HSBC Asset Management

## HSBC Global Investment Funds

# EURO HIGH YIELD BOND

**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 High Yield bonds (denominated in Euro), 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 and is not constrained by a benchmark.
In normal market conditions, the Fund will invest at least 90% of its assets in non-investment grade bonds and other higher yielding securities (including unrated bonds), issued by companies or by governments, government-related entities, supranational entities, that are based in developed markets and emerging markets.
The Fund will not invest in bonds issued by companies with involvement in specific excluded activities, such as: companies involved in the production of 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 15% in contingent convertible securities and up to 10% in other funds.
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.
- 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 | **EUR 50.75** |
| Performance 1 month | **0.96%** |
| Yield to maturity | **5.24%** |
| **Fund facts** | |
| UCITS V compliant | **Yes** |
| Dividend treatment | **Accumulating** |
| Dealing frequency | **Daily** |
| Share Class Base Currency | **EUR** |
| Domicile | **Luxembourg** |
| Inception date | **4 April 2003** |
| Fund Size | **EUR 804,985,515** |
| Reference benchmark | **100% ICE BofA Euro High Yield BB-B Constrained (net of transaction costs)** |
| Managers | **Philippe Igigabel Sophie Sentilhes** |
| **Fees and expenses** | |
| Minimum initial investment (HK)[1] | **USD 1,000,000** |
| Maximum initial charge (HK) | **3.100%** |
| Management fee | **0.550%** |
| **Codes** | |
| ISIN | **LU0165129072** |
| Bloomberg ticker | **HSBECUI LX** |

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

**Past performance does not predict future returns. The figures are calculated in the share class base currency, NAV to NAV basis with dividend reinvested, net of fees. If investment performance is not denominated in HKD or USD, HKD or USD based investors are exposed to exchange rate fluctuations. *The fund may pay dividends out of capital or gross of expenses.**
**For definition of terms, please refer to the Glossary QR code.**
**Source: HSBC Asset Management, data as at 31 January 2024**

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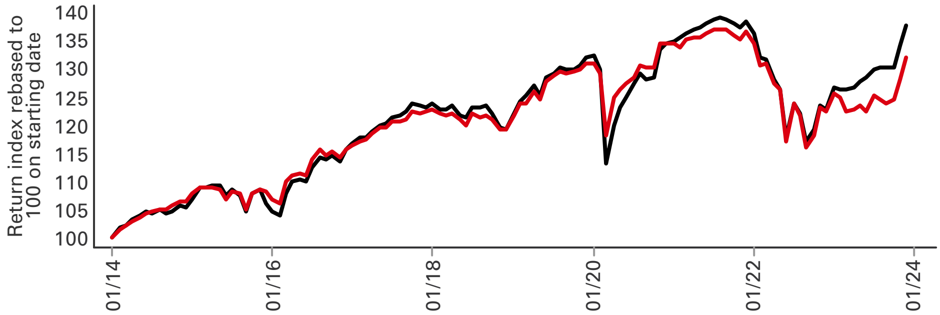
## Performance




| Performance (%) | YTD | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years |
|---|---|---|---|---|---|---|---|
| **IC** | **0.96** | **0.96** | **6.87** | **6.43** | **6.12** | **-0.90** | **9.53** |
| Reference benchmark | 0.70 | 0.70 | 6.67 | 6.77 | 9.67 | 2.81 | 13.77 |

| Calendar year performance (%) | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **IC** | **9.84** | **2.82** | **1.53** | **-10.54** | **7.95** |
| Reference benchmark | 10.71 | 1.92 | 2.85 | -11.33 | 12.29 |

The calendar year return of the first year is calculated between share class inception date and calendar year end of first year if the share class has less than 5-year history.
Results are cumulative

| Carbon footprint | Fund | Reference benchmark |
|---|---|---|
| Carbon intensity emissions | 127.61 | 168.41 |

Carbon Intensity measures the quantity of carbon emission of a company (tonnes CO²e/USD million)
Source of analytics: Trucost

| MSCI ESG Score | ESG score | E | S | G |
|---|---|---|---|---|
| Fund | 7.5 | 7.7 | 5.4 | 6.1 |
| Reference benchmark | 6.1 | 6.8 | 4.9 | 5.3 |

| 3-Year Risk Measures | IC | Reference benchmark |
|---|---|---|
| Volatility | 7.95% | 7.39% |
| Sharpe ratio | -0.17 | -0.01 |
| Tracking error | 1.84% | -- |
| Information ratio | -0.67 | -- |

| 5-Year Risk Measures | IC | Reference benchmark |
|---|---|---|
| Volatility | 8.11% | 9.08% |
| Sharpe ratio | 0.17 | 0.24 |
| Tracking error | 2.63% | -- |
| Information ratio | -0.29 | -- |

| Fixed Income Characteristics | Fund | Reference benchmark | Relative |
|---|---|---|---|
| No. of holdings ex cash | 121 | 649 | -- |
| Portfolio yield | 4.89% | 5.67% | -0.78% |
| Yield to maturity | 5.24% | 5.95% | -0.71% |
| Effective duration | 2.72 | 2.73 | -0.01 |
| Average maturity | 4.74 | 3.70 | 1.04 |
| Average Credit Quality | BBB-/BB+ | BB/BB- | -- |
| Minimum rating | BBB-/BB+ | BB/BB- | -- |
| Number of issuers | 87 | 326 | -- |

| Credit rating (%) | Fund | Reference benchmark | Relative |
|---|---|---|---|
| A | 5.83 | -- | 5.83 |
| BBB | 23.37 | -- | 23.37 |
| BB | 59.09 | 64.77 | -5.68 |
| B | 8.09 | 32.50 | -24.42 |
| CCC | 0.88 | 2.28 | -1.41 |
| C | 0.21 | -- | 0.21 |
| NR | 0.37 | -- | 0.37 |
| Cash | 2.17 | 0.45 | 1.73 |

| Maturity Breakdown (Effective duration) | Fund | Reference benchmark | Relative |
|---|---|---|---|
| 0-2 years | 0.19 | 0.27 | -0.07 |
| 2-5 years | 1.23 | 1.78 | -0.55 |
| 5-10 years | 0.92 | 0.57 | 0.34 |
| 10+ years | 0.38 | 0.11 | 0.27 |
| **Total** | **2.72** | **2.73** | **-0.01** |

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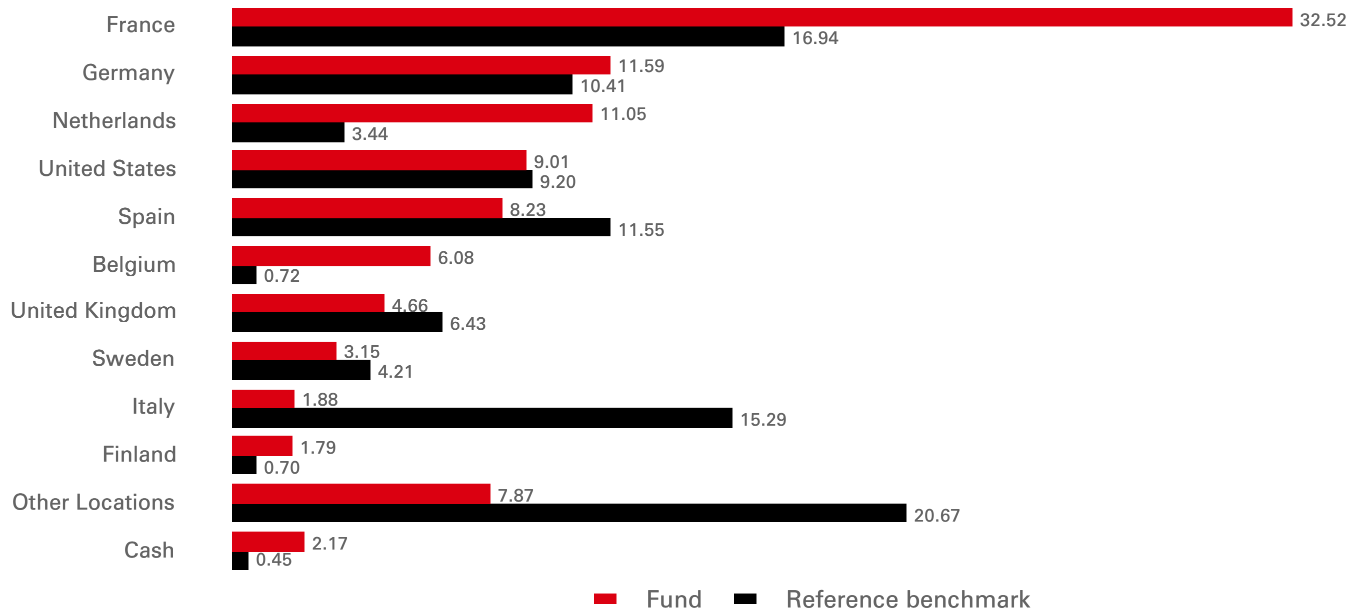
**Geographical Allocation (%)**




| Sector Allocation (%) | Fund | Reference benchmark | Relative |
|---|---|---|---|
| Banking | 23.36 | 12.54 | 10.82 |
| Utility | 12.27 | 4.11 | 8.16 |
| Automotive | 11.88 | 9.72 | 2.16 |
| Telecommunications | 9.73 | 14.56 | -4.83 |
| Insurance | 6.37 | 0.38 | 5.99 |
| Basic Industry | 5.28 | 8.59 | -3.30 |
| Transportation | 4.23 | 3.11 | 1.12 |
| Real Estate | 3.89 | 3.71 | 0.18 |
| Technology & electronics | 3.63 | 3.89 | -0.27 |
| Healthcare | 3.45 | 7.85 | -4.41 |
| Other Sectors | 13.74 | 31.09 | -17.34 |
| Cash | 2.17 | 0.45 | 1.73 |

| Top 10 Holdings | Weight (%) |
|---|---|
| VEOLIA ENVRNMT 2.500 | 3.17 |
| TENNET HLD BV 2.995 | 3.14 |
| ORANGE 5.000 | 2.09 |
| RCI BANQUE 2.625 18/02/30 | 2.06 |
| KBC GROUP NV 4.250 | 2.02 |
| LA POSTE SA 3.125 | 1.99 |
| EC FINANCE 3.000 15/10/26 | 1.96 |
| AXA SA 3.941 | 1.79 |
| VODAFONE GROUP 2.625 27/08/80 | 1.70 |
| LA BANQUE POSTAL 3.875 | 1.69 |

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# Monthly performance commentary

2024 started on a positive note for the Euro High Yield market with a positive return in January. This came mostly from the carry of the bonds as a 12bps spread tightening was entirely offset by higher government bond yields. The month started on a relatively weak note as central bankers pushed back on investors' aggressive rate cut expectations, but the market then strengthened as the underlying picture of decreasing inflation opening the door to rate cuts remained supported by incoming data.

Given the much-improved mood among investors, compared to a few months ago, and the high amount of debt to be refinanced (a consequence of the low level of issuance in 2022 and 2023), it was no surprise to see higher activity on the primary market. It was no deluge however as many leveraged issuers chose to get part or all of their funding on the loan market. If market conditions remain decent, we expect to see continued high issuance volumes in the months to come.

From a valuation perspective we are impressed by the tight spread level of the single-B category, which is trading at its 27th percentile (calculated over the past 10 years). These issuers are highly leveraged and therefore very sensitive to financing costs, which are now higher, and to economic conditions, which remain weak in the Eurozone, even if recession risks have receded somewhat recently. We therefore underweight significantly this rating category.

Our market exposure decreased during the month as all our investments were in the relatively defensive BB and BBB rating categories. We participated to new issues from Mundys (new name of Atlantia, BB), National bank of Greece (at the Senior Preferred level, BB), Logicor (logistics real estate, BBB), CTP (logistics real estate, BBB) and BBVA Tier 2 (BBB). The financial sector provides the best opportunities in our view, but some segments of the real estate sector also look interesting in a scenario of lower yields.

## 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.
- 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.

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**Glossary**

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# Supplemental information sheet

| Share class | Share Class Base Currency | Distribution Frequency | Dividend ex-date | Dividend Amount | Annualised Yield based on ex-dividend date |
|---|---|---|---|---|---|
| AC | EUR | -- | -- | -- | -- |
| AD | EUR | Annually | 31 May 2023 | 0.559618 | 2.86% |
| AM2 | EUR | Monthly | 31 January 2024 | 0.046797 | 6.10% |
| AM2 | EUR | Monthly | 28 December 2023 | 0.052895 | 6.95% |
| AM2 | EUR | Monthly | 30 November 2023 | 0.051788 | 6.96% |
| AM2 | EUR | Monthly | 31 October 2023 | 0.050737 | 6.97% |
| AM2 | EUR | Monthly | 27 September 2023 | 0.051282 | 7.02% |
| AM2 | EUR | Monthly | 30 August 2023 | 0.051737 | 7.03% |
| AM2 | EUR | Monthly | 27 July 2023 | 0.051934 | 7.03% |
| AM2 | EUR | Monthly | 27 June 2023 | 0.049579 | 6.71% |
| AM2 | EUR | Monthly | 31 May 2023 | 0.049259 | 6.62% |
| AM2 | EUR | Monthly | 28 April 2023 | 0.049655 | 6.66% |
| AM2 | EUR | Monthly | 29 March 2023 | 0.049375 | 6.68% |
| AM2 | EUR | Monthly | 28 February 2023 | 0.051053 | 6.67% |
| IC | EUR | -- | -- | -- | -- |
| S8D | EUR | Annually | 31 May 2023 | 0.364965 | 3.76% |

**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 be comprised of both distributed income and capital.**
**The calculation method of annualised yield from August 2019 is the compound yield calculation: ((1 + (dividend amount / 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.**
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