

HSBC Global Investment Funds - US Dollar Bond

Share Class AD

28 Feb 2021

Fund Objective and Strategy

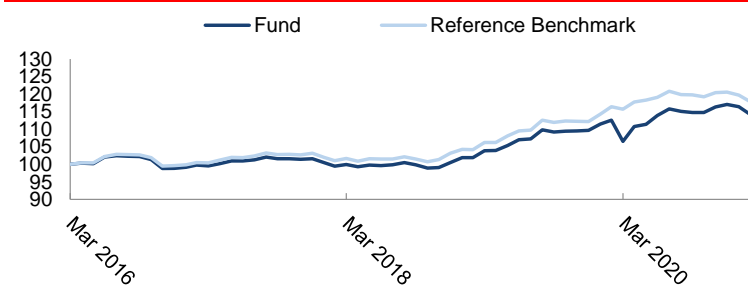
Investment Objective

The Fund aims to provide capital growth and income by investing in a portfolio of bonds denominated in US dollars (USD).

Investment Policy

In normal market conditions, the Fund will primarily invest its assets in USD denominated investment grade rated bonds issued in developed markets. The Fund may invest up to 50% in asset-backed securities and mortgage-backed securities. The Fund may invest up to 10% in contingent convertible securities. See the Prospectus for a full description of the investment objectives and derivative usage.

Performance (%)



| Performance (%) | YTD | 1M | 3M | 1Y | 3Y ¹ | 5Y ¹ |
|---------------------|-------|-------|-------|------|-----------------|-----------------|
| AD | -2.30 | -1.74 | -1.72 | 1.58 | 4.76 | 2.86 |
| Reference Benchmark | -2.15 | -1.44 | -2.02 | 1.38 | 5.32 | 3.55 |

| 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 |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| AD | 1.58 | 10.49 | 2.44 | -0.35 | 0.50 |
| Reference Benchmark | 1.38 | 11.68 | 3.17 | 0.51 | 1.42 |

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.
- 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 | 1.35% |
| Last Paid Dividend | 0.1560 |
| Dealing Frequency | Daily |
| Valuation Time | 17:00 Luxembourg |
| Min. Initial Investment | USD 5,000 |
| Ongoing Charge Figure ³ | 1.000% |
| Share Class Base Currency | USD |
| Domicile | Luxembourg |
| ISIN | LU0149734781 |
| Share Class Inception Date | 26 Nov 2002 |
| NAV per Share | USD 11.55 |
| Fund Size | USD 148,277,929 |
| Bloomberg Ticker | HSBUSDA LX |
| Reference Benchmark | BofA Merrill Lynch Global High Yield BB-B Constrained Hedged USD |
| Manager | Jerry Samet |

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 | AD | Reference Benchmark | 5-Year Risk Measures | AD | Reference Benchmark |
|----------------------|-------|---------------------|----------------------|-------|---------------------|
| Volatility | 5.14% | 3.38% | Volatility | 4.41% | 3.23% |
| Sharpe Ratio | 0.59 | 1.07 | Sharpe Ratio | 0.31 | 0.64 |
| Tracking Error | 3.34% | - | Tracking Error | 2.60% | - |
| Information Ratio | -0.17 | - | Information Ratio | -0.27 | - |

| Characteristics | Fund | Reference Benchmark | Relative | Characteristics | Fund | Reference Benchmark | Relative |
|--------------------------------|------|---------------------|----------|------------------------------|------|---------------------|----------|
| Number of Holdings ex Cash | 159 | 12,007 | - | Current Yield (Gross) | 2.09 | 1.68 | 0.42 |
| Average Coupon | 3.29 | 2.81 | 0.49 | Option Adjusted Spread | 6.16 | 6.32 | -0.17 |
| Option Adjusted Duration (OAD) | 5.79 | 6.23 | -0.44 | Duration (OASD) ⁴ | | | |
| Yield to Worst (Gross) | 2.03 | 1.41 | 0.61 | Rating Average ⁵ | A+/A | AA+/AA | - |
| | | | | Maturity Average | 7.84 | 8.16 | -0.32 |

| Credit Quality Rating Allocation (Market Value %) | Fund | Reference Benchmark | Relative | Sector Allocation (Market Value %) | Fund | Reference Benchmark | Relative |
|---|-------|---------------------|----------|------------------------------------|-------|---------------------|----------|
| AAA | 42.99 | 70.29 | -27.30 | US Agency Mbs | 27.35 | 27.60 | -0.25 |
| AA | 0.66 | 3.31 | -2.66 | Corp Non-fin | 27.16 | 18.65 | 8.51 |
| A | 15.91 | 11.84 | 4.07 | Corp Fin | 25.58 | 8.23 | 17.36 |
| BBB | 36.22 | 14.56 | 21.66 | Treasuries | 15.63 | 36.79 | -21.16 |
| BB | 5.08 | - | 5.08 | Collateralised | 4.32 | 2.52 | 1.80 |
| NR | -0.85 | - | -0.85 | Supra/agencies | 0.80 | 6.20 | -5.40 |
| | | | | credit default swap index | -0.85 | - | -0.85 |

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

Sorted from largest to smallest per market values of weight.

| Maturity Breakdown (Option Adjusted Duration) | Fund | Reference Benchmark | Relative | Geographical Allocation (Option Adjusted Duration) | Fund | Reference Benchmark | Relative |
|---|-------------|---------------------|--------------|--|-------------|---------------------|--------------|
| 0-2 years | 0.09 | 0.15 | -0.07 | United States | 5.23 | 5.71 | -0.47 |
| 2-5 years | 1.34 | 1.44 | -0.10 | Ireland | 0.12 | 0.00 | 0.12 |
| 5-10 years | 1.83 | 1.54 | 0.29 | United Kingdom | 0.12 | 0.08 | 0.04 |
| 10+ years | 2.54 | 3.10 | -0.56 | France | 0.07 | 0.01 | 0.06 |
| Total | 5.79 | 6.23 | -0.44 | Australia | 0.06 | 0.01 | 0.05 |
| | | | | Netherlands | 0.06 | 0.03 | 0.03 |
| | | | | Germany | 0.05 | 0.02 | 0.03 |
| | | | | Canada | 0.03 | 0.07 | -0.04 |
| | | | | Spain | 0.02 | 0.01 | 0.01 |
| | | | | Switzerland | 0.02 | 0.01 | 0.01 |
| | | | | Other Locations | 0.01 | 0.29 | -0.29 |
| | | | | Cash | 0.01 | - | 0.01 |
| | | | | Total | 5.79 | 6.23 | -0.44 |

Sorted from shortest to longest per the length of maturity.

| Top 10 Holdings (%) | Weight (%) |
|--------------------------------|------------|
| FNCL 3 3/21 3.000 | 5.25 |
| FNCL 3.5 3/21 3.500 | 3.88 |
| US TREASURY N/B 1.375 15/08/50 | 3.82 |
| US TREASURY N/B 0.875 15/11/30 | 3.60 |
| US TREASURY N/B 0.250 15/06/23 | 3.38 |
| US TREASURY N/B 0.625 31/12/27 | 3.35 |
| FNCL 2 3/21 2.000 | 2.99 |
| FNCL 4 3/21 4.000 | 2.65 |
| G2SF 3 3/21 3.000 | 2.63 |
| FNCL 2.5 3/21 2.500 | 2.19 |

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

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.

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. US IG saw spreads tighten 8 bps while the US Treasury curve steepened over the month with a pronounced rise in intermediate and long end yields. The US 2, 5, 10 and 30 year moved +2, +31, +34 and +32 bps respectively to finish the month with a yield of 0.13%, 0.73%, 1.40% and 2.15% respectively. In this market context the strategies benchmark delivered -1.44% over the month

Sector positioning contributed positively to performance with an overweight to corporates which outperformed Treasuries as rates moved higher over the month. The overweight to lower rated bonds detracted from performance as lower rated bonds underperformed over the month.

From a sector perspective the strategy remains underweight Treasuries and supranational/agencies and overweight financial corporates, non-financial corporates. The strategy duration at 5.79 years is 0.4 years underweight the benchmark on an option adjusted basis with an underweight to the 0-2 and 10+ year segments and overweight to the 2-5 and 5-10 year segments. With regards to ratings, the strategy is below the benchmark on an average rating basis at A+/A vs AA+/AA with an underweight to AAA and AA rated bonds and an overweight to A and BBB rated bonds. The fund also has an off benchmark exposure to BB rated bonds.

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 moved 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.

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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