

## HSBC Global Investment Funds

# EURO HIGH YIELD BOND

Monthly report 30 June 2022 | Share class IC

### Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of High Yield bonds (denominated in Euro), while promoting ESG characteristics.

### Investment strategy

The Fund is actively managed and is not constrained by a benchmark. The Fund's ESG rating is calculated as a weighted average of the ESG ratings and it aims to be higher than the benchmark. In normal market conditions, the Fund will invest at least 90% of its assets in non-investment grade bonds and other higher yielding securities (including unrated bonds) issued by companies that are based in developed markets and emerging markets, or by governments, government-related entities, supranational entities that are based in developed markets and emerging markets. 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 will not invest in bonds issued by companies with exposure to specific Excluded Activities, including but not limited to, weapons, thermal coal extraction, coal-fired power generation and tobacco. The Fund may invest up to 15% in contingent convertible securities and may also invest up to 10% in other funds, including HSBC funds. The Fund's primary currency exposure is to Euro. 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	<b>EUR 44.58</b>
Performance 1 month	<b>-7.33%</b>
Yield to maturity	<b>6.46%</b>

#### Fund facts

UCITS V compliant	<b>Yes</b>
Subscription mode	<b>Cash</b>
Dividend treatment	<b>Accumulating</b>
Dealing frequency	<b>Daily</b>
Valuation Time	<b>17:00 Luxembourg</b>
Share Class Base Currency	<b>EUR</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>4 April 2003</b>
Fund Size	<b>EUR 1,168,492,861</b>
Reference benchmark	<b>100% ICE BofA Euro High Yield BB-B Constrained</b>
Managers	<b>Philippe Igigabel Sophie Sentilhes</b>

#### Fees and expenses

Minimum initial investment (SG) <sup>1</sup>	<b>USD 1,000,000</b>
Maximum initial charge (SG)	<b>3.100%</b>
Management fee	<b>0.550%</b>

#### Codes

ISIN	<b>LU0165129072</b>
Bloomberg ticker	<b>HSBECUI LX</b>

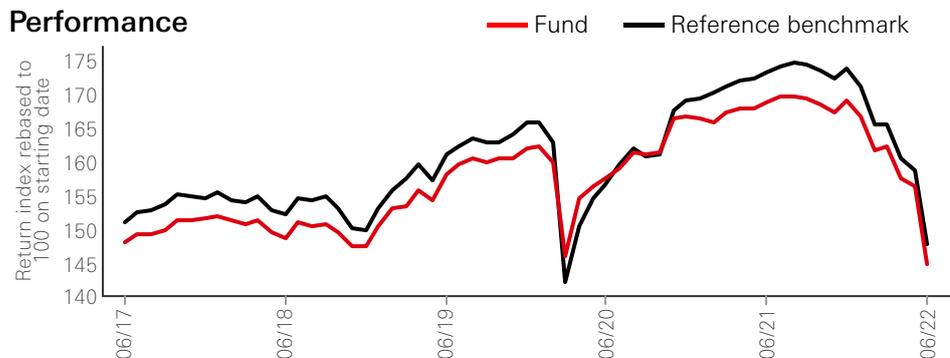
<sup>1</sup>Please note that initial minimum subscription may vary across different distributors

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 30 June 2022

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Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
<b>IC</b>	<b>-14.36</b>	<b>-7.33</b>	<b>-10.73</b>	<b>-14.36</b>	<b>-14.15</b>	<b>-2.90</b>	<b>-0.45</b>
Reference benchmark	-14.97	-6.93	-10.68	-14.97	-14.76	-2.83	-0.44

Calendar year performance (%)	2017	2018	2019	2020	2021
<b>IC</b>	<b>5.85</b>	<b>-2.65</b>	<b>9.84</b>	<b>2.82</b>	<b>1.53</b>
Reference benchmark	6.40	-3.19	10.71	1.92	2.85

Carbon footprint	Fund	Reference benchmark	MSCI ESG Score	ESG score	E	S	G
Carbon intensity emissions	113.72	262.78	Fund	7.0	7.9	5.3	5.8
Carbon Intensity measures the quantity of carbon emission of a company (tonnes CO <sub>2</sub> e/USD million)			Reference benchmark	5.5	6.6	4.8	5.4
Source of analytics: Trucost							

3-Year Risk Measures	IC	Reference benchmark	5-Year Risk Measures	IC	Reference benchmark
Volatility	8.24%	10.16%	Volatility	6.80%	8.29%
Sharpe ratio	-0.29	-0.23	Sharpe ratio	0.00	0.00
Tracking error	2.89%	--	Tracking error	2.33%	--
Information ratio	-0.02	--	Information ratio	0.00	--

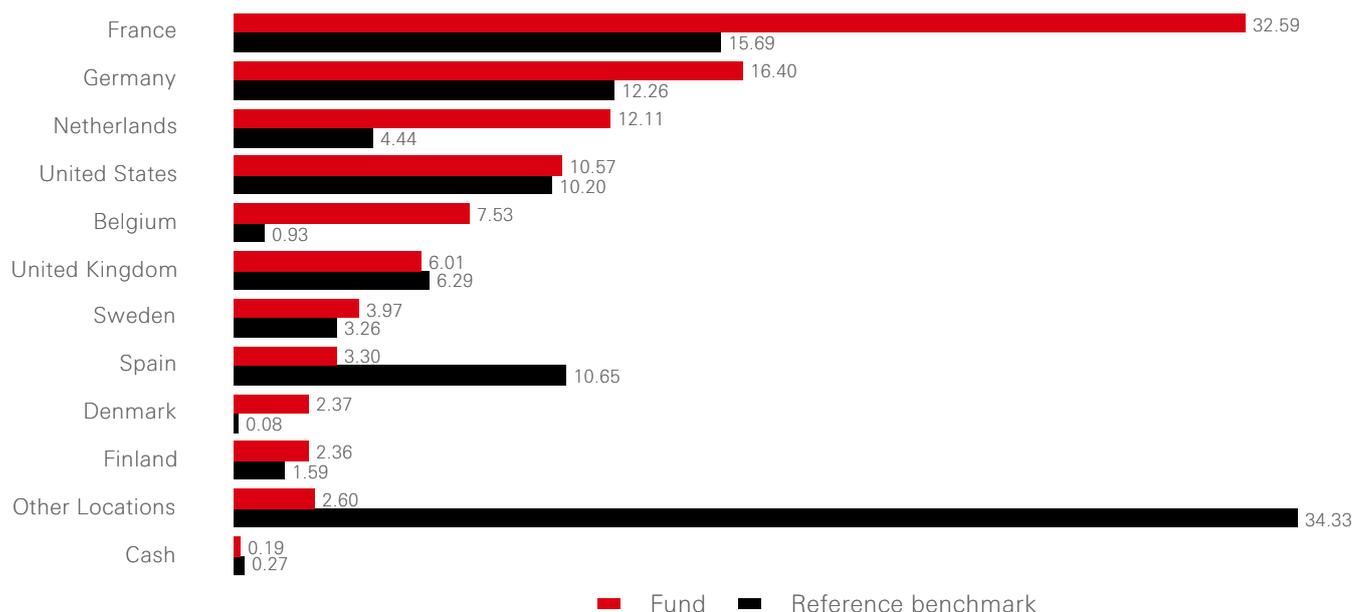
Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	121	719	--
Yield to worst	6.39%	6.86%	-0.48%
Yield to maturity	6.46%	6.95%	-0.50%
Option Adjusted Duration	3.50	3.37	0.13
Modified Duration to Worst	3.49	3.45	0.04
Option Adjusted Spread Duration	6.15	4.71	1.44
Average maturity	6.69	5.04	1.64
Rating average	BB+/BB	BB/BB-	--
Minimum rating	BB	BB/BB-	--
Number of issuers	75	355	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
A	1.98	--	1.98	0-2 years	0.16	0.19	-0.04
BBB	22.80	0.27	22.53	2-5 years	1.24	1.63	-0.39
BB	52.91	68.29	-15.39	5-10 years	1.25	1.22	0.03
B	13.35	29.48	-16.13	10+ years	0.85	0.33	0.53
CCC	8.78	1.68	7.10	<b>Total</b>	<b>3.50</b>	<b>3.37</b>	<b>0.13</b>
Cash	0.19	0.27	-0.09				

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### Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Telecommunications	18.33	13.04	5.29
Banking	16.47	11.43	5.05
Automotive	11.44	9.66	1.78
Utility	9.31	5.98	3.33
Basic Industry	7.62	8.19	-0.57
Insurance	5.62	0.86	4.75
Retail	4.54	4.25	0.29
Transportation	4.07	6.29	-2.22
Services	4.03	5.21	-1.18
Real Estate	3.95	3.20	0.75
Other Sectors	14.44	31.62	-17.18
Cash	0.19	0.27	-0.09

Top 10 Holdings	Weight (%)
TENNET HLD BV 2.995	3.40
ORANGE 5.000	3.06
AXALTA COATING 3.750 15/01/25	2.66
IQVIA INC 2.875 15/09/25	2.61
VODAFONE GROUP 3.100 03/01/79	2.51
VEOLIA ENVRNMT 2.500	2.32
TECHEM VERWLTG 6.000 30/07/26	2.29
CRDT AGR ASSR 4.250	2.07
EC FINANCE 3.000 15/10/26	2.00
LKQ EURO BV 4.125 01/04/28	1.87

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

## Monthly performance commentary

### Market review

June was a very negative month for the Euro High Yield market, this was driven primarily by much wider spreads (+156 bps) while government bond yields also increased somewhat (+19bps for the German 5 years rate). The beginning of the month was impacted by the Federal Reserve decision to increase Fed Funds by 75bps, the largest increase since 1994, after inflation figures again surprised to the upside. The end of the month saw the real estate sector plummeting as investors fret about the consequences of higher yields for the sector.

The economic outlook deteriorated markedly in June as most economies are caught in a perfect storm of tighter financial conditions and acute supply problems, especially in the energy sector. The dramatic reduction of gas supply from Russia exposes many industrial issuers to potential gas rationing in the not too distant future. On the positive side, credit quality has held up relatively well until now as most issuers have been able to pass cost increases to their customers.

### Fund review

During the month we increased our market exposure: the credit beta of the fund was raised from 0.9 to 1.0. The market sell-off shows relatively little differentiation so far, the only standout is the real estate sector which has dramatically underperformed. Apart from this, sectors with high or low cyclicalities show relatively similar performances. This creates opportunities among the more defensive issuers in our view. For example the weight of the telecom sector has increased in the portfolio.

### Outlook

We think that current spreads adequately remunerate investors for the risks taken at this particularly uncertain time. We consider that risk premium have increased since the beginning of the year, providing investors with better expected returns. Therefore we think that a defensive positioning is no longer appropriate and we end the month with a neutral credit beta. Our sectorial positioning is an overweight on financials and telecom and an underweight on industrials.

## 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 30 June 2022**

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### Glossary



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Performance is annualised when calculation period is over one year. Net of relevant prevailing sales charge on a single pricing (NAV) basis, calculated on the basis that dividends are reinvested.

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Where the Units are subscribed or purchased under Section 305 of the SFA by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within 6 months after that corporation or that trust has acquired the Units pursuant to an offer made under Section 305 of the SFA except (1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; or (4) as specified in Section 305A(5) of the SFA.

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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 EUR	-14.61	-7.37	-10.86	-14.61	-14.66	-3.48	-1.05
ACHCAD CAD	-14.12	-7.21	-10.53	-14.12	-13.78	-2.43	0.33
ACHUSD USD	-14.04	-7.19	-10.47	-14.04	-13.71	-2.11	0.80
AD EUR	-14.61	-7.37	-10.86	-14.61	-14.66	-3.48	-1.04
AM2 EUR	-14.60	-7.37	-10.85	-14.60	-14.65	-3.48	-1.04
IC EUR	-14.36	-7.33	-10.73	-14.36	-14.15	-2.90	-0.45

Calendar year performance (%)	2017	2018	2019	2020	2021
AC EUR	5.22	-3.23	9.18	2.20	0.92
ACHCAD CAD	6.64	-1.42	11.52	3.01	1.74
ACHUSD USD	7.16	-0.76	12.31	3.65	1.73
AD EUR	5.22	-3.23	9.17	2.21	0.92
AM2 EUR	5.22	-3.24	9.18	2.20	0.92
IC EUR	5.85	-2.65	9.84	2.82	1.53

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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	EUR	--	--	--	--
ACHCAD	CAD	--	--	--	--
ACHUSD	USD	--	--	--	--
AD	EUR	Annually	8 July 2021	0.421522	1.83%
AM2	EUR	Monthly	30 June 2022	0.037743	5.01%
IC	EUR	--	--	--	--

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	4 April 2003	LU0165128348	EUR	USD 5,000	39.41	1.100%	Accumulating
ACHCAD	28 October 2016	LU0871577259	CAD	USD 5,000	10.60	1.100%	Accumulating
ACHUSD	9 September 2015	LU0871577416	USD	USD 5,000	11.71	1.100%	Accumulating
AD	16 December 2003	LU0165128421	EUR	USD 5,000	19.68	1.100%	Distributing
AM2	20 March 2014	LU0871576368	EUR	USD 5,000	9.25	1.100%	Distributing
IC	4 April 2003	LU0165129072	EUR	USD 1,000,000	44.58	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.

Source: HSBC Asset Management, data as at 30 June 2022

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