

HSBC Global Investment Funds - Global Lower Carbon Bond

Share Class BCHEUR

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 bonds that has a lower carbon footprint than its reference benchmark (Bloomberg Barclays Global Aggregate Corporates Diversified Hedged USD).

Investment Policy

In normal market conditions, the Fund will invest at least 90% of its assets in investment grade and non-investment grade bonds issued by companies that are based in developed markets and emerging markets. The Fund will invest in bonds issued by companies with consideration of their carbon footprint. The Fund will also invest in Green Bonds, and asset-backed securities (ABS) and mortgage-backed securities (MBS). The Fund will not invest in companies involved in the production of tobacco or related activities. 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 10% in non-investment grade bonds and up to 10% in ABS and MBS. The Fund may invest up to 10% in contingent convertible securities and up to 10% in other funds, including HSBC funds. The Fund's primary currency exposure is to USD. See the Prospectus for a full description of the investment objectives and derivative usage.

Since Inception Performance (%)

Performance (%)	YTD	1M	3M	1Y	3Y	5Y	Since Inception
BCHEUR	-	-	-	-	-	-	-

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
BCHEUR	-	-	-	-	-

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 ¹	0.675%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU1689526868
Share Class Inception Date	25 Mar 2020
NAV per Share	EUR 10.43
Fund Size	USD 314,368,556
Bloomberg Ticker	HSGLBCE LX
Manager	Jerry Samet Jean Olivier Neyrat

Performance figures will only be published once the share class has achieved a twelve months track record.

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.

¹Ongoing 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	BCHEUR
Volatility	-
Sharpe Ratio	-

5-Year Risk Measures	BCHEUR
Volatility	-
Sharpe Ratio	-

Characteristics	Fund
Number of Holdings ex Cash	512
Average Coupon	2.78
Option Adjusted Duration (OAD)	6.86
Yield to Worst (Gross)	1.51

Characteristics	Fund
Modified Duration to Worst	6.77
Option Adjusted Spread	6.84
Duration (OASD) ²	
Rating Average ³	A-/BBB+
Maturity Average	8.84

Credit Quality Rating Allocation (Market Value %)	Fund	Reference Benchmark	Relative
AAA	1.21	0.94	0.26
AA	3.83	8.05	-4.22
A	36.37	37.61	-1.24
BBB	54.57	53.40	1.16
BB	2.37	-	2.37
B	0.03	-	0.03
NR	0.05	-	0.05
Cash	1.58	-	1.58

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	0.12	0.15	-0.03
2-5 years	1.15	1.06	0.09
5-10 years	2.42	2.16	0.25
10+ years	3.18	3.50	-0.32
Total	6.86	6.87	-0.01

Sorted from shortest to longest per the length of maturity.

Top 10 Holdings (%)	Weight (%)
NATL BANK CANADA 2.150 07/10/22	1.29
COMCAST CORP 4.700 15/10/48	1.01
AIRCASTLE LTD 5.250 11/08/25	1.00
ING GROEP NV 4.625 06/01/26	0.88
EUROGRID GMBH 1.113 15/05/32	0.83
JPMORGAN CHASE 4.600	0.79
DELL INT / EMC 4.900 01/10/26	0.79
ROYAL BK SCOTLND 0.625 02/03/22	0.79
ENERGY TRANSFER 6.250 15/04/49	0.78
AERCAP IRELAND 4.450 01/10/25	0.76

Sector Allocation (Market Value %)	Fund	Reference Benchmark	Relative
Financial Institutions	48.42	37.40	11.01
Communications	9.55	8.26	1.29
Consumer Cyclical	6.69	8.15	-1.46
Technology	5.85	5.51	0.34
Energy	5.22	6.08	-0.86
Utility	5.16	8.43	-3.27
Consumer Non cyclical	5.16	14.18	-9.02
Capital Goods	3.18	5.02	-1.85
Agencies	2.46	-	2.46
Transportation	2.40	3.13	-0.72
Other Sectors	4.33	3.83	0.50
Cash	1.58	-	1.58

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

Geographical Allocation (Market Value %)	Fund	Reference Benchmark	Relative
United States	43.61	46.44	-2.82
France	11.05	10.34	0.71
Germany	8.89	7.49	1.40
United Kingdom	8.80	11.14	-2.34
Canada	5.91	1.54	4.36
Netherlands	5.05	3.07	1.98
Switzerland	4.19	2.18	2.01
Spain	2.49	2.83	-0.34
Ireland	2.27	0.47	1.79
Italy	1.31	2.12	-0.81
Other Locations	4.86	12.39	-7.52
Cash	1.58	-	1.58

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

²Spread duration excludes interest rate futures and bond futures. We can force the local government spread duration to zero for certain funds on request.

³Average 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, Bloomberg Barclays USD Emerging Markets, as this data is calculated at fund level rather than share class level.



Monthly Performance Commentary

Fund Review

With vaccine rollouts continuing and a strong likelihood of a larger stimulus package investor focus shifted to the rates market where a rise in inflation expectations saw a large move in 5, 10 and 30 year treasuries. Credit spreads tightened over the month but IG credit saw a negative total return in the face of the rates move while HY remained positive. IG supply remained robust in February with \$118 billion issued while HY saw \$38 billion. IG flows continued to be positive with \$21 billion while HY saw outflows of \$2.4 billion through both ETFs and funds flows. Global Investment Grade saw spreads tighten in February with the fund's benchmark returning -1.38%.

Regionally the overweight to USD bonds and underweight to EUR bonds detracted from relative performance with the US underperforming Europe over the month on a USD hedged basis.

Sector and issue selection were also a drag on relative performance with both the USD and EUR segments underperforming their universe. The duration positioning added to performance with an underweight to the long end as longer dated rates rose.

From a regional perspective the strategy is overweight US bonds and underweight EUR bonds and slightly overweight UK bonds vs the benchmark. The regional weights for the US, EUR and UK are 57%, 34% and 9% respectively. The average rating is in line with the benchmark at A-/BBB+ with an overweight to AAA, BBB and BB rated bonds and an underweight to AA and A rated bonds. From an industry perspective the strategy's largest sector exposure is to financials where although less attractive given the recent rally we continue to see continued strong fundamentals as well as lower relative carbon footprints vs industrials. The main underweights are to consumer non-cyclicals on the basis of rich valuations and utilities on rich valuations as well as the heavier relative carbon footprint of the sector vs the overall benchmark. The overall duration is close to the benchmark at 6.86 years with an overweight to the short end and an underweight to the long end on an option adjusted basis.

Outlook

While the spike in rates at the end of February surprised investors, the long end of the curve has been seeing upward pressure since Q3 of last year. Given the recent move we would believe rates to be more range bound going forward in 2021 but sensitivity remains to changing market expectations which could cause additional volatility. Credit fundamentals remain stable and should improve through the course of the year as the economic recovery continues but credit spreads are already at or close to historically tight levels offering less potential for tightening and a smaller cushion should we see more volatility. While vaccinations continue to be administered, focus has turned to the rate inoculation and disparity between regions as well as the impact of variant strains of the virus and what this means for the lifting of restrictions and the pace of recovery.

For Investment Grade portfolios we have continued to reduce beta, selling into market strength as valuations are historically tight but remain comfortable with a positioning above 1. We balance this with an emphasis on issuer selection focusing on credits and sectors that are more cyclical in nature where we see the potential for further compression. We remain underweight duration with a steepening bias. While rates have already seen a large move up this year we believe the longer term cyclical trend will continue albeit at a more moderate pace.

In High Yield credit fundamentals are also improving and default rates are less of a concern as the economy continues to recover but spreads are now also close to historically tight levels and we expect them to be somewhat range bound near term. We continue to rotate out of names that have performed well in order to create additional capacity should markets sell off so we can move into names that have lagged in the recovery so far. We are also looking at credits which we believe are potential candidates to be upgraded into IG.



Carbon Footprint	Fund	Reference Benchmark
Carbon Intensity	72.83	213.22

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

Ten Lowest Carbon Intensity Issuers

Fund	Carbon Intensity (tonnes CO ₂ e/USD million)	Reference Benchmark	Carbon Intensity (tonnes CO ₂ e/USD million)
SAMPO OYJ	0.34	JRP GROUP PLC	0.15
NN GROUP NV	0.35	SPAREBANK 1 SMN	0.33
AVIVA PLC	0.39	SAMPO OYJ	0.34
SCOR SE	0.49	NATIONALE-NEDERL	0.35
CLOVERIE PLC	0.52	AVIVA PLC	0.39
UNITEDHEALTH GRP	0.75	SCOR SE	0.49
ASSICURAZIONI	0.94	AFFIL MANAGERS	0.52
CNP ASSURANCES	0.94	ARGENTUM NETH	0.52
ARGENTUM NET	0.95	ASSURA FIN	0.57
AXA SA	0.99	ARGENTUM NETH	0.62

Ten Highest Carbon Intensity Issuers

Fund	Carbon Intensity (tonnes CO ₂ e/USD million)	Reference Benchmark	Carbon Intensity (tonnes CO ₂ e/USD million)
WESSEX WATER FIN	4210.03	RH INTL SINGAPOR	10770.98
WEST PWR DISTR	3539.70	VISTRA OPERATION	8956.93
DOMINION ENERGY	1932.22	AMER CAMPUS COMM	7935.92
SCOTTISH & SOUTH	988.86	HX CEMENT FIN	7139.79
ENEL FIN INTL NV	869.96	HK ELECTRIC FIN	6208.72
CONTINENTAL RESO	852.09	BUZZI UNICEM	6027.86
DIGITAL STOUT HO	851.77	OKLAHOMA GAS & E	5710.09
GDF SUEZ	839.92	AEP TEXAS	5625.45
PETROLEOS MEXICA	668.66	EVERGY INC	5148.13
LYB INT FIN III	667.23	AES CORP/THE	4853.37

Weighted Average Carbon Intensity	Description	Carbon Intensity Description, Portfolio's exposure to carbon-intensive companies, expressed in tons CO ₂ e/USD million revenue.
	Formula	$\sum_n \left(\frac{\text{current value of investment}_i \times \text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{current portfolio value} \times \text{issuer's \$M revenue}_i} \right)$
	Methodology	Carbon Intensity Methodology: Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value), rather than the equity ownership approach. Gross values should be used.

Company carbon data, can often be "partially disclosed", i.e. partial geographic coverage, or incomplete operational data. Trucost* undertakes analysis and research to assess company reported results. The proprietary Trucost model enables an estimate of total emissions which relies on more than just reported financial data. Where securities are not covered by Trucost, HSBC assigns a proxy value based on the average intensity score of comparable companies.*Trucost are a division of S&P Global; they assess risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors.

Source of analytics: S&P Trucost /



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www.assetmanagement.hsbc.com/fr.



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

Carbon Intensity Description: Portfolio's exposure to carbon-intensive companies, expressed in tons CO₂e/USD million revenue.

Carbon Intensity Formula: $\Sigma((\text{current value of investment}/\text{current portfolio value}) * (\text{issuer's Scope 1 and Scope 2 GHG emissions}/\text{issuer's \$M revenue}))$

Carbon Intensity Methodology: Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value), rather than the equity ownership approach. Gross values should be used.

Company carbon data, can often be "partially disclosed", i.e. partial geographic coverage, or incomplete operational data. Trucost* undertakes analysis and research to assess company reported results. The proprietary Trucost model enables an estimate of total emissions which relies on more than just reported financial data. Where securities are not covered by Trucost, HSBC assigns a proxy value based on the average intensity score of comparable companies.*Trucost are a division of S&P Global; they assess risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors.