HSBC Asset Management

HSBC Global Investment Funds

GLOBAL EMERGING MARKETS BOND

Monthly report 30 November 2023 | Share class AC

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of emerging market bonds.

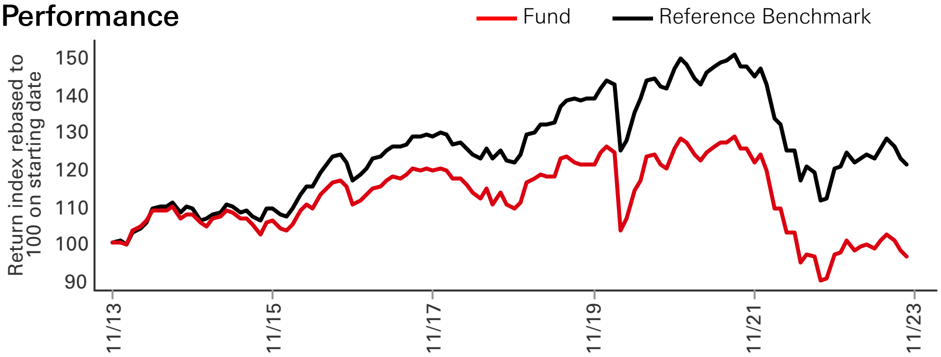
Investment strategy

In normal market conditions, the Fund will mostly invest its assets in investment grade and non-investment grade bonds issued by governments, government-related entities, supranational entities and companies based in emerging markets. The Fund may invest up to 30% of its assets in securities issued by a single government issuer with a non-investment grade credit rating. The Fund may invest up to 10% of its assets 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 convertible bonds. The Fund may also invest up to 10% of its assets in contingent convertible securities. The Fund may invest up to 10% of its assets in total return swaps and up to 10% in other funds. The Fund's primary currency exposure is to US dollars. See the Prospectus for a full description of the investment objectives.

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.

Performance



Share class details

Key metrics	
NAV per share	**USD 32.31**
Performance 1m	**5.79%**
Yield to maturity	**10.02%**

Fund facts	
UCITS V compliant	**Yes**
Dividend treatment	**Accumulating**
Dealing frequency	**Daily**
Share class base currency	**USD**
Domicile	**Luxembourg**
Inception date	**6 January 2011**
Fund size	**USD 1,139,484,478**
Reference benchmark	**100% JP Morgan EMBI Global Diversified**
Managers	**Scott Davis Jaymeson Paul Kumm**

Fees and expenses	
Minimum initial investment	**USD 5,000**
Ongoing charge figure[1]	**1.600%**

Codes	
ISIN	**LU0566116140**
Bloomberg ticker	**HSBCGEA LX**

[1]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.

Past performance does not predict future returns. Future returns will depend inter alia on market developments, the fund manager's skill, the fund's level risk and management costs and if applicable subscription and redemption costs. The return, the value of money invested in the fund may become negative as a result of price losses and currency fluctuations. There is no guarantee that all of your invested capital can be redeemed. Unless stated otherwise, inflation is not taken into account.
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 November 2023

Performance (%)	YTD	1m	3m	6m	1y	3y ann	5y ann	10 years ann
AC	**5.04**	**5.79**	**1.55**	**3.44**	**5.53**	**-6.56**	**-1.35**	**0.21**
Reference Benchmark	6.07	5.66	1.52	4.18	6.42	-4.52	1.00	2.49

Rolling performance (%)	30/11/22-30/11/23	30/11/21-30/11/22	30/11/20-30/11/21	30/11/19-30/11/20	30/11/18-30/11/19	30/11/17-30/11/18	30/11/16-30/11/17	30/11/15-30/11/16	30/11/14-30/11/15	30/11/13-30/11/14
AC	**5.53**	**-20.46**	**-2.80**	**3.41**	**10.77**	**-8.50**	**8.49**	**3.86**	**-1.35**	**7.46**
Reference Benchmark	6.42	-16.90	-1.57	5.96	13.95	-5.39	10.20	7.00	-0.17	9.28

3-Year Risk Measures	AC	Reference Benchmark
Volatility	11.13%	10.35%
Sharpe ratio	-0.76	-0.63
Tracking error	1.72%	--
Information ratio	-1.19	--

5-Year Risk Measures	AC	Reference Benchmark
Volatility	12.92%	10.97%
Sharpe ratio	-0.25	-0.08
Tracking error	2.81%	--
Information ratio	-0.83	--

Fixed Income Characteristics	Fund	Reference Benchmark	Relative
No. of holdings ex cash	279	937	--
Average coupon rate	6.11	5.32	0.79
Yield to worst	10.02%	8.63%	1.39%
Option adjusted duration	6.74	6.44	0.31
Modified duration to worst	6.96	6.60	0.35
Option adjusted spread duration	5.61	6.52	-0.90
Average maturity	11.03	11.12	-0.09
Rating average	BB+/BB	BBB-/BB+	--

Credit rating (%)	Fund	Reference Benchmark	Relative
AAA	14.86	--	14.86
AA	4.40	6.55	-2.15
A	7.56	15.95	-8.39
BBB	23.95	27.54	-3.59
BB	24.81	22.04	2.77
B	20.60	19.39	1.21
CCC	4.74	5.33	-0.58
CC	0.42	0.80	-0.38
C	0.17	0.04	0.13
D	2.65	2.24	0.41
No Rating	-3.30	0.13	-3.43
Cash	5.03	--	5.03
Cash Offset	-5.90	--	-5.90

Maturity Breakdown (%)	Fund	Reference Benchmark	Relative
0-2 years	3.99	10.56	-6.57
2-5 years	35.61	25.56	10.05
5-10 years	25.66	29.52	-3.86
10+ years	34.73	34.36	0.37

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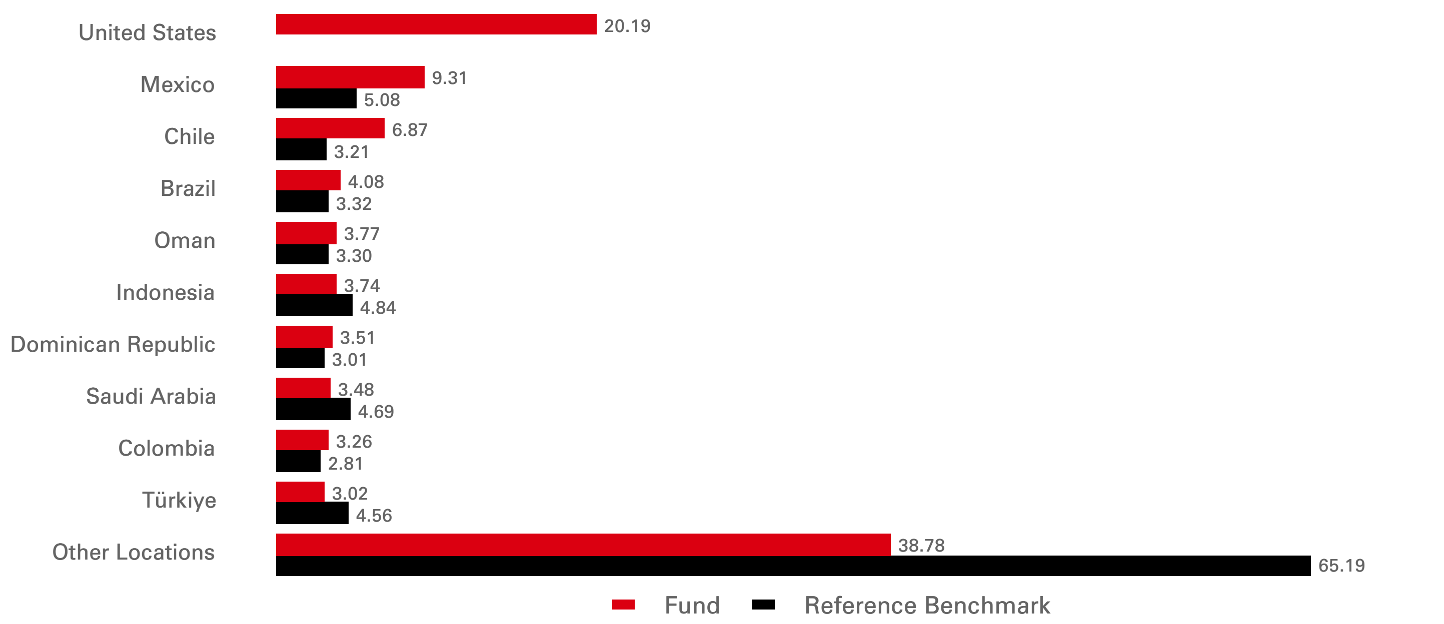
Source: HSBC Asset Management, data as at 30 November 2023

Currency Allocation (%)	**Fund**	**Reference Benchmark**	**Relative**
USD	98.62	100.00	-1.38
BRL	1.06	--	1.06
MXN	0.28	--	0.28
EUR	0.02	--	0.02
SGD	0.02	--	0.02
CHF	0.01	--	0.01
AUD	0.01	--	0.01
ZAR	0.00	--	0.00
PLN	0.00	--	0.00
HKD	0.00	--	0.00
Other Currencies	-0.02	--	-0.02

Geographical allocation (%)



Sector allocation (%)	**Fund**	**Reference Benchmark**	**Relative**
Government	74.84	82.62	-7.78
Energy	14.43	8.05	6.37
Basic Materials	4.08	1.84	2.23
Financial	4.00	3.40	0.60
Utilities	3.36	2.37	1.00
Industrial	1.69	0.91	0.77
Consumer Non cyclical	1.45	0.67	0.78
Communications	0.32	--	0.32
Consumer Cyclical	--	0.14	-0.14
credit default swap index	-3.30	--	-3.30
Other Sectors	-5.90	--	-5.90
Cash	5.03	--	5.03

Source: HSBC Asset Management, data as at 30 November 2023

Top 10 holdings	Weight (%)
DOMINICAN REPUBL 5.500 22/02/29	1.85
IVORY COAST-PDI 6.125 15/06/33	1.57
CODELCO INC 5.125 02/02/33	1.19
PETROLEOS MEXICA 7.690 23/01/50	1.18
BRAZIL NTN-F 10.000 01/01/33	1.16
TURKIYE REP OF 9.875 15/01/28	1.15
TURKIYE REP OF 9.375 14/03/29	1.00
OMAN INTRNL BOND 7.375 28/10/32	1.00
QATAR STATE OF 5.103 23/04/48	0.99
BRAZIL REP OF 6.250 18/03/31	0.99

Source: HSBC Asset Management, data as at 30 November 2023

Monthly performance commentary

Monthly market review
EM assets were robust in November as market sentiment turned positive given the general fixed income rally and a rapid repricing of the outlook for US interest rates cuts in 2024. The returns in the asset class were largely driven by falling UST rates, spread compression, and a weaker US dollar. November saw a strong move in US Treasury rates as CPI data came in weaker-than-expected, strengthening market sentiment with the view the Fed is done tightening and will begin to cut rates in the first half of next year. The FOMC held rates steady at their November meeting but reiterated they may keep market condition tight to continue their battle with inflation, however the market has seen through those comments. In addition, the US Treasury department announced it would pair back the increased auction size of longer tenors. From an EM central bank standpoint, central banks in LatAm and CEEMEA region remain well position ahead of a Fed hiking cycle, while Asia is still to be seen. From a political standpoint, positive outcomes in Argentina led to a strong rally as newly elected President Milei looks to turn the country around. The election outcomes in Poland marks a shift to pro-European policies, while elections in Egypt will take place this December. On a technical standpoint, net new issuance in November was positive for sovereign bonds, while corporates continued to see negative issuance. Finally, flows into EMD continue to remain negative, however, they remain subdued relative to the large flows seen in the past few months.

Performance and Positioning
EM hard currency assets posted positive returns in the context of general fixed income rally and a rapid repricing of the outlook for US interest rates cuts in 2024. The fund outperformed the benchmark during the month. The main drivers of outperformance came from security selection and asset allocation. Security selection and an overweight position to Argentina was one of the main drivers of relative returns as a market friendly Javier Milei was voted in as president, sparking investor sentiment and pushing up bond prices. In addition, the overweight to Ivory Coast added to relative returns as spreads significantly tightened over the period. The underweight position to Panama added to relative returns as the country must shut down one of its copper mines putting pressure on the bonds. Security selection in Colombia, primarily the oil and gas company, added to relative returns. The underweights to China and Malaysia added to relative returns as they underperformed the broader universe. Lastly, off-benchmark exposure to local rates and FX also generated positive relative performance. Exposure to local assets in Brazil and Mexico were the main beneficiaries of US disinflation. In terms of detractors, the underweight to spreads duration hurt relative returns as spreads compressed during the risk-on month. In addition, a short position to CDX also hurt relative returns. Lastly, the underweight to Jordan and overweight to Chile hurt relative returns during the month.

During the month, we increased credit beta given a more constructive stance on the US inflation trajectory; in addition to the technical backdrop remaining extremely supportive into year end. We maintained long duration portfolio exposure with a steepening bias and partially took profits as yields moved lower. We added exposure to off-benchmark corporates and quasi sovereigns that lagged the overall market with a specific focus on the IG and BB segment of the universe.

Outlook
We close the year in some ways exactly how we entered it, and in that sense nothing's changed – and yet everything's changed. We came into 2023 expecting rates to peak, expecting spread compression, and forecasting that the US dollar would soon roll over. The intervening periods of uncertainty, which caused us at times to lose our footing and to take shorter-term contrarian tactical views, were largely caused by persistent consumer inflation and an extended period of overheating in the US economy, and therefore an unexpectedly hawkish Federal Reserve with echoes in other global central banks. Despite our flip-flops, we end where we started and reiterate the view now as we see valuations, technicals and fundamentals aligning for continued EM performance in 2024, as the rebound from 2022 extends – or indeed was delayed – into a second year. At the same time, everything has changed in an overarching macro sense, in that the liquidity cycle has now turned and we have transcended an important cyclical inflection point. With the most recent inflation data and Federal Reserve communications, it's increasingly clear that the Fed has likely hiked for the last time in this cycle, and that disinflation is sufficiently entrenched to land within the Fed's tolerance band within the forecast horizon. As such, liquidity is coming back into markets again, and financial conditions are likely to ease further from the recent peak. This means we can have a more confidence in our cyclical view now, and that liquidity at last joins the other factors supporting the recovery. In all, it's an unchanged view on gentle spread tightening from here, but with much higher conviction than before, and that tightening can accelerate as the slowdown is underway and if the Fed is cutting rates – in line with the house view – in 2024. In that latter stage of compression, we can begin to envision 'normal' liquid market spread ranges again and that will especially benefit EM sovereigns, which are generally more troubled, over corporates, which have maintained better borrowing practices over the past cycle. EM local rates remain our highest conviction, giving us significant room for capital gain as EM central banks join the easing bandwagon; and EM FX as the most momentum driven of all EM assets should directionally gain throttle as the great macro inflection point disappears into our collective rear view mirror.

Risk disclosures

- 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.
- UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES.
- Further information on the potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

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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 30 November 2023

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Glossary

Important information