HSBC Asset Management

HSBC Global Investment Funds

GLOBAL HIGH YIELD BOND

Monthly report 29 February 2024 | Share class ACHCAD

Investment objective

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

Investment strategy

The Fund is actively managed.
In normal market conditions, the Fund will invest at least 90% of its assets in non-investment grade bonds and unrated bonds issued by governments, government-related entities, state sponsored enterprises, local or regional governments, supranational entities and companies.
The Fund may invest up to 30% in investment Grade bonds to manage liquidity and up to 10% in asset-backed securities.
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 securities issued by or guaranteed by any single government issuer with a credit rating below investment grade.
The Fund may invest up to 10% in convertible bonds, up to 15% in contingent convertible securities and may also invest in bank deposits, money market instruments for treasury purposes.
The Fund may invest up to 10% in other funds, including HSBC funds.
The Fund will normally hedge non-USD exposures into USD. The exposure to non-USD currencies will be up to 20% of assets.
See the Prospectus for a full description of the investment objectives and derivative usage.

Main risks

- 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.

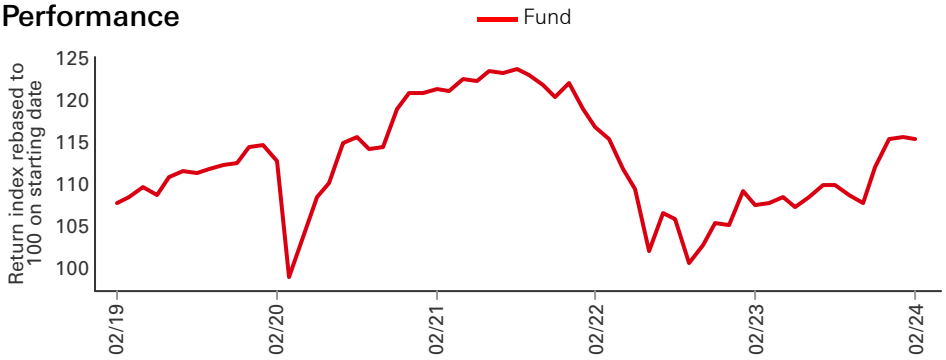
Share Class Details

Key metrics	
NAV per Share	**CAD 11.54**
Performance 1 month	**-0.07%**
Yield to maturity	**7.07%**
Fund facts	
UCITS V compliant	**Yes**
Dividend treatment	**Accumulating**
Dealing frequency	**Daily**
Valuation Time	**17:00 Luxembourg**
Share Class Base Currency	**CAD**
Domicile	**Luxembourg**
Inception date	**28 October 2016**
Fund Size	**USD 878,854,377**
Managers	**Mary Gottshall Bowers**
Fees and expenses	
Minimum Initial Investment	**USD 5,000**
Ongoing Charge Figure[1]	**1.372%**
Management fee	**1.100%**
Codes	
ISIN	**LU0871578737**
Bloomberg ticker	**HSGYACC LX**

[1]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.

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
Source: HSBC Asset Management, data as at 29 February 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
ACHCAD	**0.17**	**-0.07**	**3.15**	**5.02**	**7.48**	**-1.65**	**1.40**

Rolling Performance (%)	28/02/23-29/02/24	28/02/22-28/02/23	28/02/21-28/02/22	29/02/20-28/02/21	28/02/19-29/02/20
ACHCAD	**7.48**	**-8.00**	**-3.78**	**7.69**	**4.62**

3-Year Risk Measures	ACHCAD	Reference benchmark
Volatility	7.74%	--
Sharpe ratio	-0.56	--

5-Year Risk Measures	ACHCAD	Reference benchmark
Volatility	9.31%	--
Sharpe ratio	-0.07	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	390	2,334	--
Average coupon rate	6.11	5.59	0.52
Yield to worst	6.87%	6.89%	-0.02%
Option Adjusted Duration	3.11	3.18	-0.07
Modified Duration to Worst	3.61	3.43	0.18
Option Adjusted Spread Duration	3.00	3.21	-0.21
Average maturity	4.49	4.21	0.29
Rating average	BB/BB-	BB-/B+	--
Issuers number	266	1047	--

Credit rating (%)	Fund	Reference benchmark	Relative
AA	0.17	--	0.17
BBB	4.90	0.97	3.93
BB	50.74	56.80	-6.06
B	35.18	40.03	-4.85
CCC	2.93	2.10	0.83
CC	--	0.01	-0.01
C	0.08	--	0.08
NR	3.48	--	3.48
Cash	2.52	0.08	2.43

Sleeve Maturity Breakdown (%)	Fund	Reference benchmark	Relative
USD	69.52	73.24	-3.72
EUR	18.18	26.73	-8.55
Overlay	9.16	--	9.16
Emerging Markets	3.14	0.03	3.11

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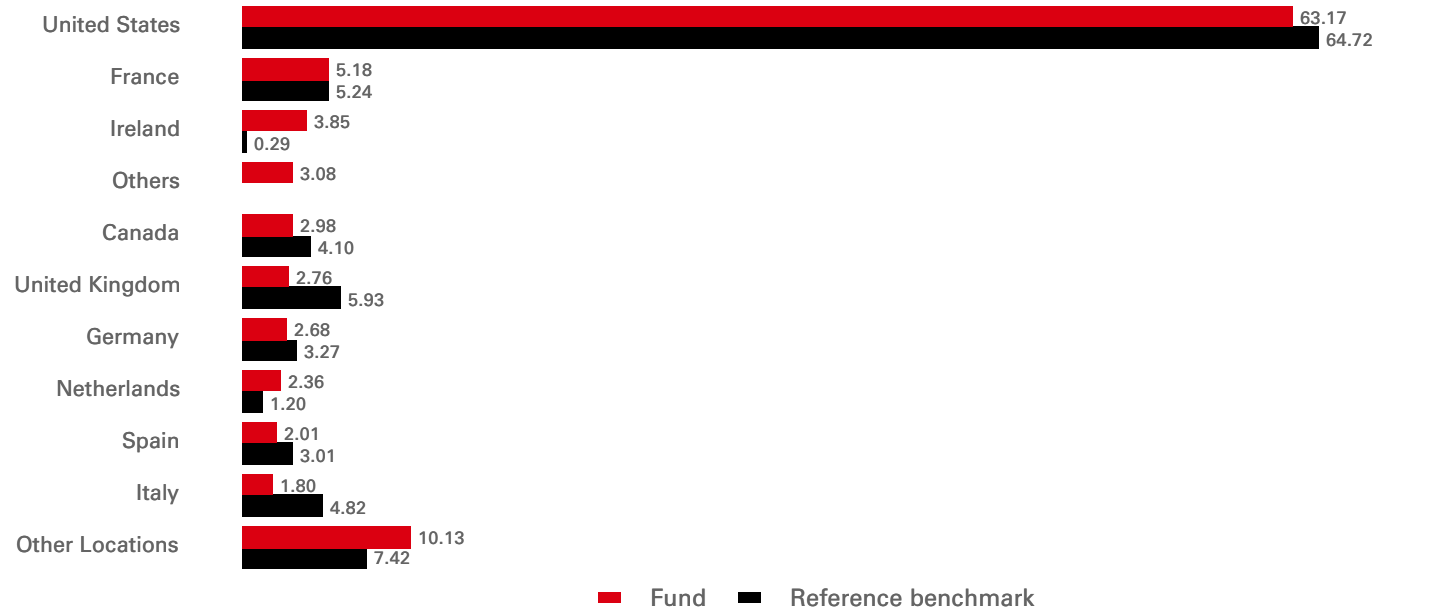
The benchmark data is that of the reference benchmark of the fund, as this data is calculated at fund level rather than share class level.
The reference benchmark of the fund is 100% ICE BofA BB-B Developed Market High Yield Constrained Index (USD Hedged)
Source: HSBC Asset Management, data as at 29 February 2024

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
0-2 years	0.14	0.17	-0.03
2-5 years	1.65	1.63	0.02
5-10 years	1.13	1.21	-0.08
10+ years	0.18	0.17	0.01
Total	**3.11**	**3.18**	**-0.07**

Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	99.51	100.00	-0.49
EUR	0.46	--	0.46
GBP	0.03	--	0.03
HKD	0.00	--	0.00
MXN	0.00	--	0.00
ZAR	0.00	--	0.00
AUD	0.00	--	0.00
CAD	0.00	--	0.00
CHF	0.00	--	0.00
SGD	0.00	--	0.00
Other Currencies	0.00	--	0.00

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Consumer Cyclical	18.01	19.84	-1.83
Financial Institutions	13.25	13.31	-0.06
Energy	12.81	9.98	2.82
Capital Goods	11.55	9.22	2.32
Communications	9.51	16.70	-7.20
Consumer Non cyclical	6.57	11.34	-4.76
Basic Industry	5.83	4.90	0.93
Technology	4.32	5.50	-1.18
ETF	3.52	--	3.52
Transportation	3.46	3.02	0.44
Other Sectors	8.67	6.10	2.57
Cash	2.52	0.08	2.43

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Top 10 Holdings	Weight (%)
AMERICAN AIRLINE 5.750 20/04/29	1.16
ROYAL CARIBBEAN 9.250 15/01/29	1.08
CARNIVAL HLD BM 10.375 01/05/28	1.06
CALPINE CORP 5.125 15/03/28	1.00
CCO HOLDINGS LLC 4.500 15/08/30	0.96
VENTURE GLOBAL L 8.125 01/06/28	0.87
NAVIENT CORP 6.750 15/06/26	0.86
ANTERO RESOURCES 5.375 01/03/30	0.85
NATIONSTAR MTG 5.750 15/11/31	0.81
PENNYMAC FIN SVC 5.750 15/09/31	0.80

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Monthly performance commentary

February saw risk assets and rates move higher as US growth and inflation data came in higher than expected and Q4 corporate earnings were largely in line. Rates stabilized somewhat later in the month as retail sales were weaker than markets had expected. Global Credit total returns were mixed over the month with more rate sensitive IG bonds in negative territory while High Yield remained positive. Monthly supply in IG issuance was $218.6 billion, for a YTD total of $489.9 billion. HY saw $27.8 billion issued over the month for a YTD total of $56.2 billion. US Treasury yields rose in January with the curve reinverting somewhat lead by a larger move in shorter dated maturities. The 2, 5, 10 and 30 year moved higher by 41, 41, 34 and 21 basis points to finish the month at 4.62%, 4.24%, 4.25% and 4.38% respectively. In this market context the fund's benchmark returned 0.17% over the month.
The strategy delivered positive performance on an absolute basis underperforming the reference benchmark gross of fees.

Regionally, the off-benchmark allocation to EM and Securitized Credit and underweight to US and EUR HY added to relative performance as both Securitized Credit and EM outperformed US and EUR HY on an asset class basis. This was offset by negative issue selection effects driven by positioning in the EUR HY segment of the portfolio. The duration positioning added to performance with an underweight vs the benchmark as rates rose again in February.

From a regional perspective the strategy is 70% US, 18% Europe with 3% EM and 3% Structured Credit. This represents an underweight to the US and EUR with off benchmark overweights to EM and Securitized Credit. The current cash allocation is at 2.5%. The strategy's average credit rating is one notch higher than the benchmark at BB/BB- with an overweight to BBB and CCC rated bonds and an underweight in BB and B rated bonds. The CCC exposure is largely in the US and in more defensive, less cyclical industries such as healthcare and packaging. The overall beta of the portfolio is 0.9 while the duration is 0.07 years underweight the benchmark at 3.11 on an option adjusted basis. The main industry sector overweights are to energy, capital goods and agencies while the main sector underweights are to communications, consumer non cyclicals and consumer cyclicals.

Outlook

Although markets have repriced for a more hawkish central bank stance with rate cuts having been pushed back, the overall soft-landing narrative remains dominant in the mind of investors. While the continued strength of the economy has allowed the Fed to be more patient there seems to be little doubt that their next move is still to cut, even if the timing has become less certain. The recent rally in risk assets has brought spreads back to their tights but the constructive economic outlook should remain supportive in the short term. Our expectation is still that the global economy will slow and as a result, over the longer term we still expect that spreads are more likely to move wider. In the short term however, we don't see any specific catalyst that would send spreads meaningfully wider, and we expect they could continue to grind tighter. As a result, we are currently positioned with a more neutral bias, remaining tactical with our positioning, taking advantage of short-term opportunities as they arise.

For Global High Yield, all in yields ended the month at 7.8% with a spread of 350. Although spreads are historically tight, the current economic outlook remains supportive for credit, and we don't see any specific driver to send spreads meaningfully wider in the short term. As a result, we are positioned with a more neutral credit bias in the portfolio. Given our longer-term view of an economic slowdown however we still have a preference for less cyclical sectors and on issuers we believe will be better placed to weather a slowdown in growth or a prolonged period of higher rates. Regionally, we have a slight preference for Euro HY vs US HY given wider valuations and we see some value both in EM and ABS as diversifiers and based on relative value.

The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.
Source: HSBC Asset Management, data as at 29 February 2024

Risk Disclosure

- 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.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- Further information on the potential risks can be found in the Key Investor Information Document (KID) and/or the Prospectus or Offering Memorandum.

Follow us on:

HSBC Asset Management

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Glossary

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