

# HSBC Global Investment Funds - Global Inflation Linked Bond

Share Class ICHEUR

28 Feb 2021

## Fund Objective and Strategy

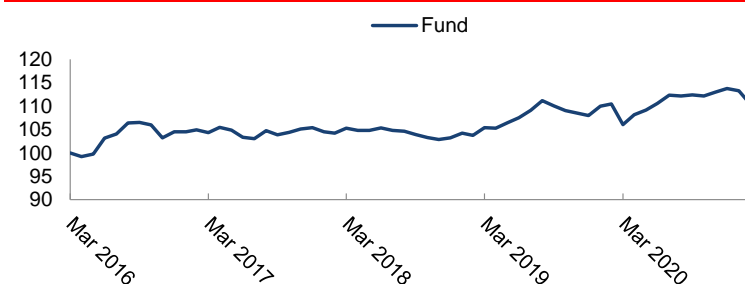
### Investment Objective

The Fund aims to provide long-term capital growth and income by investing in a portfolio of inflation-linked bonds.

### Investment Policy

In normal market conditions, the Fund will invest at least 70% of its assets in investment grade inflation-linked bonds issued by governments, government-related entities and companies in both developed markets and emerging markets. The Fund may invest up to 15% of its assets in government, government-related entities and companies that are based in or carry out most of their business in emerging markets. The Fund may invest up to 10% of its assets 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 10% of its assets in other funds, including HSBC funds. The Fund's primary currency exposure is to US dollars. 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>
ICHEUR	-2.74	-2.34	-2.08	0.16	2.01	2.33

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
ICHEUR	0.16	6.46	-0.45	-0.68	6.43

### Share Class Details

UCITS V Compliant	Yes
Distribution Type	Accumulating
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 1,000,000
Ongoing Charge Figure <sup>2</sup>	0.574%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0522826592
Share Class Inception Date	06 Jul 2010
NAV per Share	EUR 138.93
Fund Size	USD 312,137,693
Bloomberg Ticker	HGILIH LX
Manager	Julien Renoncourt Richard Balfour

**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.

<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	ICHEUR
Volatility	4.13%
Sharpe Ratio	0.58

5-Year Risk Measures	ICHEUR
Volatility	4.19%
Sharpe Ratio	0.65

Characteristics	Fund
Number of Holdings ex Cash	87
Average Coupon	0.94
Option Adjusted Duration (OAD)	8.63

Characteristics	Fund
Modified Duration to Worst	8.55
Rating Average <sup>3</sup>	AA/AA-
Maturity Average	8.74

Credit Quality Rating Allocation (Market Value %)	Fund	Reference Benchmark	Relative
AAA	48.03	51.65	-3.62
AA	26.43	26.39	0.03
A	12.77	15.22	-2.45
BBB	11.51	6.74	4.77
Cash	1.26	-	1.26

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference Benchmark	Relative
0-3 years	0.18	0.28	-0.10
3-5 years	0.85	0.68	0.18
5-10 years	2.06	2.62	-0.56
10-15 years	1.34	0.97	0.36
15-20 years	0.98	1.13	-0.15
20-30 years	3.21	3.96	-0.75
<b>Total</b>	<b>8.63</b>	<b>9.64</b>	<b>-1.02</b>

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

Sorted from shortest to longest per the length of maturity.

Geographical Allocation (Market Value %)	Fund	Reference Benchmark	Relative
United States	29.43	29.34	0.08
Eurozone	25.45	27.65	-2.20
United Kingdom	19.37	18.19	1.18
Canada	10.10	4.93	5.17
Japan	6.55	10.03	-3.48
Australia	4.30	4.91	-0.61
Sweden	2.54	2.54	0.00
New Zealand	1.00	1.15	-0.14
Denmark	-	1.26	-1.26
Cash	1.26	-	1.26

Sorted from largest to smallest per market values of weight.

Top 10 Holdings (%)	Weight (%)
CANADA-GOV'T RRB 4.000 01/12/31	5.90
UK TSY I/L GILT 0.125 22/03/29	4.91
TSY INFL IX N/B 0.125 15/04/25	4.60
TSY INFL IX N/B 0.375 15/07/23	3.82
TSY INFL IX N/B 0.375 15/01/27	3.01
TSY INFL IX N/B 0.375 15/07/25	2.99
TSY INFL IX N/B 0.625 15/01/26	2.58
UK TSY I/L GILT 0.500 22/03/50	2.44
JAPAN I/L-10YR 0.200 10/03/30	2.43
UK TSY GILT 1.625 22/10/28	2.41

<sup>3</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.

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

The benchmark data is that of the reference benchmark of the fund, ICE BofA Global Inflation-Linked Government Alternative Weighting Scheme Custom (USD hedged), as this data is calculated at fund level rather than share class level.

## Monthly Performance Commentary

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### Performance review

The Fund's absolute value was negative as real yields jumped across the board in a bear steepening movement while breakevens continued to widen but mainly in the short end of the curve. Rates positioning was very positive thanks to the overall underweight in duration via short positions in the US and Germany as yields jumped across the board. The relative value position between the UK and Germany also contributed positively as the UK underperformed Germany significantly following a push back on negative yields from the BoE. The overweight position in Italy versus Germany contributed positively. We took profit and reduced by half the position as the spread reached our initial target. Spain detracted slightly as the spread widened few basis points in this rising yield environment. The yield curve positioning was positive as the real yield curves steepened across the board while the fund holds steepening positions especially in the US and the UK. The inflation breakeven driver was slightly negative as the UK breakeven outperformed while we hold some relative value positions such as a long CAD breakeven versus UK and a long US breakeven versus Euro zone. Moreover, the flattening of the US breakeven curve continued to weigh on the US breakeven 5-30-yr steepener.

### Strategy

We kept the overall underweight in duration via underweight positions in the US and the UK. We have reduced the overweight in Euro peripherals (Italy and Spain) versus Germany by cutting half of the position in Italy. The fund is slightly overweight in the short end of the US real yield curve and underweight the long end both in the US and the UK. As UK rates underperformed Euro rates, we switched the short position in the UK to the Euro zone. We kept the long 10-year breakeven in Canada versus the short 10-year inflation breakeven in the UK and added a long 10-yr breakeven position in the US versus Euro zone. The fund holds also a US breakeven 10-30 year steepener.

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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