

HSBC Global Investment Funds - GEM Debt Total Return

Share Class L1DHEUR

28 Feb 2021

Fund Objective and Strategy

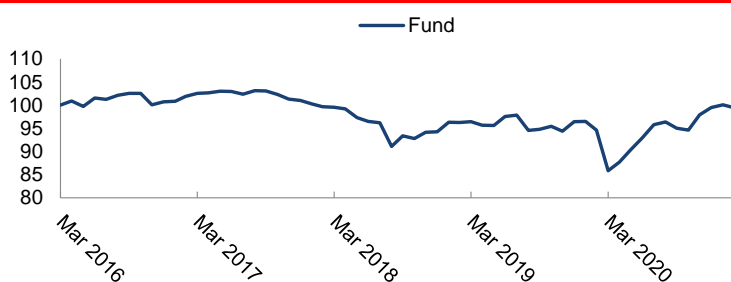
Investment Objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of emerging markets bonds.

Investment Policy

The Fund employs a Total Return strategy which has a flexible allocation across the emerging market debt universe. Through seeking multiple sources of return the strategy aims, 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 its assets in investment grade bonds and non-investment grade bonds issued by governments, government-related entities, supranational entities and companies that are based in or carry out the larger part of their business in emerging markets. The Fund may invest up to 10% in onshore Chinese bonds which are issued within the People's Republic of China and traded on the China Interbank Bond Market. The Fund may invest up to 25% in convertible bonds. The Fund may also invest up to 10% of its assets in contingent convertible securities. The Fund may invest up to 10% in other funds and up to 10% in total return swaps. The Fund's primary currency exposure is to US dollars (USD). See the Prospectus for a full description of the investment objectives and derivative usage.

Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹
L1DHEUR	0.01	-0.57	1.66	5.19	-0.05	0.35

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
L1DHEUR	5.19	-1.74	-3.40	-2.19	4.22

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	Distributing
Distribution Frequency	Annually
Dividend ex-date	08 Jul 2020
Dividend Yield ²	2.60%
Last Paid Dividend	0.2122
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 1,000,000
Ongoing Charge Figure ³	0.774%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0432931250
Share Class Inception Date	11 Jun 2009
NAV per Share	EUR 8.16
Fund Size	USD 351,877,715
Bloomberg Ticker	HSBNL1H LX
Manager	Hugo Novaro

¹Result is annualised when calculation period is over one year.

²Dividend Yield: represents the ratio of distributed income over the last 12 months to the fund's current Net Asset Value. □

³Ongoing 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	L1DHEUR
Volatility	8.33%
Sharpe Ratio	0.04

5-Year Risk Measures	L1DHEUR
Volatility	6.80%
Sharpe Ratio	0.11

Characteristics	Fund
Number of Holdings ex Cash	172
Option Adjusted Duration (OAD)	4.43
Yield to Worst (Gross)	4.16
Modified Duration to Worst	4.93

Characteristics	Fund
Option Adjusted Spread	2.92
Duration (OASD) ⁴	
Rating Average ⁵	BBB/BBB-
Maturity Average	8.71

Credit Quality Rating Allocation (Economic Exposure %)	Fund
AAA	-3.90
AA	0.97
A	1.46
BBB	14.09
BB	13.83
B	18.74
CCC	1.76
D	0.45
NR	1.48
Cash Offset	33.31
Cash	17.81

Sector Allocation (Economic Exposure %)	Fund
Cash Offset	33.31
Financial	12.18
Government	11.98
Energy	11.20
Basic Materials	3.88
Utilities	2.98
Consumer Non cyclical	2.46
Industrial	1.46
credit default swap index	1.06
Communications	0.80
Other Sectors	0.88
Cash	17.81

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

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

Maturity Breakdown (Economic Exposure %)	Fund
0-2 years	55.69
2-5 years	-6.01
5-10 years	32.20
10+ years	18.11

Geographical Allocation (Economic Exposure %)	Fund
Cash Offset	33.31
United States	14.96
Colombia	8.26
Ukraine	6.59
Czech Rep	6.01
Mainland China	4.68
Indonesia	4.24
Brazil	3.48
South Korea	3.27
Uruguay	3.13
Other Locations	12.09

Sorted from shortest to longest per the length of maturity.

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

Top 10 Holdings (%)	Weight (%)
UKRAINE GOVT 0.000 31/05/40	2.12
REP OF NIGERIA 6.375 12/07/23	2.11
DOMINICAN REPubl 9.750 05/06/26	2.10
REP SOUTH AFRICA 10.500 21/12/26	1.93
INDONESIA GOV'T 6.500 15/02/31	1.87
URUGUAY 4.375 15/12/28	1.85
REPUBLIC OF PERU 6.900 12/08/37	1.79
INDONESIA GOV'T 8.250 15/05/29	1.60
EURO BK RECON&DV 6.450 13/12/22	1.52
CNAC HK FINBRID 3.875 19/06/29	1.44

⁴Spread duration excludes interest rate futures and bond futures. We can force the local government spread duration to zero for certain funds on request.

⁵Average 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.

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

The benchmark data is that of the reference benchmark of the fund, MSCI AC Asia Pacific ex Japan Net, as this data is calculated at fund level rather than share class level.

Monthly Performance Commentary

Performance

EMD continue to post negative returns over the month across hard and local debt, while the strategy protected on the downside, driven by the hard currency exposure.

The main contributor to returns was the long position to Mexico, particularly the quasi-sovereigns PEMEX and CFE, as these bonds outperformed the sovereign bond. The long position to China benefitted returns as the country outperformed the broader universe. On the flip side, shorts to Kazakhstan, Peru and Uruguay added to returns as these countries were amongst the worst performers over the month. Longs to Benin, Montenegro and corporates added to relative returns. Lastly, we hedged duration risk which added to performance as rates rose over the month. In terms of detractors, no-exposure to select high yield positions, including Ecuador, El Salvador and Angola hurt returns as these countries outperformed the broader universe over the month.

Within the local debt exposure, shorts to Czech Republic, Mexico, Poland and Thailand rates added to performance as these countries curves steepened over the month. In terms of detractors, we added to South African rates in the middle of the month, which proceeded to sell-off at month-end.

Within currencies, the position to the South African rand over the month detracted from performance as we went long at the end of the month and the currency began to sell-off. The long position to the Brazilian real detracted from performance as the currency was the worst performer on the month, mainly driven by political noise, forcing the BCB to step in. In terms of contributors, the short to the Thai baht added to returns as the currency depreciated over the month.

Positioning

We increased our beta over the month in both hard and local currency. The strategy ended the month with a hard currency duration of 3.62 years and a spread duration of 3.00 years. The largest country exposures in terms of spread duration include China, Colombia, and Indonesia. In terms of local exposure, the strategy ended February with a local rate duration of 0.90 years and a net long position to EM currencies to +80%, focusing on positions which have underperformed and have the potential for appreciation.

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Terms of Glossary

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