

# HSBC Global Investment Funds - Global Short Duration Bond

Share Class AC

28 Feb 2021

## Fund Objective and Strategy

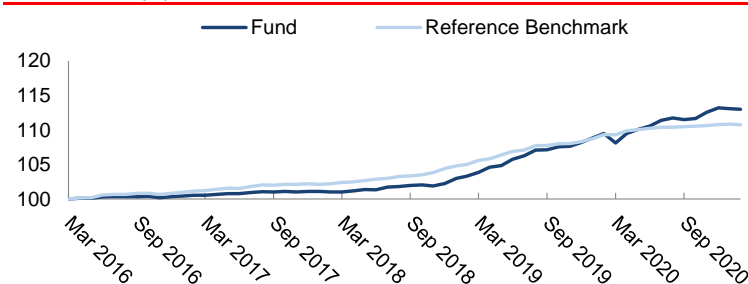
### Investment Objective

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

### Investment Policy

In normal market conditions, the Fund will invest at least 70% 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 developed or emerging markets. The Fund's average duration is expected to be between six months and three years. The Fund may invest up to 10% in bonds which have a maturity longer than five years. The Fund may invest in bonds issued in emerging markets to a level below 30% of its assets. The Fund may also invest up to 20% in non-investment grade bonds. 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 20% in asset-backed securities and mortgage-backed securities; 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.

### Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>
AC	-0.18	-0.08	0.37	3.19	3.81	2.51
Reference Benchmark	-0.04	-0.06	0.11	1.30	2.72	2.11

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	3.19	6.02	2.25	0.45	0.74
Reference Benchmark	1.30	4.12	2.76	1.03	1.37

### 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>	0.700%
Share Class Base Currency	USD
Domicile	Luxembourg
ISIN	LU1163226092
Share Class Inception Date	27 Feb 2015
NAV per Share	USD 11.32
Fund Size	USD 480,726,511
Bloomberg Ticker	HSGSDBA LX
Reference Benchmark	Bloomberg Barclays Global Aggregate Corporates Diversified Hedged USD
Manager	Ernst Josef Osiander Oliver Bouлинд

**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	AC	Reference Benchmark	5-Year Risk Measures	AC	Reference Benchmark
Volatility	1.48%	0.64%	Volatility	1.24%	0.60%
Sharpe Ratio	1.42	1.56	Sharpe Ratio	0.83	1.05
Tracking Error	1.23%	-	Tracking Error	0.99%	-
Information Ratio	0.89	-	Information Ratio	0.41	-

Characteristics	Fund	Reference Benchmark	Relative	Characteristics	Fund	Reference Benchmark	Relative
Number of Holdings ex Cash	139	6,420	-	Modified Duration to Worst	1.75	1.91	-0.16
Average Coupon	2.53	2.06	0.47	Option Adjusted Spread	3.07	1.93	1.14
Option Adjusted Duration (OAD)	1.78	1.84	-0.07	Duration (OASD) <sup>3</sup>			
Yield to Worst (Gross)	1.12	0.46	0.66	Rating Average <sup>4</sup>	A/A-	AA/AA-	-
				Maturity Average	3.18	1.98	1.19

Credit Quality Rating Allocation (Market Value %)	Fund	Reference Benchmark	Relative	Sector Allocation (Market Value %)	Fund	Reference Benchmark	Relative
AAA	18.46	42.17	-23.71	Corp Non-fin	33.74	8.48	25.26
AA	0.67	13.24	-12.57	Corp Fin	24.49	7.67	16.82
A	19.34	31.52	-12.18	Treasuries	23.93	54.00	-30.08
BBB	45.33	13.07	32.26	Supra/agencies	14.40	18.28	-3.88
BB	12.23	-	12.23	Collateralised	-	4.23	-4.23
B	0.51	-	0.51	US Agency Mbs	-	7.33	-7.33
NR	-0.08	-	-0.08	credit default swap index	-0.08	-	-0.08
Cash	3.52	-	3.52	Cash	3.52	-	3.52

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

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference Benchmark	Relative	Geographical Allocation (Market Value %)	Fund	Reference Benchmark	Relative
0-1 year	0.05	0.01	0.04	United States	28.22	36.40	-8.18
1-3 years	0.90	1.83	-0.94	Germany	15.59	5.75	9.84
3-5 years	1.38	-	1.38	United Kingdom	12.53	3.72	8.81
5+ years	-0.55	-	-0.55	Mainland China	7.99	10.16	-2.17
<b>Total</b>	<b>1.78</b>	<b>1.84</b>	<b>-0.07</b>	France	5.41	5.11	0.30
				Japan	5.11	12.96	-7.85
				Italy	4.57	3.53	1.04
				Sweden	3.35	1.38	1.97
				Ireland	2.39	0.32	2.07
				Spain	1.84	1.81	0.03
				Other Locations	9.47	18.86	-9.39
				Cash	3.52	-	3.52

Sorted from shortest to longest per the length of maturity.

Currency Allocation (Market Value %)	Fund	Reference Benchmark	Relative	Duration Allocation by Currency Bloc (Option Adjusted Duration)	Fund	Reference Benchmark	Relative
USD	96.50	100.00	-3.50	Dollar	0.81	0.88	-0.07
CNY	7.49	-	7.49	Euro	0.46	0.46	0.00
CAD	1.23	-	1.23	EM Local Currency	0.29	0.21	0.08
INR	1.15	-	1.15	Japan	0.25	0.23	0.02
NOK	1.14	-	1.14	UK	-0.04	0.06	-0.11
KRW	1.00	-	1.00	<b>Total</b>	<b>1.78</b>	<b>1.84</b>	<b>-0.07</b>
HKD	0.03	-	0.03				
AUD	0.00	-	0.00				
Other Currencies	-8.54	-	-8.54				

Only top 8 breakdowns are displayed. Other breakdowns are included in Others.

Top 10 Holdings (%)	Weight (%)
BUNDESABL-182 0.000 10/10/25	5.85
US TREASURY N/B 0.250 31/08/25	5.57
JAPAN GOVT 5-YR 0.100 20/06/25	4.79
US TREASURY N/B 0.375 31/12/25	4.10
EXP-IMP BK CHINA 3.870 14/09/25	3.72
CHINA DEV BANK 3.740 10/09/25	3.70
BUNDESABL-181 0.000 11/04/25	2.95
SYNOVUS BANK GA 2.289 10/02/23	1.32
HYUNDAI CAP AMER 0.800 08/01/24	1.27
THAMES WATER UTC 2.375 03/05/23	1.21

Sorted from largest to smallest per Option Adjusted Duration.

<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.

## Monthly Performance Commentary

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### Performance review

Despite further reducing interest rate exposure during the month, higher rates did drive the majority of underperformance given the strategy's modest long position in the 5-year sector. Long positions in credit – both in Developed Markets and in Emerging Markets – offset only a portion of the rates-driven underperformance. Developed market interest rates rose during the month as the market came to believe more in reflation of the global economy. Driving much of this optimism was the size and increasing likelihood of passage of additional US fiscal stimulus. Investors took comfort also from accelerating vaccination programmes worldwide. Developed Market credit performed positively given continuing positive sentiment and the improving fundamental backdrop. Emerging Markets sovereigns underperformed, primarily due to concerns about the impact of higher interest rates on this longer duration market sector. FX detracted from performance due to weakness in the Yen and in the Brazilian real. Given the strength of the US 'reflation story', we cut further the dollar short position.

### Strategy

The fund's duration was moved from overweight to underweight over the month. The fund is now underweight duration in the UK, Australia, and Canada, whilst largely neutral in the US. We reduced our long Italy versus short Germany and kept the exposure to China. We reduced overall credit exposure slightly with small reductions in HY and EMD. We have now a smaller underweight to Securitised assets relative to the benchmark. We believe the relative value offered by Securitised assets looks appealing relative to IG credit investments. In developed market currencies, we maintained the long position in NOK versus EUR and SEK and the short NZD vs CAD. We closed the long JPY vs USD position on the back of a less optimistic outlook for JPY. We switched the JPY position to KRW, as our outlook for a robust cyclical recovery should benefit the growth-oriented KRW. We added a long BRL vs USD position during the month which we then closed as sentiment turned negative which translated into a sell-off of most currencies vs USD. We maintained the long INR and long RMB vs USD position.

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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