

## HSBC Global Investment Funds

# GLOBAL HIGH YIELD BOND

Monthly report 31 May 2022 | Share class AC

### 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

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, supranational entities and companies that are based in developed and emerging markets. 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 and up to 15% in contingent convertible securities. 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 **USD 11.90**

Performance 1 month **-2.15%**

Yield to maturity **7.63%**

#### Fund facts

UCITS V compliant **Yes**

Subscription mode **Cash**

Dividend treatment **Accumulating**

Dealing frequency **Daily**

Valuation Time **17:00 Luxembourg**

Share Class Base Currency **USD**

Domicile **Luxembourg**

Inception date **24 June 2014**

Fund Size **USD 1,443,184,325**

Reference benchmark **100% ICE BofA Global High Yield BB-B Constrained Hedged USD**

Managers **Mary Gottshall Bowers**

#### Fees and expenses

Minimum initial investment (SG)<sup>1</sup> **USD 5,000**

Maximum initial charge (SG) **3.100%**

Management fee **1.100%**

#### Codes

ISIN **LU0780251400**

Bloomberg ticker **HSGHYAC LX**

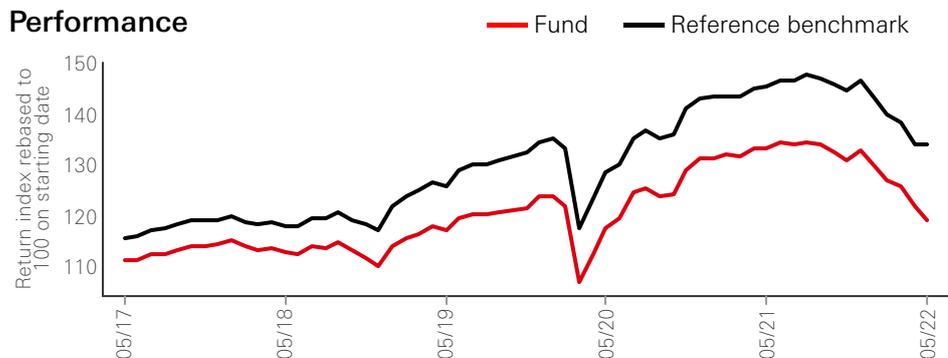
<sup>1</sup>Please note that initial minimum subscription may vary across different distributors

Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark Performance numbers shown are before netting off sales / realisation charges. This is a marketing communication. Please refer to the prospectus and to the KIID before making any final investment decisions.

Source: HSBC Asset Management, data as at 31 May 2022

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## Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
<b>AC</b>	<b>-10.47</b>	<b>-2.15</b>	<b>-6.32</b>	<b>-9.17</b>	<b>-10.57</b>	<b>0.60</b>	<b>1.36</b>
Reference benchmark	-8.74	-0.08	-4.35	-7.34	-8.02	2.11	2.96

Calendar year performance (%)	2017	2018	2019	2020	2021
<b>AC</b>	<b>7.17</b>	<b>-3.73</b>	<b>12.31</b>	<b>6.26</b>	<b>1.21</b>
Reference benchmark	7.77	-1.67	14.72	6.52	2.40

3-Year Risk Measures	AC	Reference benchmark	5-Year Risk Measures	AC	Reference benchmark
Volatility	9.70%	9.23%	Volatility	7.89%	7.53%
Sharpe ratio	-0.01	0.15	Sharpe ratio	0.01	0.22
Tracking error	1.50%	--	Tracking error	1.23%	--
Information ratio	-1.01	--	Information ratio	-1.31	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	459	3,261	--
Average coupon rate	5.58	5.08	0.50
Yield to worst	7.55%	6.56%	0.99%
Option Adjusted Duration	3.55	4.18	-0.63
Modified Duration to Worst	4.06	4.33	-0.27
Option Adjusted Spread Duration	3.89	4.28	-0.39
Average maturity	5.42	5.78	-0.36
Rating average	BB-/B+	BB-/B+	--
Number of issuers	328	1481	--

Credit rating (%)	Fund	Reference benchmark	Relative	Sleeve Maturity Breakdown (%)	Fund	Reference benchmark	Relative
A	0.21	--	0.21	USD	65.98	58.71	7.27
BBB	1.44	0.81	0.63	Emerging Markets	12.58	18.48	-5.90
BB	39.44	62.48	-23.04	EUR	11.30	22.81	-11.51
B	39.63	35.12	4.51	Overlay	10.14	--	10.14
CCC	12.51	1.16	11.35				
CC	0.22	--	0.22				
C	0.17	0.01	0.16				
D	0.09	--	0.09				
NR	-0.03	0.00	-0.03				
Cash	6.30	0.42	5.89				

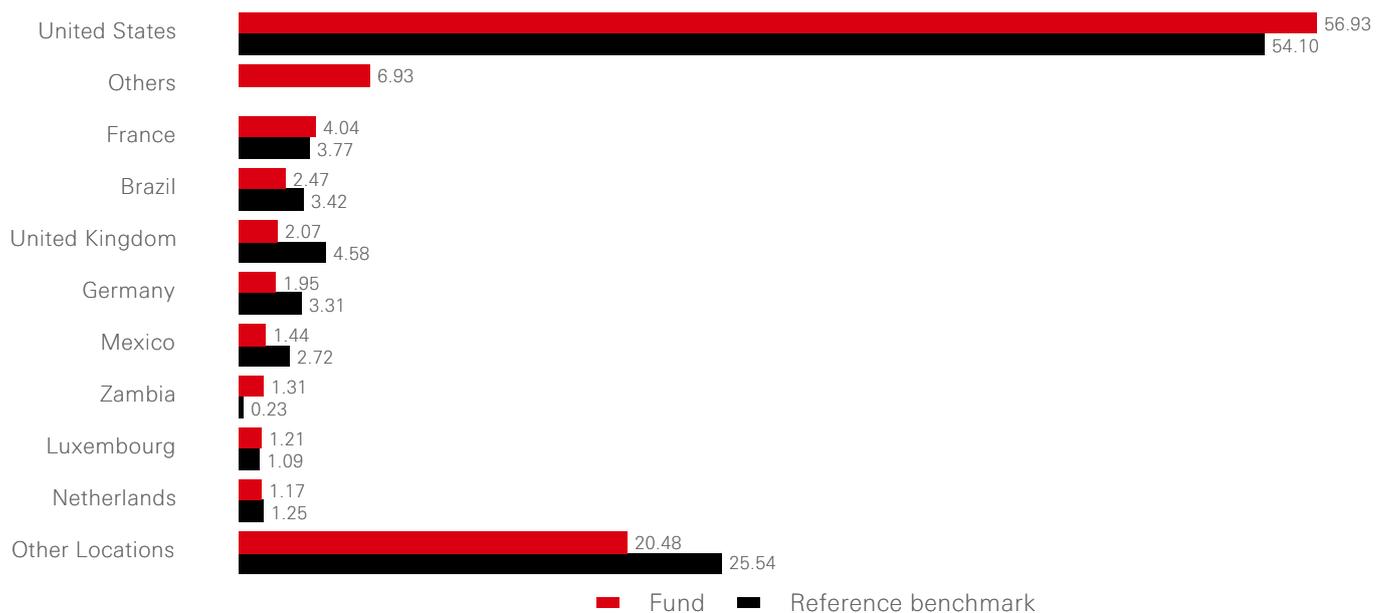
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 Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark  
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Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
0-2 years	0.07	0.16	-0.09
2-5 years	0.91	1.23	-0.32
5-10 years	2.29	2.26	0.03
10+ years	0.28	0.53	-0.25
<b>Total</b>	<b>3.55</b>	<b>4.18</b>	<b>-0.63</b>

Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	99.66	100.00	-0.34
EUR	0.34	--	0.34
HKD	0.00	--	0.00
GBP	0.00	--	0.00
MXN	0.00	--	0.00
ZAR	0.00	--	0.00
AUD	0.00	--	0.00
CAD	0.00	--	0.00
JPY	0.00	--	0.00
SEK	0.00	--	0.00

### Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Consumer Cyclical	19.72	16.63	3.09
Communications	12.15	15.66	-3.50
Financial Institutions	11.80	13.87	-2.07
Consumer Non cyclical	10.73	11.20	-0.47
Energy	10.36	9.98	0.38
Mutual Fund	6.93	--	6.93
Basic Industry	5.26	5.62	-0.36
Technology	4.73	4.29	0.44
Capital Goods	3.93	7.19	-3.25
Agencies	2.89	6.77	-3.88
Other Sectors	5.19	8.37	-3.19
Cash	6.30	0.42	5.89

<b>Top 10 Holdings</b>	<b>Weight (%)</b>
MACY'S RETAIL 5.875 01/04/29	1.39
AMERICAN AIRLINE 5.750 20/04/29	1.27
GLB AIR LEASE CO 6.500 15/09/24	1.06
FIRST QUANTUM MINERALS LTD 7.500 01/04/25	1.05
PETSMART INC/PE 7.750 15/02/29	1.02
OCCIDENTAL PETE 8.875 15/07/30	1.00
REALOGY GRP / CO 5.750 15/01/29	0.94
NGL EN OP/FIN 7.500 01/02/26	0.94
CROWNROCK LP/CR 5.000 01/05/29	0.93
AMER AXLE & MFG 6.875 01/07/28	0.88

Top 10 holdings exclude holdings in cash and cash equivalents and money market funds.

## Monthly performance commentary

### Fund Review

Global credit markets suffered from inflationary pressures, rate volatility, growth concerns and weak technicals in the form of outflows before a late month recovery helped pare losses. In this context, total returns came in close to flat for Investment Grade and moderately negative for High Yield over the month. IG supply came in at \$87 billion, the lightest May since 2012 while HY saw just \$900 million. Flows were negative again for US IG with -\$14.2 billion. Rising rates took a pause in May with the US Treasury curve steepening as shorter end yields fell more than for longer dated bonds over the month. The US 2, 5, 10 and 30 year Treasuries yields moved -16, -14, -9 and +5 bps to end the month at 2.56%, 2.82%, 2.84% and 3.05% respectively. In this market context the fund's benchmark returned -0.08%.

The strategy delivered negative performance on an absolute basis underperforming the reference benchmark gross of fees.

Regionally, the overweight to the US and underweight to Europe and EM was beneficial for relative performance as Europe and EM both underperformed US bonds on a USD hedged basis. The off-benchmark allocation to securitized credit detracted from performance as this was the worst performing asset class over the month. Issue selection effects were negative overall with both the US and EM segments of the portfolio underperforming their universes. The overall underweight to duration detracted from performance as rates changed course and fell in May.

Regionally the strategy is 66% US, 11% Europe and 13% EM representing an overweight to the US and underweights to EUR and EM with an off-benchmark allocation to structured credit of 6.3%. The strategy's average credit rating is in line with the benchmark at BB-/B+ with an underweight in BB and an overweight to B and CCC 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 at 1 while the duration is underweight the benchmark by -0.6 at 3.55 years on an options adjusted basis. The main sector overweights are to consumer cyclicals, technology and energy while the main sector underweights are to agencies, communications, and capital goods.

### Outlook

While a late month recovery rally in May gave credit markets some relief from the widens in corporate bond spreads that were reached earlier in the month, investors remain concerned about inflation, Central Bank hawkishness, weaker corporate earnings, a potential economic slowdown as well as the ability of the Fed to engineer a soft landing. Although credit fundamentals remain solid, even if they have weakened somewhat and with growth concerns now a larger part of the narrative, we believe that spreads are more likely to test wider levels than move tighter so despite more attractive valuations we remain cautious. While all in yields are looking attractive for High Yield as an asset class, given the concerns of persistently higher inflation on profit margins as well as market fears around weaker growth we believe High Yield spreads are likely to test the recent widens over the next few months. As a result, we have reduced risk where valuations may have room to move lower or companies may be less able to continue to weather cost headwinds coupled with the prospect of weaker growth. However, where valuations are already pricing in significant downside, companies have adequate liquidity, and the business case remains intact we are maintaining our positioning. We remain underweight to EM in the face of weaker global growth and a hawkish Fed. We also continue to stick with our EUR underweight although with current valuations wide to the US, where typically we see EUR spreads inside US spreads, we may begin to cover some of this underweight over the coming months as we also begin to reduce our positioning in structured credit.

## 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.
- Investment involves risk. Past performance figures shown are not indicative of future performance. Investors should read the prospectus (including the risk warnings) and the product highlights sheets, before investing. Daily price change percentage is based on bid-bid price.

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## Benchmark disclosure

The Investment Advisor will use its discretion to invest in securities not included in the reference benchmark based on active investment management strategies and specific investment opportunities. It is foreseen that a significant percentage of the Fund's investments will be components of the reference benchmark. However, their weightings may deviate materially from those of the reference benchmark. The deviation of the Fund's performance and underlying investments' weightings relative to the benchmark are monitored, but not constrained, to a defined range.

**Source: HSBC Asset Management, data as at 31 May 2022**

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### Glossary



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Company Registration No. 198602036R

Should there be any discrepancy, the English version shall prevail. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

## Supplemental information sheet

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AC USD	-10.47	-2.15	-6.32	-9.17	-10.57	0.60	1.36
ACHCAD CAD	-10.55	-2.19	-6.41	-9.31	-10.72	0.18	0.78
ACHGBP GBP	-10.54	-2.19	-6.42	-9.34	-10.81	-0.28	0.14
AM2 USD	-10.47	-2.15	-6.32	-9.17	-10.57	0.60	1.35
AM2HKD HKD	-9.90	-2.16	-5.94	-8.59	-9.60	0.62	1.49
AM3HAUD AUD	-10.80	-2.27	-6.61	-9.56	-11.12	-0.32	0.67
AM3HEUR EUR	-10.97	-2.31	-6.72	-9.82	-11.60	-1.04	-0.75
IC USD	-10.24	-2.10	-6.18	-8.90	-10.03	1.20	1.97

Calendar year performance (%)	2017	2018	2019	2020	2021
AC USD	7.17	-3.73	12.31	6.26	1.21
ACHCAD CAD	6.60	-4.55	11.43	5.64	1.04
ACHGBP GBP	5.81	-5.40	10.31	4.95	0.91
AM2 USD	7.18	-3.74	12.32	6.26	1.21
AM2HKD HKD	8.06	-3.59	11.78	5.74	1.77
AM3HAUD AUD	7.58	-4.12	11.10	4.97	0.77
AM3HEUR EUR	4.92	-6.47	8.93	4.48	0.24
IC USD	7.81	-3.15	12.99	6.91	1.82

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## Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
ACHCAD	CAD	--	--	--	--
ACHGBP	GBP	--	--	--	--
AM2	USD	Monthly	25 May 2022	0.045407	6.86%
AM2HKD	HKD	Monthly	25 May 2022	0.045922	6.86%
AM3HAUD	AUD	Monthly	25 May 2022	0.040064	6.10%
AM3HEUR	EUR	Monthly	25 May 2022	0.032776	5.04%
IC	USD	--	--	--	--

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	24 June 2014	LU0780251400	USD	USD 5,000	11.90	1.100%	Accumulating
ACHCAD	28 October 2016	LU0871578737	CAD	USD 5,000	10.92	1.100%	Accumulating
ACHGBP	21 November 2016	LU0871578810	GBP	USD 5,000	10.66	1.100%	Accumulating
AM2	20 July 2012	LU0780247044	USD	USD 5,000	8.32	1.100%	Distributing
AM2HKD	20 July 2012	LU0780247127	HKD	USD 5,000	8.41	1.100%	Distributing
AM3HAUD	20 July 2012	LU0780247473	AUD	USD 5,000	8.23	1.100%	Distributing
AM3HEUR	20 July 2012	LU0780247630	EUR	USD 5,000	8.11	1.100%	Distributing
IC	24 June 2014	LU0780246319	USD	USD 1,000,000	12.47	0.550%	Accumulating

**Different classes may have different performances, dividend yields and expense ratios. For hedged classes, the effects of hedging will be reflected in the net asset values of such classes. Expenses arising from hedging transactions may be significant and will be borne by the relevant hedged classes. Hedged class performs the required hedging on a best efforts basis.**

The above table cites the last dividend paid within the last 12 months only. Dividend is not guaranteed and may be paid out of capital, which will result in capital erosion and reduction in net asset value. A positive distribution yield does not imply a positive return. Past distribution yields and payments do not represent future distribution yields and payments. Historical payments may comprise of distributed income, capital, or both.

The calculation method of annualised yield prior to August 2019 is the simple yield calculation: (dividend amount / NAV per share or units as of ex-dividend date) x n; The calculation method of annualised yield from August 2019 is the compound yield calculation:  $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n) - 1$ , n depends on the distributing frequency. Annually distribution is 1; semi-annually distribution is 2; quarterly distribution is 4; monthly distribution is 12. The annualised dividend yield is calculated based on the dividend distribution on the relevant date with dividend reinvested, and may be higher or lower than the actual annual dividend yield.

Investors and potential investors should refer to the details on dividend distributions of the Fund, which are available on HSBC Asset Management (Singapore) Limited website.

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