

# HSBC Global Investment Funds - Euro High Yield Bond

Share Class AC

28 Feb 2021

## Fund Objective and Strategy

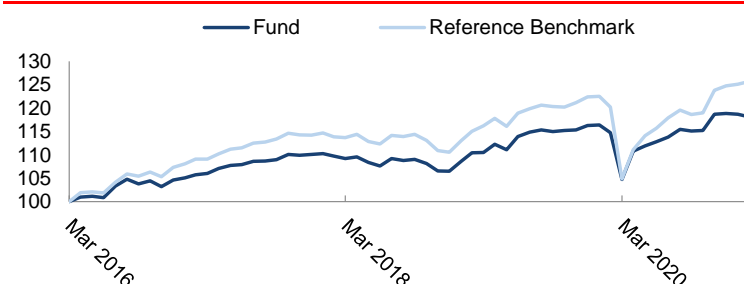
### Investment Objective

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

### Investment Policy

In normal market conditions, the Fund will invest at least 90% of its assets in non-investment grade bonds and unrated bonds issued by companies based in developed markets and emerging markets, or by governments, government-related entities, supranational entities based in developed markets and emerging markets. The Fund may also invest up to 15% of its assets in contingent convertible securities. The Fund may also invest up to 10% of its assets in other funds, including HSBC funds. 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	-0.61	-0.45	-0.48	2.96	2.49	4.12
Reference Benchmark	0.72	0.42	1.48	4.51	3.34	5.46

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	2.96	3.91	0.62	3.77	9.56
Reference Benchmark	4.51	4.49	1.04	4.36	13.28

**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.
- 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.
- 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.

### 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>	1.351%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0165128348
Share Class Inception Date	04 Apr 2003
NAV per Share	EUR 45.46
Fund Size	EUR 1,897,122,875
Bloomberg Ticker	HSBECUA LX
Reference Benchmark	MPFA Prescribed Savings Rate
Manager	Philippe Igigabel Sophie Sentilhes

<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.

3-Year Risk Measures	AC	Reference Benchmark	5-Year Risk Measures	AC	Reference Benchmark
Volatility	7.06%	9.38%	Volatility	5.91%	7.64%
Sharpe Ratio	0.41	0.40	Sharpe Ratio	0.76	0.76
Tracking Error	2.94%	-	Tracking Error	2.36%	-
Information Ratio	-0.29	-	Information Ratio	-0.57	-

Characteristics	Fund	Reference Benchmark	Relative	Characteristics	Fund	Reference Benchmark	Relative
Number of Holdings ex Cash	151	631	-	Option Adjusted Spread	3.70	3.60	0.10
Option Adjusted Duration (OAD)	3.40	3.53	-0.13	Duration (OASD) <sup>3</sup>			
Yield to Worst (Gross)	1.46	2.35	-0.89	Rating Average <sup>4</sup>	BBB-/BB+	BB/BB-	-
Yield to Maturity (Gross)	2.44	2.65	-0.22	Minimum Rating <sup>5</sup>	BBB-/BB+	BB/BB-	-
Modified Duration to Worst	3.36	3.52	-0.16	Maturity Average	4.02	4.00	0.02
				Number of Issuers	98	303	-

Credit Quality Rating Allocation (Market Value %)	Fund	Reference Benchmark	Relative	Sector Allocation (Market Value %)	Fund	Reference Benchmark	Relative
AAA	-	0.23	-0.23	Banking	18.05	11.48	6.57
A	5.51	-	5.51	Insurance	11.08	1.79	9.28
BBB	38.43	0.68	37.75	Telecommunications	10.22	10.99	-0.77
BB	44.84	72.82	-27.97	Automotive	9.19	10.75	-1.56
B	4.50	24.63	-20.14	Basic Industry	8.23	9.15	-0.92
CCC	3.95	1.64	2.31	Utility	5.95	4.72	1.23
Cash	2.77	-	2.77	Media	5.67	4.92	0.75
				Healthcare	4.49	4.63	-0.13
				Financial Services	4.08	5.09	-1.01
				Retail	4.08	3.46	0.62
				Other Sectors	16.17	32.80	-16.63
				Cash	2.77	0.23	2.55

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

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference Benchmark	Relative
0-2 years	0.23	0.24	-0.01
2-5 years	1.33	1.87	-0.55
5-10 years	1.65	1.28	0.37
10+ years	0.19	0.13	0.06
<b>Total</b>	<b>3.40</b>	<b>3.53</b>	<b>-0.13</b>

Sorted from shortest to longest per the length of maturity.

Top 10 Holdings (%)	Weight (%)
BHP BILLITON FIN 4.750 22/04/76	2.59
LKQ EURO BV 3.625 01/04/26	2.23
ORANGE 5.000	2.19
TENNET HLD BV 2.995	2.16
AXA SA 3.941	1.95
ZIGGO BV 4.250 15/01/27	1.88
TALANX FINANZ 8.367 15/06/42	1.78
IQVIA INC 3.250 15/03/25	1.75
WMG ACQUISITION 3.625 15/10/26	1.56
CRED AGRICOLE SA 6.500	1.44

Sector Allocation (Market Value %)	Fund	Reference Benchmark	Relative
Banking	18.05	11.48	6.57
Insurance	11.08	1.79	9.28
Telecommunications	10.22	10.99	-0.77
Automotive	9.19	10.75	-1.56
Basic Industry	8.23	9.15	-0.92
Utility	5.95	4.72	1.23
Media	5.67	4.92	0.75
Healthcare	4.49	4.63	-0.13
Financial Services	4.08	5.09	-1.01
Retail	4.08	3.46	0.62
Other Sectors	16.17	32.80	-16.63
Cash	2.77	0.23	2.55

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

Geographical Allocation (Market Value %)	Fund	Reference Benchmark	Relative
France	29.69	12.71	16.97
Germany	16.08	12.49	3.59
United States	10.18	14.27	-4.09
Netherlands	10.12	4.96	5.16
Belgium	5.48	0.81	4.67
Switzerland	4.59	1.16	3.43
Spain	3.95	9.38	-5.43
Finland	3.78	1.36	2.42
Sweden	2.90	3.25	-0.35
Australia	2.59	-	2.59
Other Locations	7.88	39.61	-31.73
Cash	2.77	-	2.77

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

<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>Average credit rating uses 'Index rating' which is an average of S&P, Fitch, Moody's. The average fund and benchmark rating does not include securities rated NR or NA.

<sup>5</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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The euro high-yield market edged higher in February. This performance reflects the narrowing of spreads by 25bps, partially offset by a rise in government bond yields of 17bps. This rise in yields had no particular impact on the market, except for the last two days of the month when the sharp reaction of the equity markets led to a widening of spreads of about 10bps.

The market remains buoyant owing to a combination of very strong growth expectations when most restrictions associated with the virus are lifted and the extremely high levels of liquidity in the hands of investors. This cash is the result of the actions of the central banks and the support programmes of governments during the crisis. The new Democratic administration's relief package is expected to further exacerbate the situation.

If tensions on the bond markets continue (10-year yields up 26bps over the month in Germany and 34bps in the United States), they could have an impact on the High Yield markets. Debt levels are in fact high. This is not having any genuine negative impact as interest rates are very low (a situation to which issuers are by now accustomed) but a deterioration in financing conditions would be hard to absorb for the lowest rated issuers.

On the primary market, we subscribed to the new Deutsche Bank (senior) and the Iberdrola (hybrid) issues. We also invested our cash in issues with little credit risk and a low probability of interest rate risk (LKQ, Ziggo, Akelius hybrid and WMG). We also tendered our hybrid Orsted bonds to the issuer's buyout offer. The fund's general profile remains significantly more defensive than its benchmark index,

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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