

HSBC Global Investment Funds

RMB FIXED INCOME

Monthly report 31 March 2023 | Share class ACOSGD



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.

Share Class Details

Key metrics

NAV per Share **SGD 10.17**

Performance 1 month **1.36%**

Yield to maturity **4.03%**

Fund facts

UCITS V compliant **Yes**

Subscription mode **Cash / SRS
(Supplementary Retirement Scheme)**

Dividend treatment **Accumulating**

Dealing frequency **Daily**

Valuation Time **17:00 Luxembourg**

Share Class Base Currency **SGD**

Domicile **Luxembourg**

Inception date **28 February 2018**

Fund Size **USD 269,969,776**

Managers **Ming Leap
Alfred Mui**

Fees and expenses

Minimum initial investment (SG)¹ **SGD 1,000**

Maximum initial charge (SG) **3.000%**

Management fee **0.750%**

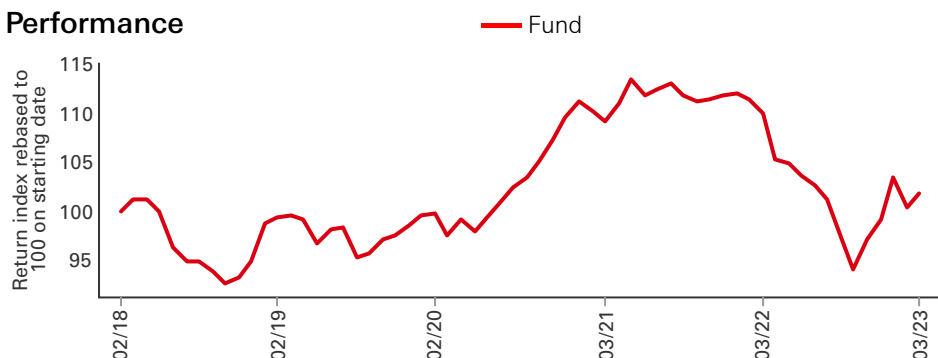
Codes

ISIN **LU1560771518**

Bloomberg ticker **HSRFACO LX**

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

Performance



Performance is annualised when calculation period is over one year. Past performance does not predict future returns. Fund return: NAV-to-NAV 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 March 2023

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
ACOSGD	2.61	1.36	2.61	4.69	-7.55	1.45	0.10
ACOSGD (Net)*	-0.38	-1.59	-0.38	1.64	-10.24	0.45	-0.49

Calendar year performance (%)	2018	2019	2020	2021	2022
ACOSGD	--	3.89	11.22	2.07	-11.40
ACOSGD (Net)*	--	0.86	7.98	-0.90	-13.98

3-Year Risk Measures	ACOSGD	Reference benchmark	5-Year Risk Measures	ACOSGD	Reference benchmark
Volatility	6.72%	--	Volatility	6.42%	--
Sharpe ratio	0.03	--	Sharpe ratio	-0.21	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	138	0	--
Yield to worst	3.98%	0.00%	3.98%
Yield to maturity	4.03%	0.00%	4.03%
Option Adjusted Duration	4.15	0.00	4.15
Modified Duration to Worst	4.02	0.00	4.02
Option Adjusted Spread Duration	4.12	0.00	4.12
Average maturity	4.94	0.00	4.94
Rating average	A+/A	AAA	--
Number of issuers	77	1	--

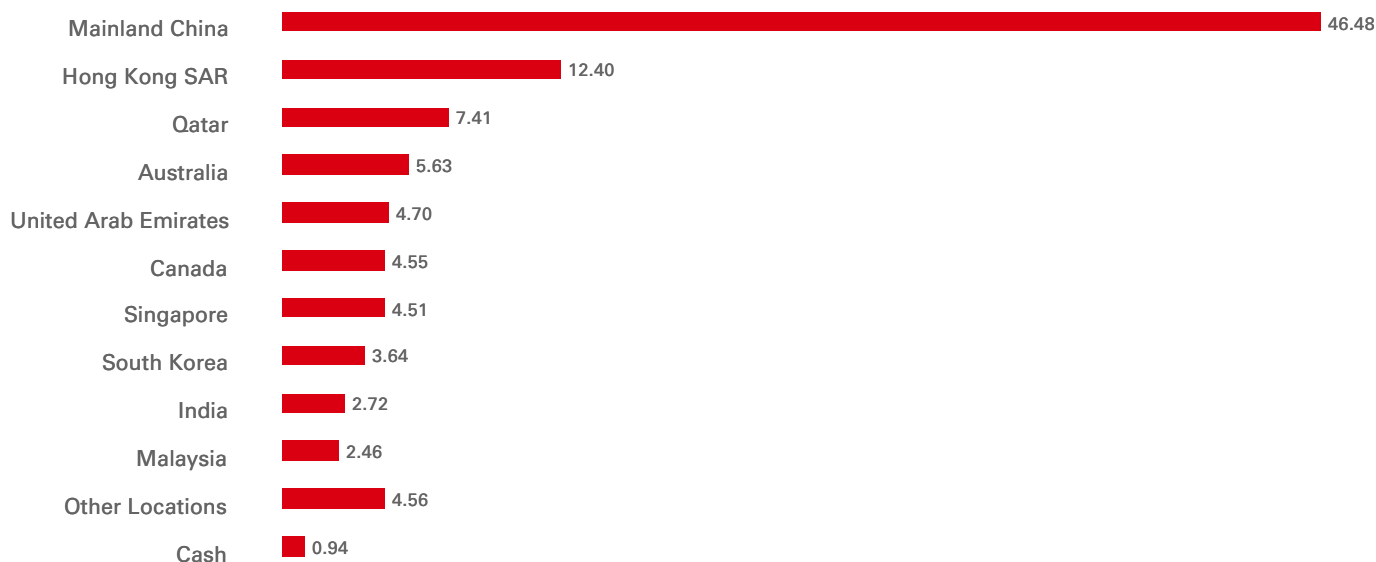
Credit rating (%)	Fund	Reference benchmark	Relative	Region allocation (%)	Fund	Reference benchmark	Relative
AA	16.44	--	--	Other CNH Bonds	50.08	--	--
A	60.44	--	--	Mainland China CNY	37.26	--	--
BBB	12.90	--	--	Mainland China USD	6.75	--	--
BB	2.17	--	--	Other USD Bonds	2.49	--	--
B	1.04	--	--	Mainland China CNH	2.48	--	--
CCC	0.29	--	--	Cash	0.94	--	--
C	0.02	--	--				
NR	5.77	--	--				
Cash	0.94	--	--				

Performance is annualised when calculation period is over one year. Past performance does not predict future returns.
 Fund return: NAV-to-NAV 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 benchmark data is that of the reference benchmark of the fund, as this data is calculated at fund level rather than share class level. The reference benchmark of the fund is 100% Offshore Renminbi Overnight Deposit Rate
 Source: HSBC Asset Management, data as at 31 March 2023

**Maturity Breakdown
 (Option Adjusted
 Duration)**

	Fund	Reference benchmark	Relative
0-2 years	0.26	--	--
2-5 years	1.50	--	--
5-10 years	1.51	--	--
10+ years	0.89	--	--
Total	4.15	--	--

Geographical Allocation (%)



■ Fund ■ Reference benchmark

Sector Allocation (%)	Fund	Reference benchmark	Relative
Banks	55.01	--	--
Government	17.82	--	--
Real Estate	11.44	--	--
Industrial	4.55	--	--
Consumer Cyclical	2.86	--	--
Reits	2.84	--	--
Utilities	1.48	--	--
Diversified Finan serv	1.06	--	--
Investment Companies	0.96	--	--
Communications	0.63	--	--
Other Sectors	0.40	--	--
Cash	0.94	--	--

Top 10 Holdings	Weight (%)
CHINA GOVT BOND 3.320 15/04/52	4.11
EXP-IMP BK CHINA 3.740 16/11/30	3.20
CHINA RAILWAY 5.000 22/08/27	2.99
EXP-IMP BK CHINA 3.380 16/07/31	2.88
UNITED OVERSEAS 4.500 06/04/32	2.79
EX-IM BK IN/LNDN 3.450 25/06/26	2.72
AGRICUL DEV BANK 3.790 26/10/30	2.59
QNB FINANCE LTD 3.150 04/02/26	2.49
BANK OF MONTREAL 3.850 17/06/25	2.23
EXP-IMP BK CHINA 3.230 23/03/30	2.19

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

Monthly performance commentary

Review

Onshore RMB bonds returned slightly positively in local terms amid the downward shift in China sovereign curve, while returned positively in USD terms given the strengthening RMB against the USD over the month. Meanwhile, offshore RMB bonds returned slightly positively. China's National People's Congress (NPC) that took place in early March, set a more conservative-than-expected growth target, with a GDP growth target of "around 5.0%" for this year, indicating a cautious approach in light of ongoing headwinds, but policymakers remain focused on growth with a larger official fiscal deficit, more special local government bond (SLGB) issuance, and still accommodative monetary policy. Policy support will target driving consumption recovery, upgrading the industrial sectors, attracting FDI, and mitigating financial risks in housing sector and local government debt. On the new line-up of government leaders, several key institution leaders were retained, pointing to continuity in policy implementation as the recovery continues to solidify. Meanwhile, the PBoC announced its first RRR cut this year with a broad-based cut of 25bps, which came as a surprise, as they had just increased fund injection via Medium-term Lending Facility (MLF) earlier while keeping the rate unchanged, however this was in line with the government's still-accommodative narrative to support growth at the initial stage of recovery. China's March NBS PMI indicated the recovery momentum for overall business conditions still held up. Both manufacturing and non-manufacturing PMIs continued to expand and came in stronger than consensus. The pace of expansion, though, softened for the manufacturing sector due to renewed headwinds to external demand stemming from the latest turmoil in the global banking system. The non-manufacturing sector continued to build off the momentum in February and reached the highest level in a decade. On the other hand, the Caixin manufacturing PMI dropped to 50, lower than expected, as the impact of weaker global demand weighed on new export orders, with domestic activity insufficient to make up for the slowdown. CPI inflation surprised to the downside, with headline inflation slowing YoY and falling MoM, reversing the strong gain seen previously, partly due to some seasonality following the holidays, but also indicated still fragile consumption sentiment at the early stages of the recovery. The slump in pork prices was a main drag, though a fall in other food prices also contributed to the decline. Core inflation also pulled back moderately. PPI deflation widened YoY, roughly in line with expectations, on the back of a high base, but the sequential trend improved likely due to a pickup in industrial demand. On trade figures, exports fell YoY in the Jan-Feb period, less than expected, though have remained in contraction since October 2022. On the other hand, imports surprised to the downside, with a larger YoY fall, driven by lower global commodity prices and global demand while domestic demand remained relatively resilient. This led to a trade surplus for the Jan-Feb period, which was a larger amount compared to the same period last year. As for currency, the RMB strengthened against the USD over the month as China's economic growth continued its recovery momentum. On the other hand, the RMB weakened against most of its EM peers.

Portfolio strategy

The fund returned positively in March. FX exposure contributed the most to the returns given the RMB strengthened against the USD over the month as China's economic recovery continued its momentum. Meanwhile, the fund's credit exposure lifted the performance, particularly from China policy banks, global bank senior debt, and Hong Kong property. Conversely, the fund's credit exposure to the China property sector detracted during some rebalancing activities ahead of earnings and lingering concerns of further defaults. Meanwhile, the fund's duration exposure detracted. Elsewhere, the fund's yield carry help lifting the returns. Over the month, we increased our exposure to Canada and China banks and China quasi-sovereigns. On the other hand, we reduced exposure to Hong Kong property and China bank subordinated debt. In terms of sector positioning, we have preference in China quasi-sovereigns, Hong Kong developers, and Qatar banks. 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

Amid lingering concerns of a global banking crisis, the China bond markets have demonstrated their stability in the light of heightened market turbulence. Recent services activity data has confirmed that the economy recovery is still strong, with manageable inflationary pressure due to labour market pressure. We expect Chinese policymakers to roll out more supportive fiscal and monetary policies to achieve its growth target of "around 5%" for the rest of the year, given the ongoing weakness in external demand and divergence in recovery between the manufacturing and service sector. With China's policy easing bias, the country is in a different part of the economic cycle versus the US and other major economies, and it is this lack of correlation that helps form the basis of the argument for Chinese assets' role as a diversifier in global portfolios. The easing bias in monetary policy is favourable for onshore bonds. Considering the outlook of a rising yuan versus the US dollar, the bond yield differential between the US and China is expected to decrease further and potentially converge – and over time possibly reverse – a trend which can drive foreign inflows into China onshore bonds. On the other hand, offshore bonds are expected to benefit from a stronger RMB and increasing cross-border trade and investments settled in RMB. Our overall outlook for RMB bonds is constructive given its relative stability and diversified nature, particularly against the diverging backdrop of the tightening cycle around the world.

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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Supplemental information sheet

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AC USD	2.95	1.47	2.95	5.30	-6.79	1.92	0.68
AC USD (Net)*	-0.05	-1.49	-0.05	2.23	-9.51	0.92	0.09
ACOSGD SGD	2.61	1.36	2.61	4.69	-7.55	1.45	0.10
ACOSGD SGD (Net)*	-0.38	-1.59	-0.38	1.64	-10.24	0.45	-0.49
AM2 USD	2.96	1.47	2.96	5.30	-6.78	1.92	0.68
AM2 USD (Net)*	-0.04	-1.48	-0.04	2.23	-9.50	0.92	0.09
AM3OSGD SGD	2.62	1.36	2.62	4.74	-7.51	1.45	0.02
AM3OSGD SGD (Net)*	-0.37	-1.59	-0.37	1.69	-10.20	0.45	-0.57

Calendar year performance (%)	2018	2019	2020	2021	2022
AC USD	-1.06	4.53	11.80	2.27	-10.95
AC USD (Net)*	-3.94	1.49	8.54	-0.71	-13.54
ACOSGD SGD	--	3.89	11.22	2.07	-11.40
ACOSGD SGD (Net)*	--	0.86	7.98	-0.90	-13.98
AM2 USD	-1.05	4.53	11.79	2.27	-10.94
AM2 USD (Net)*	-3.93	1.49	8.53	-0.71	-13.54
AM3OSGD SGD	-2.12	3.63	11.12	2.05	-11.37
AM3OSGD SGD (Net)*	-4.97	0.61	7.88	-0.92	-13.95

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	29 March 2023	0.033678	4.58%
AM3OSGD	SGD	Monthly	29 March 2023	0.024156	3.31%

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	12.84	0.750%	Accumulating
ACOSGD	28 February 2018	LU1560771518	SGD	USD 5,000	10.17	0.750%	Accumulating
AM2	30 June 2017	LU1560771435	USD	USD 5,000	9.04	0.750%	Distributing
AM3OSGD	30 June 2017	LU1560771609	SGD	USD 5,000	8.92	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.

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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 March 2023