#### Fees and expenses

Minimum Initial Investment	<b>USD 5,000</b>
Ongoing Charge Figure <sup>1</sup>	<b>1.000%</b>

#### Codes

ISIN	<b>LU0165129312</b>
Valoren	<b>1578712</b>
Bloomberg ticker	<b>HSBEIGA 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.

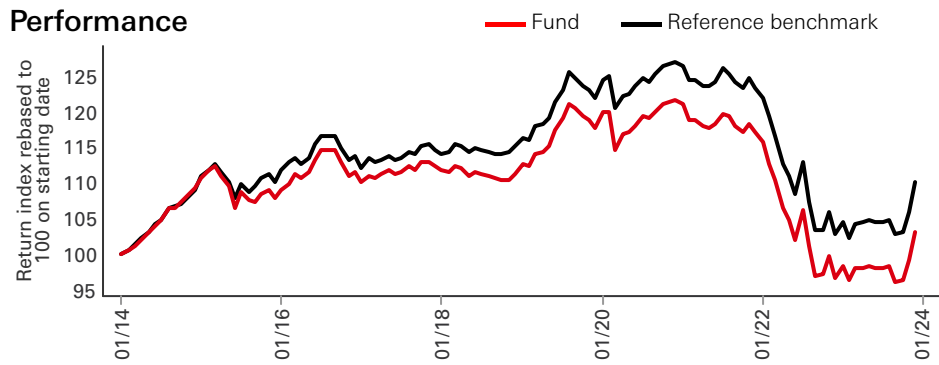
Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

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
AC	-0.91	-0.91	5.84	4.02	3.76	-5.48	-1.93	0.21
Reference benchmark	-0.84	-0.84	5.79	4.32	4.53	-4.77	-1.25	0.87

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
AC	3.76	-14.88	-4.40	0.91	6.46	0.76	1.47	1.07	-1.63	10.73
Reference benchmark	4.53	-14.38	-3.50	1.55	7.07	1.83	1.72	0.26	0.81	10.98

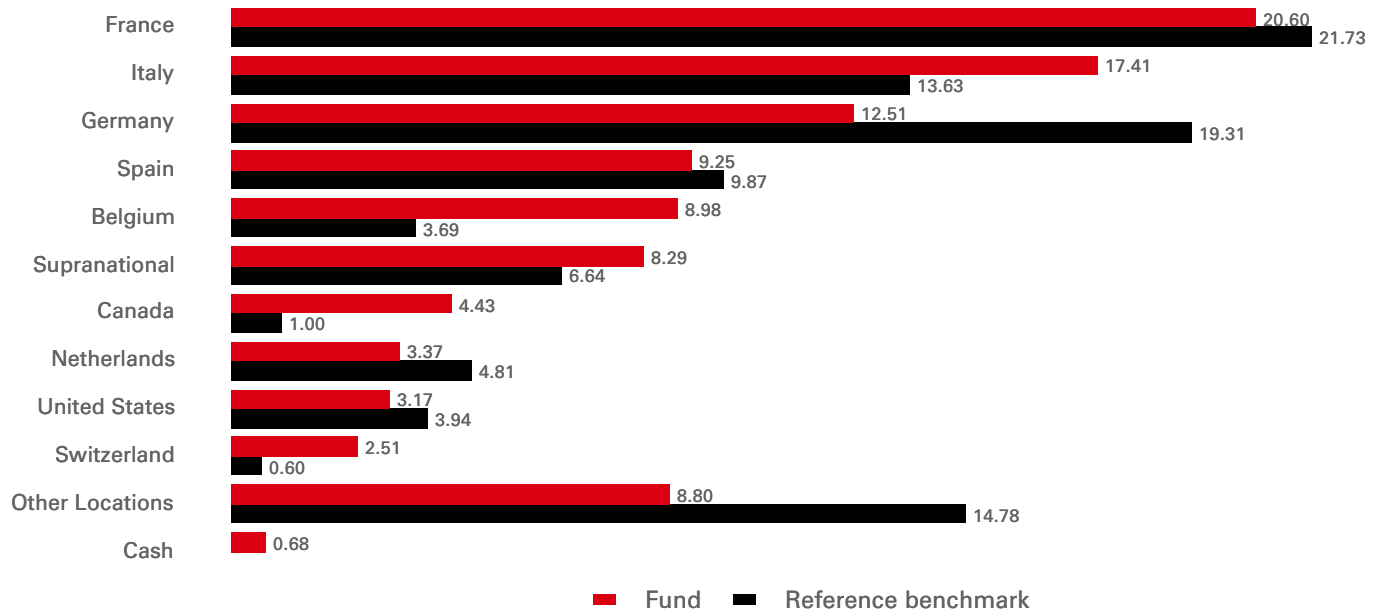
Carbon footprint	Fund	Reference benchmark	MSCI ESG Score	ESG score	E	S	G
Carbon intensity emissions	136.05	140.22	Fund	7.3	5.9	6.7	6.8
Carbon Intensity measures the quantity of carbon emission of a company (tonnes CO <sub>2</sub> e/USD million) Source of analytics: Trucost			Reference benchmark	6.6	5.3	6.7	6.8

3-Year Risk Measures	AC	Reference benchmark	5-Year Risk Measures	AC	Reference benchmark
Volatility	7.06%	6.93%	Volatility	6.32%	6.08%
Sharpe ratio	-0.92	-0.84	Sharpe ratio	-0.37	-0.28
Tracking error	0.58%	--	Tracking error	0.75%	--
Information ratio	-1.23	--	Information ratio	-0.91	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	86	7,009	--
Yield to worst	3.24%	2.96%	0.28%
Yield to maturity	3.39%	2.96%	0.44%
Option Adjusted Duration	6.44	6.38	0.05
Modified Duration to Worst	6.32	6.28	0.03
Option Adjusted Spread Duration	6.52	6.40	0.12
Average maturity	7.56	7.58	-0.02
Rating average	A+/A	AA-/A+	--
Minimum rating	A+/A	AA-/A+	--
Number of issuers	58	1038	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
AAA	24.68	24.71	-0.03	0-2 years	0.17	0.16	0.00
AA	19.96	30.75	-10.79	2-5 years	0.90	1.11	-0.21
A	16.94	14.51	2.44	5-10 years	1.40	2.07	-0.67
BBB	37.74	29.71	8.03	10+ years	3.97	3.03	0.94
BB	--	0.24	-0.24	<b>Total</b>	<b>6.44</b>	<b>6.38</b>	<b>0.05</b>
NR	--	0.09	-0.09				
Cash	0.68	--	0.68				

## Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Treasuries	43.69	55.28	-11.59
Financial Institutions	13.09	8.48	4.61
Agencies	11.45	6.68	4.77
Industrial	10.88	9.53	1.35
Supranational	8.29	6.64	1.65
Utility	6.49	1.55	4.93
Covered	4.34	6.72	-2.38
Local Authorities	1.10	3.95	-2.85
ABS	--	0.01	-0.01
Sovereign	--	1.16	-1.16
Cash	0.68	--	0.68

Top 10 Holdings	Weight (%)
BTPS 2.800 01/12/28	5.41
FRANCE O.A.T. 4.750 25/04/35	4.89
BELGIAN GOVT 1.900 22/06/38	3.84
KFW 0.010 05/05/27	3.01
BELGIAN GOVT 2.600 22/06/24	2.75
AXA HOME LOAN 0.010 16/10/29	2.32
LUXEMBOURG GOVT 0.000 28/04/30	2.17
BTPS 5.000 01/09/40	1.93
EUROPEAN INVT BK 0.125 15/04/25	1.93
BTPS 6.000 01/05/31	1.83

## 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.
- 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.

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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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HSBC Asset Management

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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.

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Further Information can be found in the prospectus.