HSBC Asset Management

HSBC Global Investment Funds

GLOBAL HIGH YIELD SECURITISED CREDIT BOND

Monthly report 31 March 2024 | Share class AC

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of higher yield securitised credit, while promoting ESG characteristics. The Fund qualifies under Article 8 of SFDR.

Investment strategy

The Fund is actively managed and is not constrained by a benchmark. In normal market conditions, the Fund will invest at least 90% of its assets in higher yield non-investment grade securitised credit such as asset backed securities, commercial mortgage backed securities, collateralised loan obligations and residential mortgage backed securities. The underlying exposures of these assets include, but are not limited to, mortgages, auto-loans, corporate loans, bonds, credit cards, student loans and other receivables. The Fund may also invest in other bonds issued by companies, governments, government related-entities and supranational bodies worldwide.The Fund includes the identification and analysis of a company's ESG Credentials as an integral part of the investment decision making process to reduce risk and enhance returns. The Fund may temporarily, in the event a large subscription is received, invest in cash, money-market instruments issued by governments in developed markets. The Fund may invest up to 10% in onshore Chinese bonds traded on the China Interbank Bond Market & up to 10% in other funds. The Fund's primary currency exposure is to USD.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.

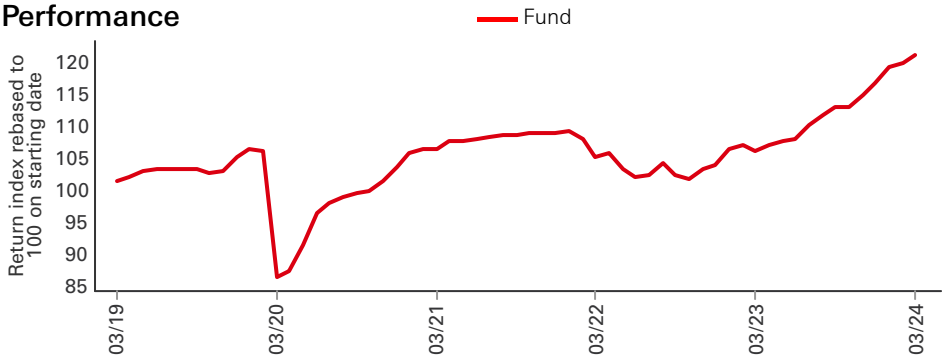
Share Class Details

Key metrics	
NAV per Share	**USD 12.11**
Performance 1 month	**1.05%**
Yield to maturity	**9.27%**
Fund facts	
UCITS V compliant	**Yes**
Dividend treatment	**Accumulating**
Dealing frequency	**Weekly**
Valuation Time	**17:00 Luxembourg**
Share Class Base Currency	**USD**
Domicile	**Luxembourg**
Inception date	**16 July 2018**
Fund Size	**USD 81,349,414**
Managers	**Andrew John Jackson**
Fees and expenses	
Minimum Initial Investment	**USD 5,000**
Ongoing Charge Figure[1]	**1.750%**
Management fee	**1.500%**
Codes	
ISIN	**LU1194162050**
Bloomberg ticker	**HSABHAC 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.
Until 23 August 2019 the name of the fund was HSBC Global Investment Funds – Global Asset-Backed High Yield Bond
Source: HSBC Asset Management, data as at 31 March 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AC	**3.84**	**1.05**	**3.84**	**7.35**	**14.37**	**4.40**	**3.59**

Rolling Performance (%)	31/03/23-31/03/24	31/03/22-31/03/23	31/03/21-31/03/22	31/03/20-31/03/21	31/03/19-31/03/20
AC	**14.37**	**0.77**	**-1.27**	**23.12**	**-14.84**

Carbon footprint	Fund	Reference benchmark
Carbon intensity emissions	0.18	--

3-Year Risk Measures	AC	Reference benchmark
Volatility	4.02%	--
Sharpe ratio	0.46	--

5-Year Risk Measures	AC	Reference benchmark
Volatility	9.61%	--
Sharpe ratio	0.17	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	66	--	--
Yield to maturity	9.27%	--	--
Floating rate weight	86.97	--	--
Modified duration	0.37	--	--
Spread duration	2.82	--	--
Weighted average life	3.93	--	--
Rating average	BBB-	--	--

Credit rating (%)	Fund	Reference benchmark	Relative
AAA	0.63	--	--
AA	0.21	--	--
A	4.57	--	--
BBB	22.40	--	--
BB	49.40	--	--
B	7.06	--	--
Cash	15.72	--	--

Weighted average life (%)	Fund	Reference benchmark	Relative
0 - 2 years	30.49	--	--
2 - 5 years	41.37	--	--
5 - 10 years	20.78	--	--
10+ years	7.36	--	--

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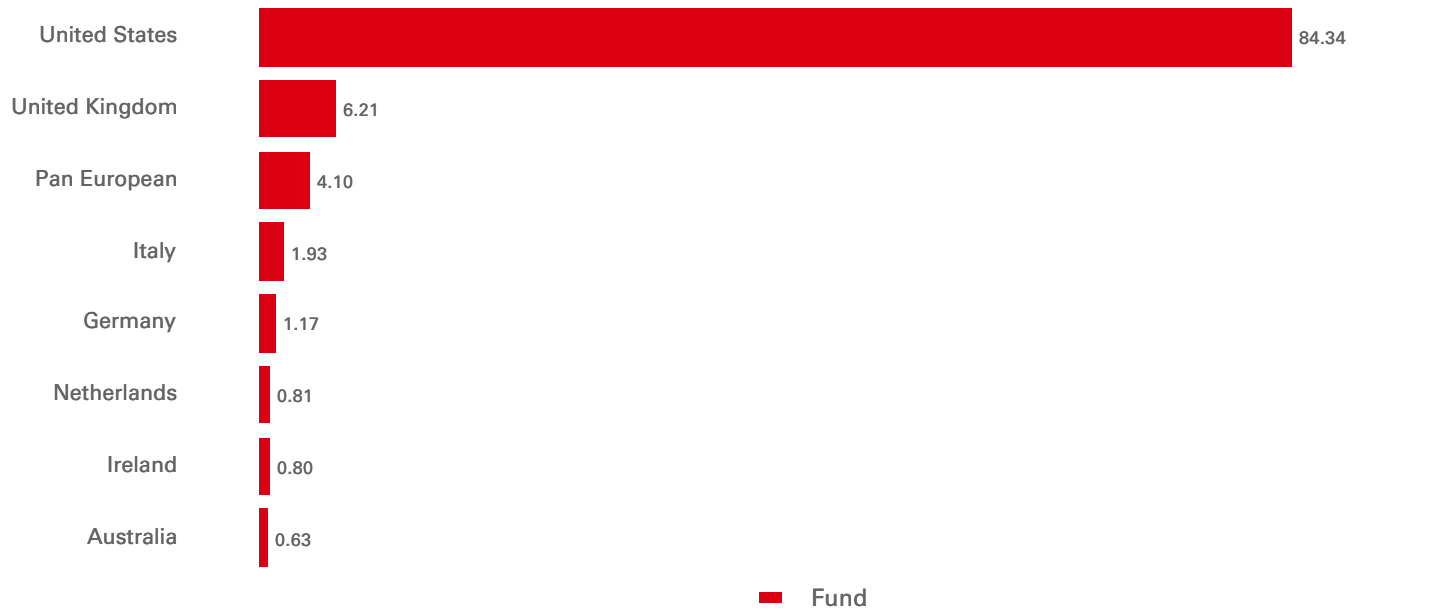
Source: HSBC Asset Management, data as at 31 March 2024

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
CLO	37.03	--	--
CMBS	34.07	--	--
RMBS non-conforming	10.93	--	--
RMBS prime	1.43	--	--
Whole Business ABS	0.82	--	--
Cash	15.72	--	--

Source: HSBC Asset Management, data as at 31 March 2024

Monthly performance commentary

Market Overview

There were no interest rate changes in the month. The economic backdrop remains fragile, albeit continuing to improve, such that many believe a shallow recession or flat-lining economy most likely, with the UK and Europe most affected and the US least impacted. March saw geopolitical risks elevated. Despite the weak backdrop, credit spreads were tighter throughout the month in every asset class, with Securitised Credit continuing to catch up with the rally in other credit asset classes.

The new issue and secondary markets had reasonable volumes (CLOs continued to be strong), with demand outstripping supply and hence leading to the spread compression. Credit performance continues to be fair for Securitised Credit with deals holding up well in the face of stress on borrowers' ability to pay from the significant run up in interest rates. Some early signs of deterioration are appearing in rising delinquencies. CMBS remains the most challenged sector, but there is wide dispersion in performance with Prime real estate performing well, but secondary property debt struggling. Spreads are well-supported, given comparatively light new issuance volumes and solid performance. There is an expectation that spreads could be volatile either from performance issues or a wave/lack of supply. Bid/offer spreads are tightening back to historic levels indicating improved liquidity.

New issue Securitised Credit volumes outside of the US and excluding CLOs was more than €15bn in March (fair, but low compared to March 21, 22 and 23), with almost €11bn of the new issuance distributed. New issuance was well spread across RMBS and consumer paper in Europe, UK and Australia. The CLO market was again strong, with 80 US CLOs pricing ($34.8bn) in March (67 priced in February). 17 European CLOs (€6.6bn) priced (12 in February). There were 51 refinancing/reset trades of the new issue CLOs, indicating a strong refinance market and less net CLO growth than the headlines would indicate. US CMBS new issue was $12bn compared to $12bn in February. Issuance was strongest in SASB (over $6bn) and Agency guaranteed CMBS ($3bn), with only small conduit issuance in the month.

Fund Overview

At the end of March, there were 66 securities across 51 deals and a cash float. In March, there were no purchases. The fund sold 12 bonds: 4 European CLOs, 2 US CLOs, 2 UK Pub whole business ABS, a US and European RMBS, a US CMBS and a German Consumer ABS. Amortisations and repayments were as expected. CLOs remain the largest sector concentration with 43% (previous month 43%), ahead of CMBS with 39% (33%), RMBS is third with 14% (16%) – figures adjusted for cash held to meet a redemption after month end. The major geographic exposure is to the US at 84%, with the UK the second largest at 6%. The Eurozone comprises 9% (of which 4% is Pan-European with exposures in multiple countries). The portfolio is 13% fixed rate and 87% floating rate at the end of the month, with floating rate income based on SOFR, SONIA, EURIBOR, BBSW (Australia) or another relevant IBOR alternative. Approximately 75% of the instruments are USD-denominated and pay all income and repayments in US Dollars. The remaining 25% is denominated in Sterling, Australian Dollars and Euro. We hedge the full market value and accrued income back to USD each month. This hedge effectively covers all principal repayments. The fund remains invested in higher yielding ABS, with a weighted average rating of BBB- at month end.

Outlook

The economic outlook remains uncertain given the headwinds in the global economy, the situation in Ukraine and Middle East and continuing stress from elevated rates. The prospect of global recession remains possible.

There is no direct exposure to Ukraine, Russia, China, Israel or the Middle East in Securitised Credit. Fundamental credit quality is strong for all of the exposures in this fund. Most of Securitised Credit is floating rate and hence where interest rates remain elevated, this should result in high coupon income. Securitised Credit spreads suffer when there is a fall in confidence, as happened most recently with the banking shock. The immediate outlook is therefore a balance between credit shocks from an impending recession and strong income. In the longer term, any resolution or stabilisation to the many crises should result in a rapid recovery. Fundamental credit research is increasingly important to avoid weaker credits and take advantage of emerging opportunities. All of the positions in this fund also enjoy strong credit enhancement, such that at the time of writing, this fund remains well positioned to avoid credit losses. As the crises and recovery develop, there will be opportunities to reposition the fund to take advantage of new opportunities.

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.

Important Information

HSBC Global Asset Management (Bermuda) Limited ("AMBM") of 37 Front Street, Hamilton, Bermuda, is a wholly owned subsidiary of HSBC Bank Bermuda Limited (the "Bank"). AMBM and the Bank are licensed to conduct investment business by the Bermuda Monetary Authority. Funds managed by AMBM are offered by Prospectus only in those jurisdictions where they are permitted by law. Persons are required to inform themselves and observe any relevant restrictions. AMBM makes no representation as to the suitability of the funds for investors. Investors should be aware that performance returns are affected by market fluctuations. Investing entails risks, including possible loss of principal. Past performance is no guarantee of future performance. Investors should note that the use of derivatives and investments involving a currency other than their own will create foreign exchange exposure, which involves special risks. It is the aim of the Company to preserve capital and, where applicable, to maintain a stable net asset value per share; these aims are not guaranteed. Additionally, investors should consider their investment objectives, whether or not they can assume these risks and should undertake their own appropriate professional advice. Expressions of opinion contained herein are subject to change without notice. For investors investing via a nominee service provider, the nominee service provider will process the transaction and route all settlement proceeds to you, which may extend the settlement period. Please contact your investment advisor/ introducing agent, or in the absence of those the nominee provider directly, to confirm the settlement period. Issued by HSBC Global Asset Management (Bermuda) Limited Licensed to conduct investment business by the Bermuda Monetary Authority Further information can be found in the prospectus.

Source: HSBC Asset Management, data as at 31 March 2024

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Glossary