

HSBC Global Investment Funds

GLOBAL LOWER CARBON BOND

Monthly report 31 July 2022 | Share class AD

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of bonds that has a lower carbon footprint than its reference benchmark (Bloomberg Global Aggregate Corporates Diversified Hedged USD).

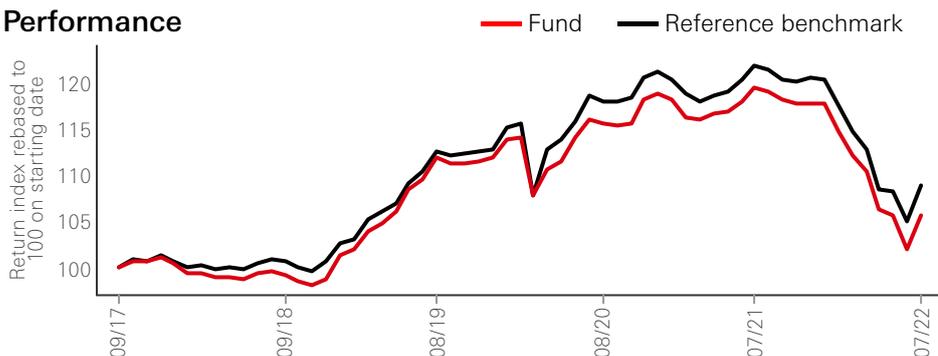
Investment strategy

The Fund is actively managed. In normal market conditions, the Fund will invest at least 70% of its assets in investment grade and non-investment grade bonds issued by companies that are based in developed markets and emerging markets. The Fund will invest in bonds issued by companies with consideration of their Lower Carbon Criteria. The Fund will also invest in Green Bonds meeting the Green Bond Principles of the International Capital Market Association. The Fund will not invest in companies involved in the production of tobacco or related activities. 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 non-investment grade bonds and up to 10% in ABS and MBS. The Fund may invest up to 10% in contingent convertible securities and up to 10% in other funds, including HSBC 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.

Performance



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 July 2022

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Share Class Details

Key metrics

NAV per Share	USD 10.09
Performance 1 month	3.75%
Yield to maturity	3.66%

Fund facts

UCITS V compliant	Yes
Subscription mode	Cash
Dividend treatment	Distributing
Distribution Frequency	Annually
Dividend ex-date	6 July 2022
Dividend annualised yield	0.96%
Last Paid Dividend	0.094766
Dealing frequency	Daily
Valuation Time	17:00 Luxembourg
Share Class Base Currency	USD
Domicile	Luxembourg
Inception date	27 September 2017

Fund Size	USD 163,691,843
Reference benchmark	100% Bloomberg Global Aggregate Corporates Diversified Hedged USD

Managers	Jerry Samet Jean Olivier Neyrat Mohamed Imtiaz Siddeeq
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Fees and expenses

Minimum initial investment (SG) ¹	USD 5,000
Maximum initial charge (SG)	3.100%
Management fee	0.800%

Codes

ISIN	LU1674672966
Bloomberg ticker	HSGLADU LX

¹Please note that initial minimum subscription may vary across different distributors

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
AD	-10.15	3.75	-0.57	-7.88	-11.47	-1.15	--	1.18
Reference benchmark	-9.46	3.76	0.51	-7.27	-10.61	-0.46	--	1.80

Calendar year performance (%)	2017	2018	2019	2020	2021
AD	--	-2.27	13.26	6.24	-1.01
Reference benchmark	--	-0.55	12.02	7.42	-0.75

Carbon footprint	Fund	Reference benchmark	HSBC ESG Score	ESG score	E	S	G
Carbon intensity emissions	69.99	196.60	Fund	6.2	7.6	5.7	6.1
			Reference benchmark	5.9	7.2	5.2	5.9

Carbon Intensity measures the quantity of carbon emission of a company (tonnes CO₂e/USD million)

Source of analytics: Trucost

3-Year Risk Measures	AD	Reference benchmark	5-Year Risk Measures	AD	Reference benchmark
Volatility	6.36%	7.07%	Volatility	--	--
Sharpe ratio	-0.28	-0.15	Sharpe ratio	--	--
Tracking error	1.67%	--	Tracking error	--	--
Information ratio	-0.42	--	Information ratio	--	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	351	13,649	--
Average coupon rate	2.71	2.74	-0.03
Yield to worst	3.59%	3.50%	0.09%
Option Adjusted Duration	5.86	6.25	-0.39
Modified Duration to Worst	5.87	6.20	-0.33
Option Adjusted Spread Duration	6.69	6.38	0.31
Average maturity	8.61	8.32	0.29
Rating average	A-/BBB+	A-/BBB+	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
AAA	8.32	0.93	7.39	0-2 years	0.09	0.16	-0.07
AA	3.41	7.26	-3.84	2-5 years	0.64	1.15	-0.51
A	31.15	40.55	-9.40	5-10 years	2.43	1.99	0.44
BBB	52.55	51.27	1.28	10+ years	2.70	2.95	-0.25
BB	2.41	--	2.41	Total	5.86	6.25	-0.39
B	0.09	--	0.09				
NR	0.00	--	0.00				
Cash	2.07	--	2.07				

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

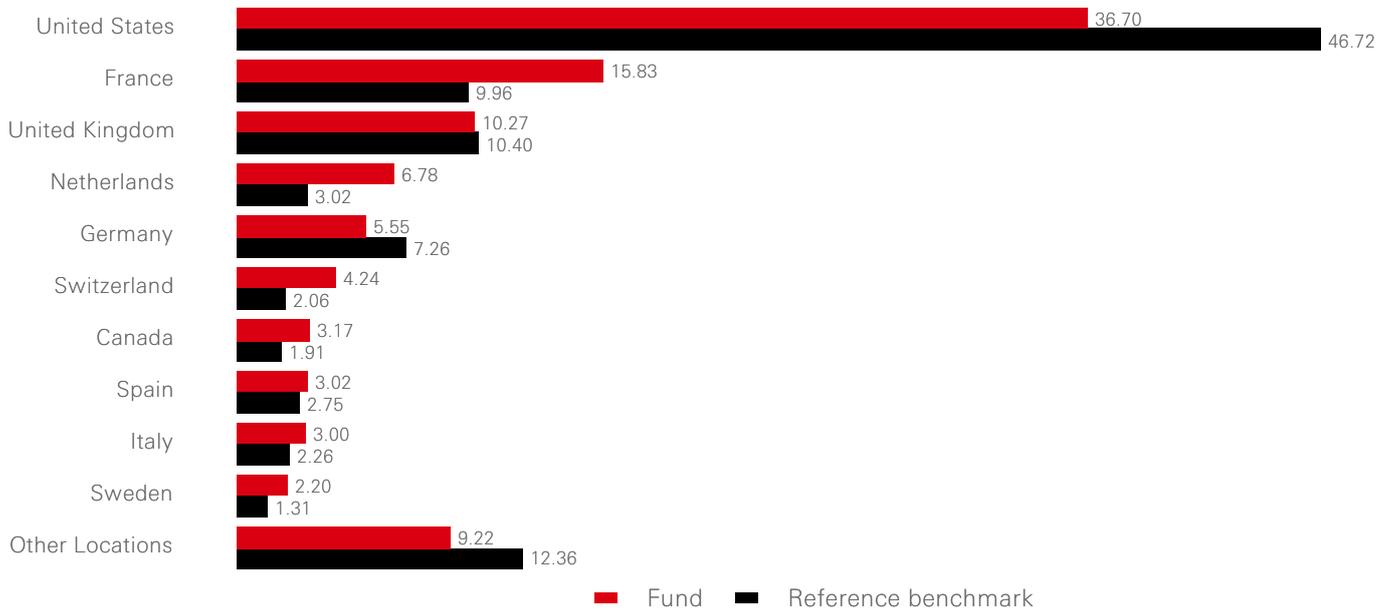
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Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	99.65	100.00	-0.35
EUR	0.28	--	0.28
GBP	0.07	--	0.07
HKD	0.00	--	0.00
AUD	0.00	--	0.00
SGD	0.00	--	0.00
CHF	0.00	--	0.00

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Financial Institutions	50.74	40.02	10.72
Treasuries	8.94	--	8.94
Communications	8.14	7.60	0.54
Utility	5.10	8.45	-3.34
Consumer Non cyclical	4.84	13.87	-9.03
Technology	4.28	5.78	-1.50
Energy	4.10	5.32	-1.22
Consumer Cyclical	4.07	7.66	-3.58
Agencies	3.04	--	3.04
Capital Goods	2.66	4.72	-2.06
Other Sectors	2.01	6.59	-4.57
Cash	2.07	--	2.07

Top 10 Holdings	Weight (%)
US TREASURY N/B 2.250 15/02/52	2.38
US TREASURY N/B 1.875 15/02/32	1.71
JPMORGAN CHASE 4.600	1.36
US TREASURY N/B 2.875 15/05/32	1.28
ENERGY TRANSFER 6.250 15/04/49	1.27
ORANGE 2.375	1.23
BANK NOVA SCOTIA 3.013 11/04/25	1.19
SOCIETE GENERALE 3.263 21/01/26	1.19
GOLDMAN SACHS GP 0.925 21/10/24	1.10
DELL INT / EMC 4.900 01/10/26	1.03

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

Monthly performance commentary

Fund Review

July saw a broad market rebound, driving most credit markets higher with positive total returns and tighter spreads, retracing some of the negative returns from an exceptionally challenging first half of the year. Rates also fell across the curve in July adding an additional tail wind to total returns for fixed income. IG supply remained steady from the previous month with \$98.4 billion while HY saw \$1.8 billion issued. US IG flows stabilized with just -\$600 million while HY saw positive flows for the first time in 6 months with \$5.5 billion. Treasury yields fell over the month with the intermediate segment inverting further vs the short end. The US 2, 5, 10 and 30 year Treasuries yields moved -7, -36, -36 and -17 bps to end the month at 2.88%, 2.68%, 2.65% and 3.01% respectively. In this market context the fund's benchmark returned 3.76% over the month.

The strategy saw positive performance on an absolute basis underperforming the reference benchmark gross of fees.

Regionally the underweight to USD bonds and overweight to UK and Europe was positive for relative performance with the US underperforming the UK and Europe over the month on a USD hedged basis. Issue selection effects were negative however with the US and EUR segments seeing negative relative returns vs their investment universes over the month. Although reduced, the overall underweight to duration was negative for relative performance as rates fell over the month.

Regionally the portfolio is underweight to the US, and overweight vs Europe and the UK. The regional weights for the US, EUR and UK are 48%, 43% and 9% respectively. The average rating is in line with the benchmark at A-/BBB+ with an underweight to AA, A rated bonds and an overweight to AAA and BBB rated bonds. The fund also has an off-benchmark exposure to BB rated bonds. From an industry perspective the strategy's largest sector overweight is to financials where we see attractive relative value vs industrials. We also continue to see solid fundamentals as well as lower relative carbon footprints vs industrials. The main underweights are to consumer non-cyclicals, consumer cyclicals and utilities based on less attractive valuations as well as a higher carbon footprint for utilities. The overall duration is underweight the benchmark by 0.4 years at 5.86 on an option adjusted basis.

Outlook

The reverse in risk sentiment in July was in large part driven by the perception of a less hawkish Fed and a potential pivot away from inflation towards growth concerns as data pointed to a larger likelihood of a recession in the US and an almost certain recession in Europe. In fact, markets are now pricing in the potential of rate cuts in 2023. While we believe a recession in the US is now more than likely, we think it may be more difficult for the Fed to cut rates than what the market is anticipating, especially if inflation remains elevated. Company earnings have been solid and credit fundamentals are still largely intact. Although markets have been buoyed by the recent rally, given the economic slowdown and threat of a recession we believe that spreads are more likely to test wider levels than move meaningfully tighter so despite still attractive valuations we still remain cautious. For Investment Grade portfolios beta remains at or close to 1 reflecting our more neutral stance given the uncertainties we are seeing in the market. We remain focused on issuer selection with an emphasis on companies with stable or improving credit fundamentals. We also remain up in quality especially in sectors which we believe could be more vulnerable to short term volatility and the longer-term economic downturn. Regionally we are maintaining our overweight to Europe vs the US given better valuations and the attractive level of hedge carry when converting back to USD. Although we remain underweight duration we have reduced our underweight meaningfully. Along the curve we remain positioned with a flattener as we anticipate further bear flattening/inversion.

Ten lowest carbon intensity issuers

Fund	Carbon intensity emissions (tonnes CO ₂ e/USD million)	Reference benchmark	Carbon intensity emissions (tonnes CO ₂ e/USD million)
NN GROUP NV	0.30	STBNO V1.875 09/30/51	0.02
CLOVERIE PLC SWISS REINS	0.33	JUSTLN 9 10/26/26	0.04
ALD SA	0.36	MGNLN V3.875 07/20/49	0.25
SAMPO OYJ	0.45	SLHNVX V4.375 PERP	0.29
ARGENTUM (ZURICH INS)	0.76	SLHNVX V4.5 PERP EMTN	0.29
PRUDENTIAL PLC	0.87	NNGRNV 0.375 02/26/25	0.30
PROLOGIS INTL FUND II	1.41	NNGRNV 0.875 11/23/31 EMTN	0.30
MUNICH RE	1.52	SRENVX 4.25 12/06/42 144A	0.33
SVENSKA HANDELSBANKEN AB	1.55	SRENVX 6.05 02/15/56	0.33
MAPFRE SA	1.57	SRENVX V2.534 04/30/50	0.33

Ten highest carbon intensity issuers

Fund	Carbon intensity emissions (tonnes CO ₂ e/USD million)	Reference benchmark	Carbon intensity emissions (tonnes CO ₂ e/USD million)
WASTE MANAGEMENT INC	1,072.37	HNINTL 2.25 02/20/25	13,579.89
MPLX LP	1,058.20	UTCMIN 2.8 02/16/31 REGS	8,350.12
WASTE CONNECTIONS INC	1,049.46	VST 3.55 07/15/24 144A	8,269.14
ENEL FINANCE INTL NV	688.76	CNL 4.646 09/01/42 A-2	7,330.87
ANGLO AMERICAN CAPITAL	561.33	CNL 3.743 05/01/26	7,330.87
PHILLIPS 66	468.28	KALLPA 4.875 05/24/26 REGS	6,951.16
TOTALENERGIES SE	320.47	HXCEME 2.25 11/19/25 emtn	6,565.33
MOHAWK INDUSTRIES INC	275.01	OGE 3.25 04/01/30	5,917.15
BP CAP MARKETS AMERICA	253.18	RATCH 4.5 03/27/28 EMTN	5,752.05
BP CAPITAL MARKETS PLC	253.18	HKE 1.875 08/27/30 EMTN	5,367.94

Company carbon data, can often be “partially disclosed”, i.e. partial geographic coverage, or incomplete operational data. Trucost* undertakes analysis and research to assess company reported results. The proprietary Trucost model enables an estimate of total emissions which relies on more than just reported financial data. Where securities are not covered by Trucost, HSBC assigns a proxy value based on the average intensity score of comparable companies.*Trucost are a division of S&P Global; they assess risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors.

Source of analytics: Trucost / HSBC

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

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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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 **HSBC Asset Management**

Glossary



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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 relative to the benchmark is monitored, but not constrained, to a defined range.

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

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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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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	Since inception ann
AC AUD	--	--	--	--	--	--	--	--
AC SGD	--	--	--	--	--	--	--	--
AC USD	-10.15	3.75	-0.57	-7.89	-11.47	-1.15	--	1.18
AD USD	-10.15	3.75	-0.57	-7.88	-11.47	-1.15	--	1.18
AM2 AUD	--	--	--	--	--	--	--	--
AM2 SGD	--	--	--	--	--	--	--	--
AM2 USD	-10.16	3.76	-0.58	-7.89	-11.47	-1.16	--	1.54
AM3HSGD SGD	-10.29	3.75	-0.61	-8.01	-11.61	--	--	-4.92

Calendar year performance (%)	2017	2018	2019	2020	2021
AC AUD	--	--	--	--	--
AC SGD	--	--	--	--	--
AC USD	--	-2.27	13.27	6.23	-1.00
AD USD	--	-2.27	13.26	6.24	-1.01
AM2 AUD	--	--	--	--	--
AM2 SGD	--	--	--	--	--
AM2 USD	--	--	13.25	6.22	-1.00
AM3HSGD SGD	--	--	--	--	-1.10

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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	--	--	--	--
AD	USD	Annually	6 July 2022	0.094766	0.96%
AM2	USD	Monthly	27 July 2022	0.031722	4.11%
AM3HSGD	SGD	Monthly	27 July 2022	0.026582	3.75%

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	27 September 2017	LU1674672883	USD	USD 5,000	10.58	0.800%	Accumulating
AD	27 September 2017	LU1674672966	USD	USD 5,000	10.09	0.800%	Distributing
AM2	21 March 2018	LU1709305095	USD	USD 5,000	9.52	0.800%	Distributing
AM3HSGD	21 August 2020	LU1709305251	SGD	USD 5,000	8.73	0.800%	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.

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

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