

HSBC Global Investment Funds - Singapore Dollar Income Bond

Share Class AM2

30 Jun 2018

Fund Objective and Strategy

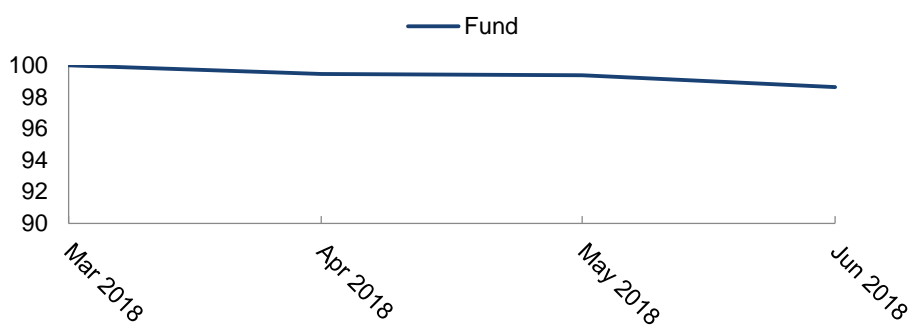
Investment Objective

The Fund invests for long-term total return (meaning capital growth and income) in a portfolio of bonds. In normal market conditions, at least 90% of the Fund's assets are invested in Investment-Grade and Non-Investment Grade bonds issued or guaranteed by governments, government agencies or supra national bodies or issued by companies in Asia and which are denominated in SGD or denominated in a non-SGD currency but hedged back to SGD.

Investment Strategy

Up to 30% of the Fund's assets may be invested in Non-Investment Grade securities. The Fund can also invest up to 10% of its net assets in contingent convertible securities. The Fund may invest up to 10% of its assets into other funds. The Fund's primary currency exposure is to the SGD. See the Prospectus for a full description of the investment objectives and derivative usage.

Since Inception Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹	Since Inception
AM2	-	-0.57	-1.40	-	-	-	-1.94
AM2 (Net) ²	-	-3.55	-4.36	-	-	-	-4.89

Calendar Year Performance (%)	2013	2014	2015	2016	2017
AM2	-	-	-	-	-
AM2 (Net) ²	-	-	-	-	-

Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested.

Source: HSBC Global Asset Management, data as at 30 June 2018

Risk Disclosure

General Risk: The Fund's unit value can go up as well as down, and any capital invested in the Fund may be at risk.

Fixed Income 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.

Emerging Markets Risk: 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 Risk: Derivatives may be used by the Fund, and these can behave unexpectedly.

Hedging Risk: 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 Risk: 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..

Documentation Statement: Further information on the Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

Share Class Details

UCITS V Compliant	Yes
Subscription Mode	Cash / SRS (Supplementary Retirement Scheme)
Distribution Type	Distributing
Distribution Frequency	Monthly
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	SGD 1,000
Annual Management Fee	0.80%
Max. Initial Charge	3.00%
Base Currency	SGD
Domicile	Luxembourg
ISIN	LU1734076539
Inception Date	02 Mar 2018
NAV per Share	SGD 9.73
Fund Size	SGD 58,796,058
Bloomberg Ticker	HSSDAM2 LX
Manager	Gregory Suen Steven Wong

¹Result is annualised when calculation period is over one year.

²Net of relevant prevailing sales charge

3-Year Risk Measures	AM2
Volatility	-
Sharpe Ratio	-
Tracking Error	-
Information Ratio	-

5-Year Risk Measures	AM2
Volatility	-
Sharpe Ratio	-
Tracking Error	-
Information Ratio	-

Characteristics	Fund
Number of Holdings ex Cash	85
Average Coupon	4.46
Option Adjusted Duration (OAD) ³	3.97
Yield to Worst (Gross)	4.64

Characteristics	Fund
Current Yield (Gross)	4.48
Option Adjusted Spread	4.31
Duration (OASD) ⁴	
Rating Average ⁵	BBB+/BBB
Maturity Average	4.80

Credit Quality Rating Allocation (%)	Fund
AAA	2.52
AA	6.44
A	14.46
BBB	46.74
BB	13.98
B	12.84
NR	2.17
Cash	0.86

Sorted from highest to lowest rating. Cash is not included in any rating.

Maturity Breakdown (OAD)	Fund
0-2 years	0.07
2-5 years	2.04
5-10 years	1.76
10+ years	0.10
Total	3.97

Sorted from shortest to longest per the length of maturity.

Sector Allocation (%)	Fund
Property	28.23
Financial	14.67
Bank	14.42
Quasi-sovereign	10.71
Bank Sub	9.66
Industrial	6.57
Cyclical	5.60
Telecom	4.35
Oil & gas	2.66
Utility	2.28
Cash	0.86

Sorted from largest to smallest per market values of weight.

Geographical Allocation (OAD)	Fund
Singapore	1.44
China	1.03
Australia	0.43
South Korea	0.33
India	0.21
Hong Kong	0.20
Indonesia	0.19
Taiwan	0.10
United Kingdom	0.04
Cash	0.00
Total	3.97

Sorted from largest to smallest per Option Adjusted Duration.

³OAD, Option Adjusted Duration, excludes interest rate futures, bond futures and excess return from interest rate swaps.

⁴OASD, Option Adjusted Spread Duration, excludes interest rate futures, bond futures and excess return from interest rate swaps.

⁵Average credit rating uses 'Index rating' which is an average of the vendors: S&P, Fitch, Moody's. The average fund and benchmark rating does not include securities rated NR or NA.

Monthly Performance Commentary

Review

Global financial markets remained volatile in June as trade tension between the US and its major trading partners occupied investors' attention. Meanwhile, continued weakness in emerging market currencies highlighted the vulnerability of emerging markets to global liquidity withdrawal and further weighed on sentiment. Within Asia, the default of certain Chinese corporate has triggered concerns over a pick-up in default of Chinese credit, causing credit spreads to widen further. Yields on US 10 year treasuries moved up in the run-up to the FOMC meeting where the US Federal Reserves raised their target range for the federal funds rate by 25 bps to 1.75-2.00%. They also signaled two more rate hikes in the rest of 2018, revised up their inflation forecast by the end of the year and maintained an overall upbeat assessment of economic activity. However, yields trended lower later in the month as trade tensions between China and the US intensified, leading to worries about escalating global trade wars.

The Singapore dollar (SGD) sovereign bond curve flattened during the month, with the short-end of the curve moved higher while the belly and the long-end shifted lower. Furthermore, SGD sovereign bonds outperformed SGD corporate issues in June. Recent data continued to reflect improving economic activity in the country. Industrial production remained strong and continued to beat consensus expectation despite concerns about ongoing trade negotiations between the US and its trading partners would derail global growth. Manufacturing output growth also remained stable, showing more broad-based growth compared to last year.

Strategy

In a volatile market environment, the fund closed the month in negative territory. The fund's exposure to USD bonds detracted from returns, while exposure to SGD denominated bonds contributed. In particular, the fund's exposure to selected SGD denominated Singapore banks, property developers as well as Chinese asset management companies contributed the most. On the other hand, the fund's exposure to Chinese property and Indian cyclical bonds among the US dollar bonds weighed on the fund's returns.

Against the current market backdrop, the fund mainly focuses on maintaining a yield carry strategy through diversified exposure to SGD bonds and non-SGD bonds (hedged to SGD). At the same time, we continue to maintain the duration of the portfolio relatively short. Although the fund is a SGD denominated product, it is also investing in the Asian credit market which is a bigger investment universe with potentially more attractively valued investment opportunities even on an after-hedge basis.

The fund currently invests in around 55% in SGD denominated bonds, 43% in USD denominated bonds and 1% in EUR denominated bonds in a diversified manner across different countries and sectors. Among the SGD bonds we hold, we particularly favour names that provide good yields in the Singapore property and banking sector as well as the Australia banking sector. As for our Asian credit exposure, we favour selected Chinese property developers for their solid fundamentals on the back of the strong sales growth and improved profitability last year. We also favour individual Chinese industrial issues on a bottom-up selection basis.

While we maintain a majority of holdings in SGD bonds, exposure to US dollar bonds was raised as we added to a number bonds in the Asian US dollar credit space. In particular, we bought certain Indian commodity-related names as well as Chinese financial names. At the same time, we also raised exposure to the Singapore property and quasi sovereign sectors in the domestic Singapore bond market.

Outlook

We continue to expect that Singapore dollar bonds to remain correlated to US treasuries, in particular for the belly and the back end of the curve. We expect the movement in the yield curve will continue to reflect gradual monetary policy normalization by the Fed, while the back end of the curve could see demand from institutional investors, such as life insurers and pension funds. Meanwhile, as the economy continues to improve, this should provide support to Singapore issuers in general. We expect demand for SGD corporates to remain resilient and help offset potential negative external volatility.

Moving on to Asian credit, we believe the recent volatility in the market has been driven by fear, rather than changes in fundamentals. We see only limited direct impact on individual credits from the US / China trade tension, and expect indirect impact on economic growth to be manageable. In particular, India and Indonesia (two of the hardest-hit markets in Asian recently) have seen their macro fundamentals improved over the past years and are now in much better shape than their global emerging market peers. Meanwhile, despite the negative headlines on specific Chinese corporate defaults, overall Asian credit trend remains positive as demonstrated by lower leverage trend, increased interest coverage and improved liquidity.

As fundamentals have remained sound, the recent market pull-back have improved the risk / reward offered by Asian credit in our opinion. While the market may remain susceptible to further volatility over the short term, we believe this Asian credit continues to offer good value for investors who are prepared to ride through short-term volatility and invest for the longer term. We also expect greater credit differentiation in the market going forward and proper credit selection remains key in this environment.

Important Information

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Terms of Glossary

Convertible bond, is a type of bond that the holder can convert into a specified number of shares of common stock in the issuing company or cash of equal value.

Corporate bond, is bond issued by a company in order to raise financing.

Coupon, the annual interest rate paid on a bond, expressed as a percentage of the face value.

Credit quality, one of the principal criteria for judging the investment quality of a bond or bond mutual fund.

Developed markets, countries that are most developed in terms of its economy and capital markets.

Duration, a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates.

Emerging markets (EM), nations' economies in the process of fast economic growth. Investments in emerging markets are generally considered to be with higher risk.

Government bond or Gilt, a loan to a national government in return for regular payments (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date. Gilts are loans to the UK government.

High yield bond, is fixed income security with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default, but have the potential for higher rewards.

Information ratio, is a ratio of portfolio returns above/under the returns of a benchmark to the volatility of those returns.

Investment grade bond, is considered investment grade or IG if its credit rating is BBB- or higher by Standard & Poor's or Baa3 or higher by Moody's.

Maturity, the period of time for which a financial instrument remains outstanding.

Modified duration to worst, the lowest potential duration that will achieve on a bond without the issuer actually defaulting.

Option adjusted duration (OAD), is a duration value based on the probability of early redemption call by the bond issuer.

Option adjusted spread duration (OASD), estimates the price sensitivity of a bond to a 100 basis-point movement (either widening or narrowing) in its spread relative to Treasuries, taking into account the likelihood of early redemption.

Sharpe ratio, a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations.

Tracking error, a measure of how closely a portfolio follows the index to which it is benchmarked.

Volatility, a measure of how much a fund's price goes up or down as a percentage of its average performance.

Yield to maturity, the total return anticipated on a bond if the bond is held until the end of its lifetime.

Yield to worst, the lowest potential yield that can be received on a bond without the issuer actually defaulting.

HSBC Global Investment Funds - Singapore Dollar Income Bond

Supplement Information Sheet

30 Jun 2018

Performance (%)	Return Currency	YTD	1M	3M	6M	1Y	3Y ¹	5Y ¹	Since Inception
AC	SGD	-	-0.57	-1.41	-	-	-	-	-1.95
AC (Net) ²	SGD	-	-3.55	-4.37	-	-	-	-	-4.89
AM2	SGD	-	-0.57	-1.40	-	-	-	-	-1.94
AM2 (Net) ²	SGD	-	-3.55	-4.36	-	-	-	-	-4.89
AM3HAUD	AUD	-	-0.53	-1.30	-	-	-	-	-1.48
AM3HAUD (Net) ²	AUD	-	-3.51	-4.26	-	-	-	-	-4.43
AM3HUSD	USD	-	-0.53	-1.28	-	-	-	-	-1.57
AM3HUSD (Net) ²	USD	-	-3.51	-4.24	-	-	-	-	-4.53

Calendar Year Performance (%)	Return Currency	2013	2014	2015	2016	2017
AC	SGD	-	-	-	-	-
AC (Net) ²	SGD	-	-	-	-	-
AM2	SGD	-	-	-	-	-
AM2 (Net) ²	SGD	-	-	-	-	-
AM3HAUD	AUD	-	-	-	-	-
AM3HAUD (Net) ²	AUD	-	-	-	-	-
AM3HUSD	USD	-	-	-	-	-
AM3HUSD (Net) ²	USD	-	-	-	-	-

¹ Result is annualised when calculation period is over one year.

² Net of relevant prevailing sales charge

Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested.

Share Class	Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield
AM2	SGD	Monthly	29 Jun 2018	0.036262	4.47%
AC	SGD	-	-	-	-
AM3HAUD	AUD	Monthly	29 Jun 2018	0.038048	4.67%
AM3HUSD	USD	Monthly	29 Jun 2018	0.039784	4.89%

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 payout yields and payments do not represent future payout yields and payments. Historical payments may be comprised of both distributed income and capital.

The calculation method of annualised yield: (dividend value / NAV per share or unit as of ex-dividend date) x n, 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 Global Asset Management (Singapore) Limited website.

HSBC Global Investment Funds - Singapore Dollar Income Bond

Supplement Information Sheet

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Share Class	Inception Date	ISIN	Base Currency	Min. Initial Investment	NAV per Share	Annual Management Fee	Distribution Type
AM2	02 Mar 2018	LU1734076539	SGD	SGD 1,000	9.73	0.80%	Distributing
AC	02 Mar 2018	LU1734076612	SGD	SGD 1,000	9.81	0.80%	Accumulating
AM3HAUD	20 Mar 2018	LU1734076885	AUD	AUD 1,000	9.77	0.80%	Distributing
AM3HUSD	20 Mar 2018	LU1734076703	USD	USD 1,000	9.76	0.80%	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.

Source: HSBC Global Asset Management, data as at 30 June 2018