HSBC Asset Management

HSBC Global Investment Funds

SINGAPORE DOLLAR INCOME BOND

Monthly report 31 March 2023 | Share class AC

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of bonds denominated in or hedged to Singapore dollars (SGD).

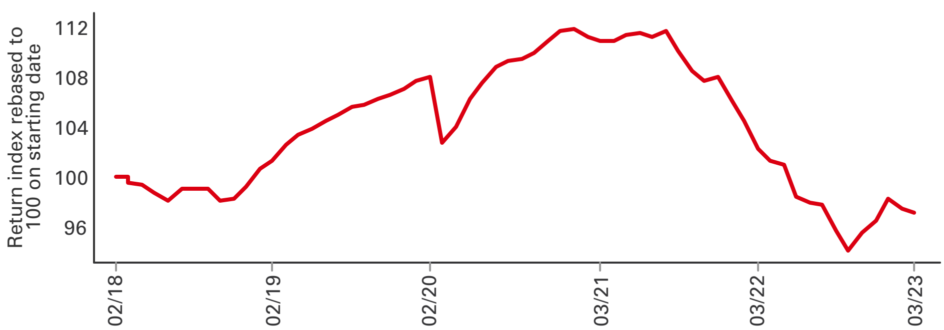
Investment strategy

The Fund is actively managed and is not constrained by a benchmark.In normal market conditions, the Fund will invest at least 90% of its assets in investment grade bonds, non-investment grade bonds and unrated bonds issued by governments, government-related entities, supranational entities and companies that are based in or carry out the larger part of their business in Asia, either denominated in SGD or non-SGD currencies that are hedged back to SGD.The Fund may invest up to 30% in non-investment grade bonds, and invest up to 10% in asset-backed securities and mortgage-backed securities. The Fund may invest up to 10% in convertible bonds and up to 10% in contingent convertible securities.The Fund may invest up to 10% in other funds, including HSBC funds.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	**SGD 9.70**
Performance 1 month	**-0.31%**
Yield to maturity	**5.52%**
Fund facts	
UCITS V compliant	**Yes**
Dividend treatment	**Accumulating**
Dealing frequency	**Daily**
Share Class Base Currency	**SGD**
Domicile	**Luxembourg**
Inception date	**2 March 2018**
Fund Size	**SGD 192,593,971**
Managers	**Daniel Lam**
Fees and expenses	
Minimum initial investment (HK)[1]	**USD 5,000**
Maximum initial charge (HK)	**3.100%**
Management fee	**0.800%**
Codes	
ISIN	**LU1734076612**
Bloomberg ticker	**HSSDIAC LX**

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

Past performance does not predict future returns. The figures are calculated in the share class base currency, NAV to NAV basis with dividend reinvested, net of fees. If investment performance is not denominated in HKD or USD, HKD or USD based investors are exposed to exchange rate fluctuations. *The fund may pay dividends out of capital or gross of expenses.
For definition of terms, please refer to the Glossary QR code.
Source: HSBC Asset Management, data as at 31 March 2023

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Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years	5 years
AC	**0.67**	**-0.31**	**0.67**	**1.42**	**-5.04**	**-5.58**	**-2.44**

Calendar year performance (%)	2018	2019	2020	2021	2022
AC	**-0.89**	**7.96**	**4.31**	**-3.31**	**-10.70**

The calendar year return of the first year is calculated between share class inception date and calendar year end of first year if the share class has less than 5-year history.
Results are cumulative

3-Year Risk Measures	AC	Reference benchmark
Volatility	3.99%	--
Sharpe ratio	-0.79	--

5-Year Risk Measures	AC	Reference benchmark
Volatility	4.05%	--
Sharpe ratio	-0.48	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	183	--	--
Average coupon rate	3.73	--	--
Portfolio yield	5.49%	--	--
Current yield	4.10%	--	--
Effective duration	4.73	--	--
Average maturity	7.02	--	--
Average Credit Quality	A-/BBB+	--	--

Credit rating (%)	Fund	Reference benchmark	Relative
AAA	11.45	--	--
AA	3.54	--	--
A	28.99	--	--
BBB	36.76	--	--
BB	12.54	--	--
B	4.55	--	--
CCC	0.22	--	--
NR	1.68	--	--
Cash	0.25	--	--

Maturity Breakdown (Effective duration)	Fund	Reference benchmark	Relative
0-2 years	0.26	--	--
2-5 years	1.05	--	--
5-10 years	1.48	--	--
10+ years	1.94	--	--
Total	**4.73**	**--**	**--**

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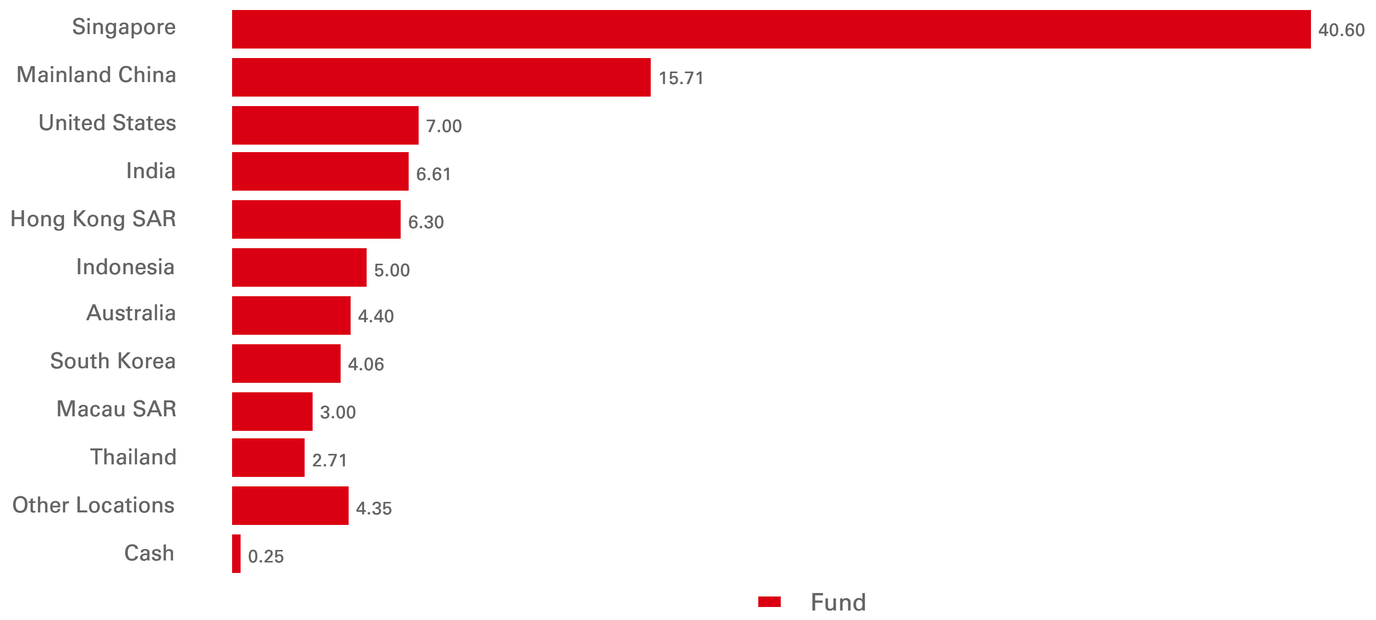
Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Reits	23.13	--	--
Banks	22.32	--	--
Government	11.75	--	--
Consumer Cyclical	6.82	--	--
Real Estate	6.73	--	--
Diversified Finan serv	5.31	--	--
Consumer Non cyclical	4.68	--	--
Communications	4.10	--	--
Energy	3.43	--	--
Industrial	3.30	--	--
Other Sectors	8.18	--	--
Cash	0.25	--	--

Top 10 Holdings	Weight (%)
ASCENDAS REIT 3.140 02/03/25	3.18
BOC AVIATION 3.930 11/05/25	3.12
CCT MTN PTE LTD 3.170 05/03/24	2.96
MPACT TREASURY 3.110 24/08/26	2.75
NATL AUSTRALIABK 4.150 19/05/28	2.36
FCT MTN PTE LTD 3.200 11/05/23	2.35
US TREASURY N/B 3.875 15/02/43	2.24
UNITED OVERSEAS 2.250	2.18
UNITED OVERSEAS 3.500 27/02/29	2.18
US TREASURY N/B 3.625 15/02/53	2.13

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Monthly performance commentary

Review

Over the month, the treasury curve shifted downwards with short-end yields declining faster than long-end yields, given the more dovish Fed and flight to safe haven amid concerns over financial stability. In the US, headline inflation was cooling but the core rate was coming down more slowly than desired by the Fed amid a still tight labour market and strong household balance sheets. Overall, two-year yields dropped 79bps while 10-year yields were down 45bps. March saw Singapore sovereign yield curve moving in lockstep with the US treasury curve, as the curve shifted downwards with the shorter end dropping faster than the longer end. Singapore continued to see downside surprises in inflation, with core inflation momentum, excluding accommodation and private road transport, unchanged MoM in February, mainly due to subdued food an energy prices. Headline inflation grew slower-than-expected as private road transport costs continued to ease despite rising accommodation and car prices. The Monetary Authority of Singapore maintains its forecasts for 2023 core and headline inflation to average around “3.5-4.5%” and “5.5-6.5%”, respectively. Elsewhere, February NODX declined in both MoM and YoY terms, in line with expectations. The weakness was broad-based, with electronics shipments extending the weakness, and pharmaceuticals and petrochemicals NODX falling by double-digit pace, reflecting the intensifying trade headwinds that Singapore continues to face. The Asia credit market posted a positive return in March. Investment grade bonds outperformed high yield bonds over the month amid wider credit spreads and lower UST yields. In terms of spread movements, both IG bond HY bond spreads widened with HY widening to a greater extent. China metals & mining sector was the best performer, followed by Hong Kong industrials and infrastructure. Singapore real estate was the worst performer due to the spillover effects from the global banking issues. Philippines financials also did not perform well. In the high yield space, Mongolia metals & mining was the best performer as the company reported strong 2022 earnings and has utilised its operating cash flow to reduce debt. Mongolia quasi-sovereign and India utilities also tightened. On the contrary, Pakistan sovereign, Sri Lanka quasi-sovereign and China real estate widened the most. Pakistan was waiting for the delayed IMF funding approval while the news of a Chinese property developer deferring coupon payment on its perpetual notes weighed on sentiment for the sector as it proved that operating environment has yet to be improved.

Strategy

The fund ended March slightly lower with credit exposure detracted the most, mainly from China developers with concrete short term funding prospects but uncertain long term funding visibility as well as stronger developers with SOE linkage or steady recurring income amid some rebalancing activities ahead of earnings and lingering concerns of further defaults. The fund’s credit exposure to global and Singapore bank subordinated debt also detracted given some repricing activities in light of the write-down of a particular European bank’s AT1s. On the positives, the fund benefited from its duration exposure with the downward shifting Singapore sovereign curve, moving in lockstep with the US treasury curve. Elsewhere, carry remained a key contributor to the returns as the fund continued to maintain a decent yield. The fund’s duration was being managed at around four-and-a-half years. Over the month, the fund increased exposure to Singapore sovereigns, while trimming exposure to Singapore and Korea bank subordinated debt, and China property. It continued to hold a meaningful size of SGD denominated investment grade bonds and it also diversified into the USD Asian credit market which offers a wider selection of bonds across the credit rating spectrum than the SGD bond market. From a sectoral standpoint, the fund continues to prefer agencies and corporates over sovereign bonds. The fund has a major allocation to Singapore REITs for their stable income and it holds a meaningful size of high quality quasi-sovereign names in Singapore for yield carry. The fund has a decent exposure to the China property sector, riding on China reopening and the supportive tone on the property sector from the authority, while remaining selective with an emphasis on the better quality companies, which will more likely to benefit from the funding loosening policies in the sector, reflecting mostly our conviction on the individual credit rather than our view on the sector. We also favour bank subordinated debt such as those from Singapore and broader Asia Pacific region given their relatively defensive nature and attractive yields.

Outlook

Recent data has shown signs of moderating inflation in Singapore with headline inflation passing its peak and trending down consistently. Nevertheless, core inflation is forecasted to remain sticky and elevated in the coming months given labour market tightness. We believe price stability continues to be the top priority of the MAS with the expectation of one last tightening move for the current cycle. The debate for the MAS is between a “hawkish hold” versus a “dovish re-centering” for the April meeting. The SGD is expected to be fundamentally stable for the rest of the year, moving broadly in line with USD but unlikely to continue outperforming peers. Overall, we believe that a better environment for fixed income and the resilient macroeconomic situation in Singapore provide a much-improved backdrop for SGD bonds. While we remain constructive, we are somewhat cautious in terms of our expectation for future returns on the back of material falling yields over the course of March. With Asia credit being less correlated to global and US credit market movements, Asia US dollar bonds stand out for their relatively low duration, attractive yields and offer investors the diversification benefit. While the Fed’s terminal rate remains uncertain, the overall Asia credit market should be well supported by the slower pace of rate hikes and greater visibility on the rate cycle as the year goes on.

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.
- 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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HSBC Asset Management

For more information please contact us at Tel: 852 2284 1111.
Website:
www.assetmanagement.hsbc.com/hk

Glossary

https://www.assetmanagement.hsbc.com.hk/api/v1/download/document/lu0164865239/hk/en/glossary

Important Information

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Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Dividend Amount	Annualised Yield based on ex-dividend date
AC	SGD	--	--	--	--
AM2	SGD	Monthly	29 March 2023	0.037109	5.73%
AM2	SGD	Monthly	28 February 2023	0.037503	5.72%
AM2	SGD	Monthly	31 January 2023	0.038007	5.72%
AM2	SGD	Monthly	29 December 2022	0.032778	4.98%
AM2	SGD	Monthly	30 November 2022	0.032567	4.98%
AM2	SGD	Monthly	28 October 2022	0.032264	4.98%
AM2	SGD	Monthly	30 September 2022	0.032956	4.99%
AM2	SGD	Monthly	26 August 2022	0.033854	4.97%
AM2	SGD	Monthly	27 July 2022	0.033789	4.98%
AM2	SGD	Monthly	30 June 2022	0.035144	5.12%
AM2	SGD	Monthly	25 May 2022	0.034046	4.81%
AM2	SGD	Monthly	28 April 2022	0.033217	4.65%
AM3HAUD	AUD	Monthly	29 March 2023	0.034221	5.26%
AM3HAUD	AUD	Monthly	28 February 2023	0.031668	4.80%
AM3HAUD	AUD	Monthly	31 January 2023	0.030404	4.55%
AM3HAUD	AUD	Monthly	29 December 2022	0.025274	3.82%
AM3HAUD	AUD	Monthly	30 November 2022	0.026495	4.02%
AM3HAUD	AUD	Monthly	28 October 2022	0.031175	4.80%
AM3HAUD	AUD	Monthly	30 September 2022	0.030777	4.64%
AM3HAUD	AUD	Monthly	26 August 2022	0.029639	4.33%
AM3HAUD	AUD	Monthly	27 July 2022	0.032852	4.82%
AM3HAUD	AUD	Monthly	30 June 2022	0.029187	4.22%
AM3HAUD	AUD	Monthly	25 May 2022	0.029394	4.13%
AM3HAUD	AUD	Monthly	28 April 2022	0.028114	3.91%
AM3HUSD	USD	Monthly	29 March 2023	0.045455	7.03%
AM3HUSD	USD	Monthly	28 February 2023	0.043957	6.71%
AM3HUSD	USD	Monthly	31 January 2023	0.041545	6.25%
AM3HUSD	USD	Monthly	29 December 2022	0.036244	5.51%
AM3HUSD	USD	Monthly	30 November 2022	0.035897	5.48%
AM3HUSD	USD	Monthly	28 October 2022	0.037695	5.83%
AM3HUSD	USD	Monthly	30 September 2022	0.034317	5.18%
AM3HUSD	USD	Monthly	26 August 2022	0.034059	4.98%
AM3HUSD	USD	Monthly	27 July 2022	0.035546	5.23%
AM3HUSD	USD	Monthly	30 June 2022	0.033899	4.91%
AM3HUSD	USD	Monthly	25 May 2022	0.034656	4.88%
AM3HUSD	USD	Monthly	28 April 2022	0.032102	4.47%

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 be comprised of both distributed income and capital.
The calculation method of annualised yield from August 2019 is the compound yield calculation: ((1 + (dividend amount / 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.
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