

# HSBC Global Investment Funds - Euro Credit Bond Total Return

Share Class AC

28 Feb 2021

## Fund Objective and Strategy

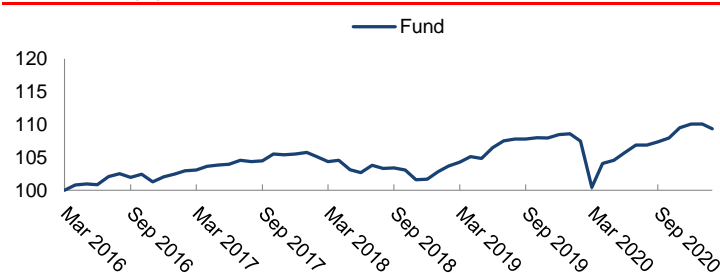
### Investment Objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of corporate bonds (denominated in Euro).

### Investment Policy

The Fund employs a Total Return strategy which has a flexible allocation across the Euro credit universe, 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, and up to 10% in other funds. The Fund may invest 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.

### Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>
AC	-0.64	-0.66	-0.14	1.76	1.32	2.07

Rolling Performance (%)	29 Feb 2020- 28 Feb 2021	28 Feb 2019- 29 Feb 2020	28 Feb 2018- 28 Feb 2019	28 Feb 2017- 28 Feb 2018	29 Feb 2016- 28 Feb 2017
AC	1.76	3.64	-1.36	2.12	4.30

### Share Class Details

UCITS V Compliant	Yes
Distribution Type	Accumulating
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 5,000
Ongoing Charge Figure <sup>2</sup>	1.151%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0988492970
Share Class Inception Date	12 Dec 2013
NAV per Share	EUR 11.68
Fund Size	EUR 154,516,903
Bloomberg Ticker	HECBTRA LX
Manager	Jean Olivier Neyrat

<sup>1</sup>Result is annualised when calculation period is over one year.

<sup>2</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 is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees. UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES**

Source: HSBC Global Asset Management, data as at 28 February 2021

### Risk Disclosure

- 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.
- 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 Fund's potential risks can be found in the Key Investor Information Document and Prospectus.
- UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES.

3-Year Risk Measures		AC
Volatility	5.02%	
Sharpe Ratio	0.35	

5-Year Risk Measures		AC
Volatility	4.08%	
Sharpe Ratio	0.60	

Characteristics	Fund
Number of Holdings ex Cash	68
Option Adjusted Duration (OAD)	4.07
Yield to Worst (Gross)	1.04
Yield to Maturity (Gross)	1.65

Characteristics	Fund
Option Adjusted Spread	3.38
Duration (OASD) <sup>3</sup>	
Minimum Rating <sup>4</sup>	BB/BB-
Maturity Average	4.73

Credit Quality Rating Allocation (Market Value %)	Fund
AA	0.68
A	5.05
BBB	67.47
BB	22.04
B	1.05
NR	-1.18
Cash	4.88

Sector Allocation (Market Value %)	Fund
Banking	19.72
Communications	14.80
Insurance	13.97
Electric	12.57
Consumer Non cyclical	6.68
Consumer Cyclical	5.60
LOCAL AUTHORITY	4.69
Energy	4.65
Financial Other	4.37
Treasuries	2.74
Other Sectors	5.33
Cash	4.88

Sorted from highest to lowest rating. Cash is not included in any rating.

Sector Allocation (Option Adjusted Duration)	Fund
Banking	1.04
Communications	0.70
Insurance	0.53
Electric	0.46
Consumer Non cyclical	0.39
Financial Other	0.27
Energy	0.25
Consumer Cyclical	0.18
Basic Industry	0.10
LOCAL AUTHORITY	0.09
Other Sectors	0.07
<b>Total</b>	<b>4.07</b>

Only top 10 breakdowns are displayed. Other breakdowns are included in Others.

Maturity Breakdown (Option Adjusted Duration)	Fund
0-2 years	0.17
2-5 years	1.31
5-10 years	2.09
10+ years	0.51
<b>Total</b>	<b>4.07</b>

Sorted from shortest to longest per the length of maturity.

Only top 10 breakdowns are displayed. Other breakdowns are included in Others.

Geographical Allocation (Market Value %)	Fund
France	22.93
Germany	20.28
United Kingdom	9.88
Spain	9.09
Netherlands	7.43
Italy	6.47
United States	5.09
Belgium	4.19
Portugal	2.67
Japan	2.15
Other Locations	4.93
Cash	4.88

Geographical Allocation (Option Adjusted Duration)	Fund
Germany	0.70
France	0.70
United States	0.56
United Kingdom	0.39
Spain	0.37
Italy	0.33
Netherlands	0.27
Belgium	0.19
Finland	0.15
Japan	0.10
Other Locations	0.31
<b>Total</b>	<b>4.07</b>

Only top 10 breakdowns are displayed. Other breakdowns are included in Others.

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Top 10 Holdings (%)	Weight (%)
ORANGE 5.000	3.20
BTPS 0.950 15/09/27	2.74
ENERGIE BADEN-WU 1.125 05/11/79	2.65
DEUTSCHE BANK AG 1.750 17/01/28	2.48
IBERDROLA INTL 1.875	2.39
BNP PARIBAS 1.125 15/01/32	2.30
NN GROUP NV 4.375	2.23
ENEL SPA 3.375	2.19
BPCE 0.500 15/09/27	2.18
SSE PLC 3.125	2.15

<sup>3</sup>Spread duration excludes interest rate futures and bond futures. We can force the local government spread duration to zero for certain funds on request.

<sup>4</sup>Minimum credit rating uses minimum quality rating across S&P, Fitch and Moody's. The aggregate fund and benchmark rating does not include securities rated NR or NA.

## Monthly Performance Commentary

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### Market

February was marked by a rise in government bond yields, a movement that was initiated in the United States with investors anticipating higher inflation. This movement which triggered a mini correction on risky assets was stopped short by informal interventions from the main central bankers during the last week of February. The yield of the 10-year German bund ended at -0.26% (+ 25bps over the month), with Italian 10-year BTPs at 0.76% (+ 11bps).

Investment grade credit tightened by 4bps over the month with a negative total return of -0.78% over the month while High Yield gained 0.42%, i.e. a tightening of 21 bps. For the sectors, we note an outperformance of Subordinated Insurance (-15bps) while T2 Banking and Hybrids Corporates are online at -5bps. There is no big gap between the different sectors, with cyclicals outperforming the more defensive by 1 to 2bps.

### Credit Exposure

Our credit beta went from 1.6 to 1 and the fund's average yield is at 0.80%. Little change in our sector exposures with positions on banks and subordinated insurers. We took profits on part of our positions in Oil & Gas and Utilities. We are keeping our hedges on Itraxx. We have 37.5% of Corporate Hybrids and 23.3% of high yield in our portfolio.

### Duration & Sovereign Exposure

We no longer have an active position on sovereigns. The duration of the fund is stable at 4 years. We are mainly exposed on the short end of the curve.

### Strategy & Outlook

The positive effects of vaccination campaigns on hospitalizations in countries that are ahead are encouraging for a reopening of economies by the summer. The strong rebound in commodities and the tensions on supply chain of basic resources fuel fears of a rise in inflation. Central bankers are monitoring the movements of the long end of the yield curve and appear ready to act to limit any excessive rise in rates for longer maturities.

We are keeping an overweight on credit to continue to benefit from favorable technical factors on the short end of the yield curves (less than 5 years), we remain more cautious on maturities beyond 10 years. Valuations are starting to be expensive on both credit and stocks. We therefore keep a moderate exposure which will allow us to take advantage of a possible correction.

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## Terms of Glossary

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**Accumulation Share:** a type of share where the income earned by the Fund is retained in the Fund

**ACD:** HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director of the Company

**Actively Managed:** where the fund manager uses their expertise to pick investments to achieve the fund's objectives

**Beta:** an historical measure of volatility to measure how a fund moves versus its benchmark (i.e. an Index)

**Bond(s):** a loan, usually to a company or government, that pays interest

**Bond Index Futures:** a contract stating that the holder agrees to purchase a bond index at a particular price on a specified future date

**Collective Investment Scheme:** a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property

**Credit Rating:** an assessment of the credit risk of a company, government or other organisation. It seeks to measure how likely it is that the issuer of a bond will be able to continue to make interest payments and repay the money loaned to it

**Developed Markets:** countries with relatively high levels of personal income and established economies

**Duration:** a measure of how long it takes in years for an investor in a bond to recoup the price they paid for the bond from its interest payments. It provides an indication of how much bond prices are likely to change if and when interest rates change

**Emerging Markets (EM):** countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body

**Futures:** a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price

**Growth:** the increase in the value of investments

**Government Bond or Gilt:** a loan to a national government in return for regular payments (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date. Gilts are loans to the UK government

**Hedge Funds:** an investment fund that pools money from investors and invests in a variety of assets, often with complex investment strategies and risk management techniques

**Hedge or Hedging:** using derivative type investments as a way to reduce risk

**High yield bond:** a bond paying a higher level of interest but which has a lower credit rating than investment grade

**Income:** money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or paid back into the fund and reinvested

**Income Share:** the type of Share where the income earned by the Fund is paid out to you

**Information Ratio:** a measure of the risk-adjusted return of a fund against its benchmark

**Investment Grade:** a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it

**Maturity:** the period of time left for a bond or gilt to remain outstanding before the original loan and any final interest is repaid to the lender

**Net Asset Value (NAV):** the value of the scheme property of a fund less the liabilities of the fund

**Ongoing Charges Figure:** a measure of what it costs to invest in a fund. It includes the fee paid to the ACD and other operating costs

**Option adjusted duration (OAD):** a duration value based on the probability of early redemption call by the bond issuer

**Option adjusted spread duration (OASD):** estimates the price sensitivity of a bond to a 100 basis-point movement (either widening or narrowing) in its spread relative to treasuries, taking into account the likelihood of early redemption

**Property-related securities:** shares of property companies that own, manage or develop property and Real Estate Investment Trusts (REITs), which are investment companies that own buildings and land

**Return(s):** the money made or lost on an investment

**Share(s):** an equally valued holding in a fund of a company, representing part ownership of that fund, (including larger denomination shares and smaller denomination shares)

**Sharpe ratio:** a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations

**Volatility:** a measure of the size and frequency of changes in the value of an investment over a short space of time

**Yield:** the income from an investment, usually stated as a percentage of the value of the investment

**Yield to Maturity:** the total return anticipated on a bond if the bond is held until the end of its lifetime, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage

**Yield to Worst:** the lowest potential yield that can be received on a bond without the issuer actually defaulting, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage