

## HSBC Global Investment Funds

# ASIA HIGH YIELD BOND

Monthly report 30 June 2022 | Share class AC

### Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of Asian high yield bonds.

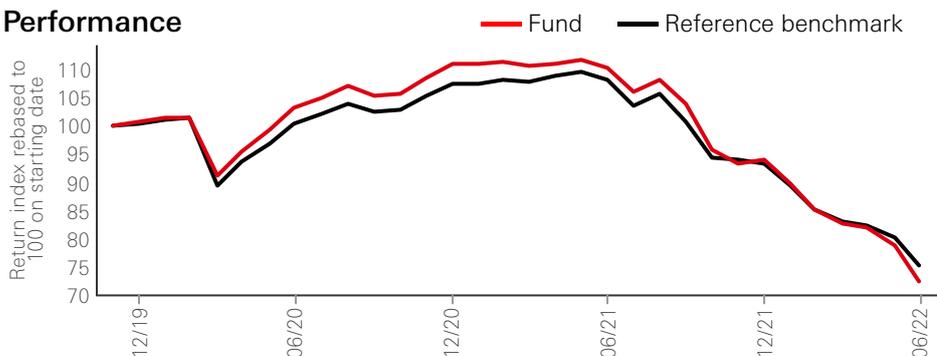
### Investment strategy

The Fund is actively managed. In normal market conditions, the Fund will invest at least 70% of its assets in non-investment grade bonds and unrated bonds issued either by companies based in or carry out the larger part of their business in Asia, or by governments, government-related entities and supranational entities based in Asia. The Fund may invest up to 30% of its assets in onshore Chinese bonds which are issued within the People's Republic of China (PRC) and traded on the China Interbank Bond Market. The Fund may invest up to 10% in convertible bonds. The Fund may also invest up to 15% of its assets in contingent convertible securities. The Fund may invest up to 10% of its assets in other funds, including HSBC funds. The Fund's primary currency exposure is to US dollars (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



### Share Class Details

#### Key metrics

NAV per Share **USD 7.25**

Performance 1 month **-8.27%**

Yield to maturity **19.95%**

#### 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 **27 November 2019**

Fund Size **USD 1,917,009,926**

Reference benchmark **100% JACI Non-Investment Grade Corporate Index**

Managers **Alfred Mui  
Ming Leap**

#### Fees and expenses

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

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

Management fee **1.250%**

#### Codes

ISIN **LU2004780537**

Bloomberg ticker **HSAHYAC 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 30 June 2022

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Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
<b>AC</b>	<b>-22.81</b>	<b>-8.27</b>	<b>-12.47</b>	<b>-22.81</b>	<b>-34.24</b>	--	--	<b>-11.66</b>
Reference benchmark	-19.21	-6.26	-9.45	-19.21	-30.37	--	--	-10.36

Calendar year performance (%)	2017	2018	2019	2020	2021
<b>AC</b>	--	--	--	<b>10.00</b>	<b>-15.35</b>
Reference benchmark	--	--	--	7.02	-13.39

3-Year Risk Measures	AC	Reference benchmark	5-Year Risk Measures	AC	Reference benchmark
Volatility	--	--	Volatility	--	--
Sharpe ratio	--	--	Sharpe ratio	--	--
Tracking error	--	--	Tracking error	--	--
Information ratio	--	--	Information ratio	--	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	287	363	--
Yield to worst	19.62%	17.76%	1.86%
Yield to maturity	19.95%	18.02%	1.94%
Modified Duration to Worst	2.84	3.02	-0.18
Option Adjusted Spread Duration	2.70	3.21	-0.51
Average maturity	4.62	4.05	0.56
Rating average	BB/BB-	BB/BB-	--
Number of issuers	132	184	--

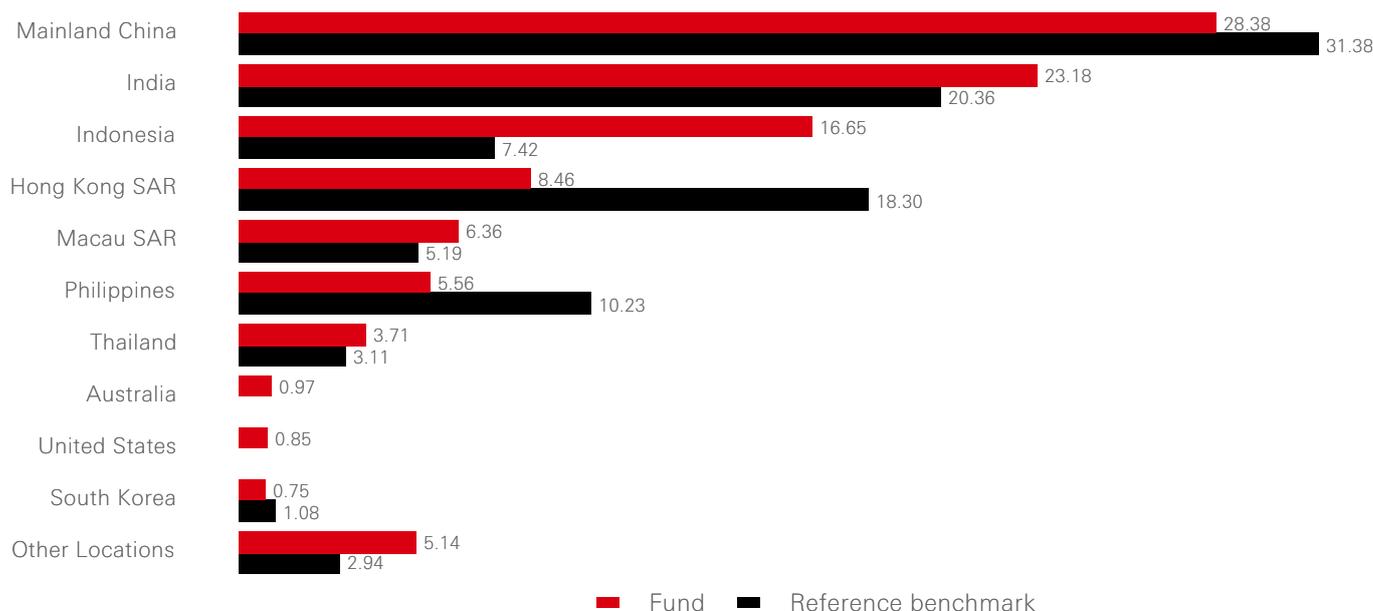
Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (Option Adjusted Duration)	Fund	Reference benchmark	Relative
AAA	0.85	--	0.85	0-2 years	0.26	0.35	-0.09
A	0.98	0.33	0.64	2-5 years	1.34	1.50	-0.17
BBB	3.93	1.50	2.43	5-10 years	0.62	0.68	-0.07
BB	49.38	47.54	1.84	10+ years	0.45	0.20	0.25
B	25.15	18.52	6.63	<b>Total</b>	<b>2.66</b>	<b>2.74</b>	<b>-0.08</b>
CCC	1.44	2.12	-0.68				
CC	0.02	0.15	-0.12				
C	1.24	0.65	0.59				
NR	12.07	29.19	-17.12				
Cash	4.94	--	4.94				

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 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	102.57	100.00	2.57
CNH	2.99	--	2.99
KRW	0.03	--	0.03
SGD	0.02	--	0.02
EUR	0.02	--	0.02
HKD	0.00	--	0.00
AUD	0.00	--	0.00
CNY	0.00	--	0.00
GBP	0.00	--	0.00
CHF	0.00	--	0.00
Other Currencies	-5.64	--	-5.64

### Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Real Estate	25.53	23.36	2.17
Consumer Cyclical	15.80	14.11	1.69
Energy	15.49	10.73	4.76
Basic Materials	8.53	6.07	2.46
Banks	8.17	16.59	-8.42
Industrial	4.19	5.25	-1.06
Consumer Non cyclical	4.12	4.71	-0.59
Communications	3.44	2.57	0.87
Utilities	2.80	7.08	-4.27
Diversified Finan serv	2.62	3.37	-0.75
Other Sectors	4.37	6.15	-1.78
Cash	4.94	--	4.94

<b>Top 10 Holdings</b>	<b>Weight (%)</b>
INDIKA ENERGY IV 8.250 22/10/25	1.63
PT ADARO INDONES 4.250 31/10/24	1.47
THETA CAPITAL 8.125 22/01/25	1.28
INDIKA ENRGY CAP 5.875 09/11/24	1.26
GLOBE TELECOM 4.200	1.22
MEDCO OAK TREE 7.375 14/05/26	1.20
SANDS CHINA LTD 5.400 08/08/28	1.18
CN CITIC BK INTL 7.100	1.15
BANGKOK BANK/HK 5.000	1.15
GREENKO POWER 4.300 13/12/28	1.14

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

## Monthly performance commentary

### Market Review

Asia credit market returned negatively in June. The treasury yield curve shifted upwards over the month with the Fed embarking on a steeper trajectory of rate hikes. Overall, two-year yields up by around 40bps, while 10-year yields were up 17bps as well. From a credit spread perspective, high yield bonds significantly underperformed investment grade bonds over the month as overall spreads widened in the former. All countries ended in the negative territory, with Sri Lanka having the worst performance. Investment grade bonds were largely flat over the month with sovereign bonds overall trading flat. Best performer was China quasi-sovereign followed by China sovereign whilst Indonesia and Thailand quasi-sovereigns underperformed. Meanwhile, IG corporate bonds were up, mainly driven by the Hong Kong consumer, Philippines financial together with the Taiwan financial sectors, partly offset by the unfavourable performances from China real estate, Macau gaming as well as the Indonesia TMT, consumer and metals and mining sectors. On the other hand, the high yield space was down with China real estate, diversified and India metals and mining being the largest detractor. In the China property space, volatility persists as we saw another developer missing principal payment. Meanwhile, the Indonesia consumer and Korean industrial sectors generated some positive returns amid spread tightening. In the sovereign space, performance was dragged by Sri Lanka sovereign where we saw spreads widening the most as investors remained concerned towards their ability to repay debt as economic condition continues to deteriorate. Sri Lanka's CPI hit a record high in June as it is during a persistent shortage in food and fuel due to its depleted foreign exchange reserves.

### Portfolio strategy

The fund returned negatively in June amid higher US treasury yields. On a relative basis, the fund's overweight in the China property sector detracted given the sector's ongoing volatility amid new default and bond extension cases. In addition, our overweight in China HY industrials also detracted as volatility arisen in this space given a particular name being reviewed for downgrade by a rating agency. Furthermore, the fund's credit exposure to the Indonesia property sector also did not help. On the other hand, the fund benefited from its credit selection in the India HY commodity sector as well as China additional tier-1 bonds. Meanwhile, the fund's duration exposure contributed to its relative performance considering our active duration management. In terms of overall portfolio allocation, the China property sector remains the largest sector allocation in the fund, mainly reflecting the sector's heavy weight in the Asian high yield market. We remain selective in this space and expect greater credit differentiation going forward, in anticipation of volatility to remain. We continue to improve the average quality in this sector to hold mostly the best quality names with strong balance sheets and access to funding which we believe are likely survivors in the current market environment. At the same time, we maintain our overweight in India and Indonesia corporates, particularly those that we expect to benefit from recovery in economic growth. Of note, we favour the coal and oil & gas sectors from Indonesia. We expect strong demand for commodities and energy will keep prices well supported and will in turn, benefit these companies. Similarly, we also favour the Indonesia property sector which we expect to benefit from further improvement in local economic conditions. On the other hand, we are underweight sectors which we find valuations unattractive. For instance, we are underweight Hong Kong and Philippines. Similarly, we are also underweight bank subordinated debt. During the month, we turned overweight in the fund's duration exposure, mostly by increasing exposure to long-dated investment grade sovereign bonds. We have also used interest rate futures to help manage our duration exposure actively.

### Outlook

The greater resilience of US treasury prices we have seen in the second half of June should give investors greater confidence in the coming months to step in to buy the market at the much better yields now available. We have to accept that the outcome for Asian bonds will be somewhat contingent on the global situation, with the path of US inflation, interest rates and growth critical to US treasury yields and global spreads. But with both now discounting a pessimistic scenario for growth and inflation, the likelihood is that the good levels of yield will outweigh the risks of further widening. Overall, the prospects for Asia credit are favourable. While remaining vigilant to the risks of further turmoil in global rates and credit markets, the catalysts for better performance of this asset class include the realisation of global investors of the unusual opportunities presenting themselves in distressed situations, a simple stabilisation of the drivers of higher bond yields, a generalised more risk seeking global environment and indications of a more benign policy environment both in Asia and in the US. The likelihood of one or even a number of these transpiring in the near future seems to be reasonably high. The fund is well positioned for any of these outcomes, while we believe that the greater risk lies in selling out of the fund and the asset class just at the point at which fundamentals reassert themselves, pricing becomes more rational and returns improve significantly on both an absolute and relative basis.

## 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 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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 **HSBC Asset Management**

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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	Since inception ann
AC USD	-22.81	-8.27	-12.47	-22.81	-34.24	--	--	-11.66
AM2 USD	-22.80	-8.27	-12.46	-22.80	-34.23	--	--	-11.58
AM3HAUD AUD	-23.34	-8.38	-12.96	-23.34	-34.85	--	--	-12.16
AM3HSGD SGD	-22.87	-8.31	-12.51	-22.87	-34.30	--	--	-11.98
IC USD	-22.54	-8.22	-12.32	-22.54	-33.76	--	--	-11.02
IM2USD USD	-22.53	-8.21	-12.30	-22.53	-33.75	--	--	-25.31
PCHSGD SGD	-22.78	-8.29	-12.46	-22.78	-34.15	--	--	-12.55
PM2 USD	-22.70	-8.26	-12.41	-22.70	-34.06	--	--	-12.35
PM3HAUD AUD	-23.24	-8.36	-12.90	-23.24	-34.68	--	--	-12.95
PM3HEUR EUR	-23.24	-8.45	-12.78	-23.24	-34.84	--	--	-16.79
PM3HSGD SGD	-22.99	-8.29	-12.71	-22.99	-34.32	--	--	-12.68

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Calendar year performance (%)	2017	2018	2019	2020	2021
AC USD	--	--	--	10.00	-15.35
AM2 USD	--	--	--	--	-15.34
AM3HAUD AUD	--	--	--	--	-15.74
AM3HSGD SGD	--	--	--	9.26	-15.46
IC USD	--	--	--	10.80	-14.73
IM2USD USD	--	--	--	--	--
PCHSGD SGD	--	--	--	--	-15.24
PM2 USD	--	--	--	--	-15.13
PM3HAUD AUD	--	--	--	--	-15.53
PM3HEUR EUR	--	--	--	--	-15.95
PM3HSGD SGD	--	--	--	--	-15.26

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Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark  
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Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
AM2	USD	Monthly	30 June 2022	0.077788	15.88%
AM3HAUD	AUD	Monthly	30 June 2022	0.073650	15.04%
AM3HSGD	SGD	Monthly	30 June 2022	0.072605	15.99%
IC	USD	--	--	--	--
IM2USD	USD	Monthly	30 June 2022	0.071281	15.87%
PCHSGD	SGD	--	--	--	--
PM2	USD	Monthly	30 June 2022	0.078012	15.88%
PM3HAUD	AUD	Monthly	30 June 2022	0.073810	15.04%
PM3HEUR	EUR	Monthly	30 June 2022	0.066509	13.40%
PM3HSGD	SGD	Monthly	30 June 2022	0.078283	15.99%

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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## Supplemental information sheet

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	27 November 2019	LU2004780537	USD	USD 5,000	7.25	1.250%	Accumulating
AM2	14 April 2020	LU2066403754	USD	USD 5,000	6.29	1.250%	Distributing
AM3HAUD	14 April 2020	LU2098770311	AUD	USD 5,000	6.27	1.250%	Distributing
AM3HSGD	27 November 2019	LU2065168101	SGD	USD 5,000	5.84	1.250%	Distributing
IC	27 November 2019	LU2065168440	USD	USD 1,000,000	7.39	0.625%	Accumulating
IM2USD	27 January 2021	LU2275057458	USD	USD 1,000,000	5.77	0.625%	Distributing
PCHSGD	6 May 2020	LU2133054762	SGD	USD 5,000,000	7.49	1.000%	Accumulating
PM2	6 May 2020	LU2133054176	USD	USD 5,000,000	6.31	1.000%	Distributing
PM3HAUD	6 May 2020	LU2133054333	AUD	USD 5,000,000	6.29	1.000%	Distributing
PM3HEUR	26 June 2020	LU2133054259	EUR	USD 5,000,000	6.31	1.000%	Distributing
PM3HSGD	6 May 2020	LU2133054416	SGD	USD 5,000,000	6.29	1.000%	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.**