

# HSBC Global Investment Funds - Global Short Duration High Yield Bond

Share Class AC

30 Apr 2021

## Fund Objective and Strategy

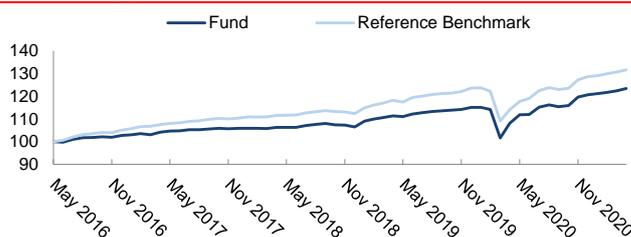
### Investment Objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of short duration non-investment grade bonds.

### Investment Policy

In normal market conditions, the Fund will invest at least 90% in non-investment grade bonds and unrated bonds issued by governments, government-related entities and companies that are based in developed markets; including up to 10% in asset-backed securities and mortgage-backed securities. The Fund may also invest up to 10% in bonds issued by companies that are based in or carry out the larger part of their business in emerging markets. The Fund may invest up to 30% in investment grade bonds to manage liquidity and risk. 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 any single government issuer with a non-investment grade rating. The Fund may invest up to 10% in convertible bonds, up to 15% in contingent convertible securities and up to 10% invested 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.

### Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>
AC	2.28	0.88	1.85	14.17	5.11	4.42
Reference Benchmark	2.32	0.75	1.97	15.34	5.66	5.80

Rolling Performance (%)	30 Apr 2020-30 Apr 2021	30 Apr 2019-30 Apr 2020	30 Apr 2018-30 Apr 2019	30 Apr 2017-30 Apr 2018	30 Apr 2016-30 Apr 2017
AC	14.17	-2.89	4.74	2.02	4.78
Reference Benchmark	15.34	-3.45	5.93	3.81	8.28

Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

Source: HSBC Global Asset Management, data as at 30 April 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.
- Investing in assets denominated in a currency other than that of the investor's own currency exposes the value of the investment to exchange rate fluctuations.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- 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.
- 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.

### Share Class Details

UCITS V Compliant	Yes
UK Reporting Status	Yes
ISA Eligible	Yes
Distribution Type	Accumulating
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 5,000
Ongoing Charge Figure <sup>2</sup>	1.151%
Share Class Base Currency	USD
Domicile	Luxembourg
ISIN	LU0922809933
Share Class Inception Date	12 Jun 2013
NAV per Share	USD 13.54
Fund Size	USD 235,603,995
Bloomberg Ticker	HGSDHAU LX
SEDOL	BF2CGK0
Reference Benchmark	Bloomberg Barclays Global Short Duration High Yield BB-B 2% Constrained USD Hedged Index
Manager	Mary Gottshall Bowers

<sup>1</sup>Result is annualised when calculation period is over one year.

<sup>2</sup>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.

Reference Performance Benchmark: Bloomberg Barclays Global Short Duration High Yield BB-B 2% Constrained USD Hedged Index since 1 March 2019. Before that, the benchmark was BofA Merrill Lynch 1-3 Year BB-B US & Euro Non-Financial High Yield 2% Constrained Hedged USD.

3-Year Risk Measures			5-Year Risk Measures		
	AC	Reference Benchmark		AC	Reference Benchmark
Volatility	8.17%	7.65%	Volatility	6.40%	5.98%
Sharpe Ratio	0.43	0.53	Sharpe Ratio	0.46	0.73
Tracking Error	1.46%	-	Tracking Error	1.28%	-
Information Ratio	-0.38	-	Information Ratio	-1.08	-

Characteristics	Fund	Reference Benchmark	Relative	Characteristics	Fund	Reference Benchmark	Relative
Number of Holdings ex Cash	142	1,136	-	Modified Duration to Maturity	2.91	2.87	0.04
Average Coupon	6.12	5.21	0.91	Option Adjusted Spread	1.81	2.23	-0.41
Option Adjusted Duration (OAD)	1.80	2.18	-0.38	Duration (OASD) <sup>3</sup>			
Yield to Worst (Gross)	3.23	2.62	0.60	Rating Average <sup>4</sup>	BB-/B+	BB-	-
Modified Duration to Worst	1.74	2.08	-0.34	Maturity Average	1.95	2.26	-0.30
				Number of Issuers	125	656	-

Credit Quality Rating Allocation (Market Value %)	Fund	Reference Benchmark	Relative	Sector Allocation (Market Value %)	Fund	Reference Benchmark	Relative
BBB	2.89	0.07	2.82	Consumer Cyclical	28.73	21.69	7.05
BB	37.84	63.73	-25.89	Communications	10.93	12.94	-2.01
B	41.36	36.04	5.32	Consumer Non cyclical	10.05	9.29	0.76
CCC	12.05	0.16	11.89	Financial Institutions	9.70	17.17	-7.47
Cash	5.85	-	5.85	Basic Industry	7.89	6.71	1.18
				Energy	7.87	9.53	-1.66
				Technology	6.20	5.19	1.02
				Capital Goods	4.41	8.84	-4.43
				Agencies	3.02	-	3.02
				Transportation	2.59	4.27	-1.68
				Other Sectors	2.74	4.38	-1.64
				Cash	5.85	-	5.85

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

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference Benchmark	Relative
0-2 years	0.54	0.56	-0.02
2-5 years	1.17	1.61	-0.44
5-10 years	0.08	-	0.08
10+ years	0.01	-	0.01
<b>Total</b>	<b>1.80</b>	<b>2.18</b>	<b>-0.38</b>

Sorted from shortest to longest per the length of maturity.

Sleeve Maturity Allocation (Market Value %)	Fund	Reference Benchmark	Relative
USD	80.25	64.07	16.18
EUR	19.75	35.93	-16.18

Sorted from largest to smallest per market values of weight.

Top 10 Holdings (%)	Weight (%)
OCCIDENTAL PETE 8.000 15/07/25	2.53
EW SCRIPPS 5.125 15/05/25	2.23
AMER AXLE & MFG 6.250 15/03/26	2.20
DISH DBS CORP 5.875 15/11/24	1.89
VALEANT PHARMA 9.000 15/12/25	1.77
DANA HOLDING 5.500 15/12/24	1.77
NOVA CHEMICALS 5.250 01/08/23	1.74
KAISER ALUMINUM 6.500 01/05/25	1.72
GLB AIR LEASE CO 6.500 15/09/24	1.72
WYNDHAM WORLDWID 6.600 01/10/25	1.69

Sector Allocation (Market Value %)	Fund	Reference Benchmark	Relative
Consumer Cyclical	28.73	21.69	7.05
Communications	10.93	12.94	-2.01
Consumer Non cyclical	10.05	9.29	0.76
Financial Institutions	9.70	17.17	-7.47
Basic Industry	7.89	6.71	1.18
Energy	7.87	9.53	-1.66
Technology	6.20	5.19	1.02
Capital Goods	4.41	8.84	-4.43
Agencies	3.02	-	3.02
Transportation	2.59	4.27	-1.68
Other Sectors	2.74	4.38	-1.64
Cash	5.85	-	5.85

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

Geographical Allocation (Market Value %)	Fund	Reference Benchmark	Relative
United States	68.15	61.32	6.83
France	4.03	4.60	-0.57
Germany	3.95	6.02	-2.07
Canada	2.64	1.81	0.84
United Kingdom	2.42	3.57	-1.15
Cayman Islands	1.72	-	1.72
Spain	1.63	3.53	-1.90
Zambia	1.24	-	1.24
Luxembourg	1.22	2.05	-0.82
Italy	1.17	8.49	-7.32
Other Locations	5.98	8.61	-2.63
Cash	5.85	-	5.85

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

Currency Allocation (Market Value %)	Fund	Reference Benchmark	Relative
USD	99.92	100.00	-0.08
EUR	0.07	-	0.07
GBP	0.01	-	0.01
JPY	0.00	-	0.00

Sorted from largest to smallest per market values of weight.

<sup>3</sup>Spread duration excludes interest rate futures and bond futures. We can force the local government spread duration to zero for certain funds on request.

<sup>4</sup>Average 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

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### Fund Review

Rates reversed course in April despite a continued acceleration in economic growth in the US. COVID-19 vaccination rates were high in the US over the month and a pick-up in Europe leaves hope that the summer will bring a better outlook for the region. FED Chairman Powell continued with dovish remarks, signaling no change to policy despite the strength of the economy, reiterating that rising inflation is being caused by transitory factors. IG supply was strong again in April with \$164 billion issued while HY saw issuance of \$49 billion. IG flows remained positive with a strong pick up in April at \$24 billion while HY saw an inflow of \$2 billion. Global Short Duration High Yield spreads finished the month 24 bps tighter at 246 bps. In this market context the fund's benchmark returned 0.75%.

Regionally the overweight to USD bonds and underweight to EUR bonds provided positive relative performance with the US outperforming Europe from an asset class perspective on a USD hedged basis over the month.

Sector and issue selection also added to relative performance with positive selection effect in the USD segment outweighing negative effects in the EUR bond segment.

The strategy remains overweight USD bonds and underweight EUR bonds. The average credit rating is slightly below that of the benchmark at BB-/B+ with an underweight to BB rated bonds and an overweight to BBB, B and CCC rated bonds. The largest sector overweights are in consumer cyclicals and basic industry while the main sector underweights are to financials and capital goods. The strategy's running yield is 5.49% and the total gross YTW is 3.36% (total gross yield to worst includes carry from currency hedging). The option adjusted duration is 1.80 years.

### Outlook

Economic growth out of the US has been strong given how well the vaccination rolled-out has progressed and we are beginning to see signs that Europe is also moving forward in this respect. Treasury rates fell in April and while they could stay more range bound in the short term, we believe the longer trend remains continued upward pressure. Credit fundamentals are expected to keep improving through the course of the year as the economic recovery continues but spreads are already at or close to historically tight levels offering less potential for tightening and a smaller cushion should we see additional volatility.

For Investment Grade portfolios we have continued to reduce beta, selling into market strength with valuations at tight levels but we remain comfortable with a positioning of 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 along the yield curve. While rates have already seen a large move higher this year we believe the longer term cyclical trend will continue albeit at a more moderate pace.

In High Yield credit fundamentals continue to improve. Default rates seem to have peaked and are now less of a concern as the economy continues to recover. Spreads are close to historically tight levels however and we expect them to remain 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 also continue to look at credits which we believe are potential candidates to be upgraded into IG.

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## Terms of Glossary

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**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