

HSBC Global Investment Funds

RMB FIXED INCOME

Monthly report 31 July 2022 | Share class AC

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of China Renminbi (RMB) bonds.

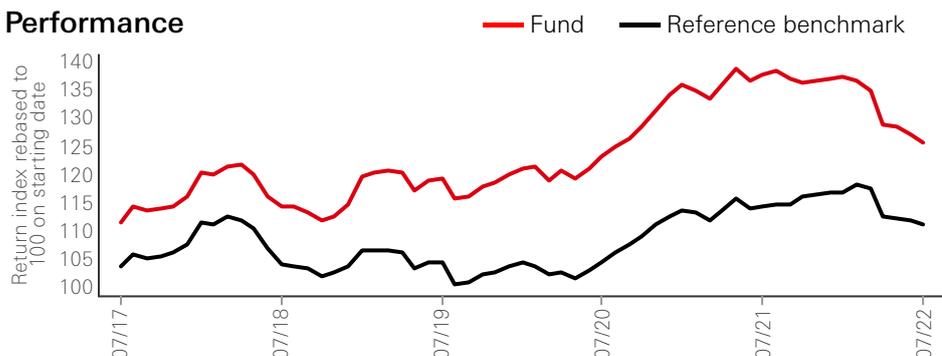
Investment strategy

The Fund is actively managed. In normal market conditions, the Fund will primarily invest its assets in offshore (i.e. issued outside of the People's Republic of China, PRC) and onshore (i.e. issued within the PRC and traded on the China Interbank Bond Market) RMB denominated bonds. The Fund may invest in investment grade bonds, non-investment grade bonds and unrated bonds issued by government, government-related entities, supranational entities and companies. The Fund may invest up to 100% in onshore Chinese bonds and up to 10% in bonds which are rated below investment grade (BB+ or below, as assigned by a local credit rating agency in PRC), or which are unrated. The Fund may also invest up to 10% in cash and money market instruments and up to 10% in other funds. The Fund may invest up to 10% in convertible bonds and up to 10% in contingent convertible bonds. 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.

Performance



Share Class Details

Key metrics

NAV per Share	USD 12.85
Performance 1 month	-0.93%
Yield to maturity	4.63%

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	25 October 2011
Fund Size	USD 334,722,075
Reference benchmark	100% Offshore Renminbi Overnight Deposit Rate

Managers	Ming Leap Alfred Mui
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Fees and expenses

Minimum initial investment (SG) ¹	USD 1,000
Maximum initial charge (SG)	3.000%
Management fee	0.750%

Codes

ISIN	LU0692309627
Bloomberg ticker	HSRFAUA LX

¹Please 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 *Share class denoted with "(Net)" refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied. 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 July 2022

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AC	-8.26	-0.93	-2.47	-8.36	-8.65	1.78	2.46
AC (Net)*	-10.93	-3.82	-5.31	-11.03	-11.31	0.78	1.86
Reference benchmark	-5.06	-0.63	-1.34	-5.05	-2.79	2.15	1.37

Calendar year performance (%)	2017	2018	2019	2020	2021
AC	11.42	-1.06	4.53	11.80	2.27
AC (Net)*	8.18	-3.94	1.49	8.54	-0.71
Reference benchmark	9.04	-3.90	0.28	8.52	3.83

3-Year Risk Measures	AC	Reference benchmark	5-Year Risk Measures	AC	Reference benchmark
Volatility	5.27%	4.69%	Volatility	5.60%	5.02%
Sharpe ratio	0.22	0.33	Sharpe ratio	0.21	0.02
Tracking error	2.13%	--	Tracking error	1.97%	--
Information ratio	-0.17	--	Information ratio	0.55	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	128	0	--
Yield to worst	4.58%	0.00%	4.58%
Yield to maturity	4.63%	0.00%	4.63%
Option Adjusted Duration	3.61	0.00	3.61
Modified Duration to Worst	3.46	0.00	3.46
Option Adjusted Spread Duration	3.60	0.00	3.60
Average maturity	4.10	0.00	4.10
Rating average	A+/A	AAA	--
Number of issuers	71	1	--

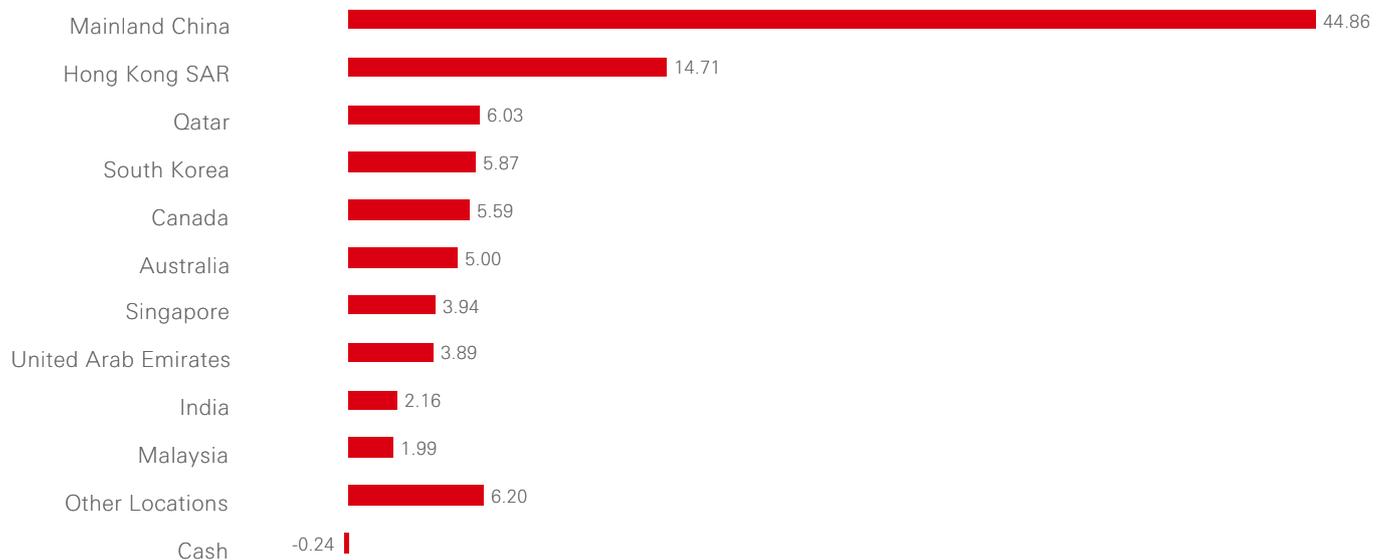
Credit rating (%)	Fund	Reference benchmark	Relative	Region allocation (%)	Fund	Reference benchmark	Relative
AAA	0.85	--	--	Other CNH Bonds	52.94	--	--
AA	19.10	--	--	Mainland China CNY	34.91	--	--
A	58.04	--	--	Mainland China CNH	6.54	--	--
BBB	11.65	--	--	Mainland China USD	3.42	--	--
BB	1.59	--	--	Other CNY Bonds	1.30	--	--
B	1.13	--	--	Other USD Bonds	1.13	--	--
CCC	0.11	--	--	Cash	-0.24	--	--
C	0.06	--	--				
NR	7.71	--	--				
Cash	-0.24	--	--				

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
 *Share class denoted with "(Net)" refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied.
 Source: HSBC Asset Management, data as at 31 July 2022

**Maturity Breakdown
 (Option Adjusted
 Duration)**

	Fund	Reference benchmark	Relative
0-2 years	0.35	--	--
2-5 years	1.41	--	--
5-10 years	1.52	--	--
10+ years	0.34	--	--
Total	3.61	--	--

Geographical Allocation (%)



■ Fund ■ Reference benchmark

Sector Allocation (%)	Fund	Reference benchmark	Relative
Banks	50.83	--	--
Government	16.37	--	--
Real Estate	12.82	--	--
Industrial	6.04	--	--
Consumer Cyclical	4.67	--	--
Reits	2.92	--	--
Utilities	2.24	--	--
Diversified Finan serv	1.94	--	--
Investment Companies	1.10	--	--
Energy	0.91	--	--
Other Sectors	0.40	--	--
Cash	-0.24	--	--

Top 10 Holdings	Weight (%)
EXP-IMP BK CHINA 3.380 16/07/31	2.78
EXP-IMP BK CHINA 3.740 16/11/30	2.67
CHINA RAILWAY 5.000 22/08/27	2.54
EXP-IMP BK CHINA 3.230 23/03/30	2.28
UNITED OVERSEAS 4.500 06/04/32	2.25
AGRICUL DEV BANK 3.790 26/10/30	2.16
EX-IM BK IN/LNDN 3.450 25/06/26	2.16
QNB FINANCE LTD 3.150 04/02/26	2.04
CHINA GOVT BOND 3.530 18/10/51	1.83
AGRI BK OF CHINA 3.100 06/05/30	1.81

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

Monthly performance commentary

Onshore RMB bonds strengthened in local terms amid the downward shift in China sovereign curve and returned positively as well in USD terms despite the weakening RMB against USD over the month. Meanwhile, offshore RMB bonds returned positively. China posted softening manufacturing data in July with Caixin manufacturing PMI fell in July despite staying in the expansionary territory, showing softer momentum in the recovery. On the other hand, NBS manufacturing PMI also fell and returned to the contractionary territory, partly due to a slowdown in domestic and global demand as well as easing of payback effects in June. Meanwhile, headline CPI moved up YoY in June, driven by oil and service price rises as well as a dropping base, core CPI inflation remained muted. On the other hand, PPI inflation continued to trend down, with sequential growth staying flat MoM. The narrowing divergence in PPI and CPI reflected some transmission from upstream to downstream prices. On credit data, June's figures rebounded strongly, driven by growth in longer-term corporate lending, reflecting a lift in business sentiment and a more optimistic recovery outlook. In addition, a record high government bond issuance on the back of a policy push to issue the remainder of this year's special local government bond quota also drove the rebound. On trade figures, trade flows continued to improve with exports surging and surprising on the upside, boosted by further resumption of production as the domestic Covid-19 backdrop improved, while imports also rose but fell short of expectations, due to elevated global commodity prices and only a gradual domestic demand recovery given a continued property drag. The overall resulted in a new record high trade surplus. Elsewhere, the policymakers pledged to support economic growth while sticking to dynamic-zero Covid-19 policies during the Politburo meeting that took place in late July. The macroeconomic policy prescription of proactive fiscal policy and accommodative monetary policy was similar to recent policy statements with more emphasis on boosting demand. Local governments are put in the front seat to ensuring housing completion and delivery amid recent property events. As for currency, the RMB weakened against the USD amid the continual policy divergence, it also weakened against most of its EM peers with rising concerns over China's property market stability and regional pandemic flare-ups.

Portfolio strategy

The fund returned negatively in July. Credit exposure was the key detractor to performance, mainly from the China property sector and Hong Kong IG corporates. FX exposure also detracted as the RMB depreciated against the USD over the month considering China's policy divergence with the US. On the positives, the fund's duration exposure contributed slightly as the China sovereign yield curve shifted downwards over the month. Meanwhile, the fund's attractive yield carry also helped offsetting partially the downside. Over the month, we reduced our exposure to the China property sector for better risk management amid the sector's heightened volatility. We also trimmed the fund's China sovereign bonds considering the change of nominal yield differential between US and China. In terms of sector positioning, we have preference in China quasi-sovereigns, Hong Kong developers, and China bank subordinated debt. Meanwhile, we raised exposure to Korea quasi-sovereigns as well as high quality France banks to help enhance resilience of the portfolio. We retain our preference for high quality short-dated credit, including geographically diversified names from various sectors. The fund has most of its bond holdings in RMB denominated bonds, while maintaining some exposure to USD denominated bonds.

Outlook

Although yields did not fall as quickly as in the US, RMB bonds performed well in July, delivering non-volatile, positive returns with little drama. We observe again that, despite a sometimes negative macro and political narrative, the bond market is strong and stable. We expect this to continue as policy maintains a generally supportive bias and the credit quality of the portfolio remains high. The principal drag on total returns over this year has been the RMB, and this was no different in July. Modest outflows from Chinese asset classes, together with concerns about the economic impact of China's zero COVID policy, continued to put pressure on the currency. However, we need to be aware of the US dollar has generally been very strong against almost all currencies, and particularly against the major crosses of the Euro and Japanese yen. So when we look at the prospects for the RMB/ USD exchange rate, the US leg is at least as important as whatever happens in China. The turn in investor sentiment in the second half of July may indicate a more testing period ahead for the US currency, especially if it coincides with a moderation of expectations for higher US interest rates. Although we shouldn't expect a sharp and rapid appreciation of the RMB in these circumstances, we might hope for at least a stable exchange rate and perhaps even modest gains should stimulus boost the Chinese economy in the second half of 2022.

Risk Disclosure

- The Fund may be concentrated in a limited number of securities, economic sectors and/or countries and as a result, may be more volatile and have a greater risk of loss than more broadly diversified funds.
- 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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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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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	-8.26	-0.93	-2.47	-8.36	-8.65	1.78	2.46
AC USD (Net)*	-10.93	-3.82	-5.31	-11.03	-11.31	0.78	1.86
ACOSGD SGD	-8.37	-0.95	-2.54	-8.46	-8.80	1.42	--
ACOSGD SGD (Net)*	-11.04	-3.83	-5.38	-11.13	-11.46	0.43	--
AM2 USD	-8.26	-0.93	-2.47	-8.35	-8.65	1.78	2.46
AM2 USD (Net)*	-10.93	-3.81	-5.31	-11.02	-11.31	0.78	1.86
AM3OSGD SGD	-8.37	-0.95	-2.53	-8.45	-8.80	1.35	1.81
AM3OSGD SGD (Net)*	-11.04	-3.83	-5.37	-11.12	-11.45	0.35	1.21

Calendar year performance (%)	2017	2018	2019	2020	2021
AC USD	11.42	-1.06	4.53	11.80	2.27
AC USD (Net)*	8.18	-3.94	1.49	8.54	-0.71
ACOSGD SGD	--	--	3.89	11.22	2.07
ACOSGD SGD (Net)*	--	--	0.86	7.98	-0.90
AM2 USD	--	-1.05	4.53	11.79	2.27
AM2 USD (Net)*	--	-3.93	1.49	8.53	-0.71
AM3OSGD SGD	--	-2.12	3.63	11.12	2.05
AM3OSGD SGD (Net)*	--	-4.97	0.61	7.88	-0.92

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
ACOSGD	SGD	--	--	--	--
AM2	USD	Monthly	27 July 2022	0.036370	4.79%
AM3OSGD	SGD	Monthly	27 July 2022	0.033322	4.43%

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	25 October 2011	LU0692309627	USD	USD 5,000	12.85	0.750%	Accumulating
ACOSGD	28 February 2018	LU1560771518	SGD	USD 5,000	10.25	0.750%	Accumulating
AM2	30 June 2017	LU1560771435	USD	USD 5,000	9.33	0.750%	Distributing
AM3OSGD	30 June 2017	LU1560771609	SGD	USD 5,000	9.23	0.750%	Distributing

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.

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

*Share class denoted with "(Net)" refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied.

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 31 July 2022