Fixed income brochure

July 2022

HSBC Short Duration Opportunities

HGIF Ultra Short Duration Bond

HGIF Global Short Duration Bond

HGIF Global Short Duration High Yield Bond

HSBC Asset Management

HSBC short duration opportunities

The consideration for allocating to short duration bonds

Short duration bonds are observed to provide investors a potential source of stable income and assist in protecting fixed income portfolios during times of interest rate increases. Further, and especially important, they are observed to offer potential downside protection in times of market uncertainty.

From an historical perspective, yields in the short duration credit space have recently returned to levels that have not been seen since before the pandemic.

We believe there is a case for investing in short duration credit assets—not just in times of turmoil and high uncertainty, but more broadly. Shorter duration investment grade corporates can play a consistent and fundamental role in a balanced fixed income portfolio due to the following key attributes:

1. they tend to offer yield while providing regular income streams;
2. they tend to deliver risk-adjusted returns over time and can serve in a defensive position against unforeseen volatility;
3. they tend to mitigate credit risk due to their short periods left to maturity;
4. they tend to deliver lower, less pronounced drawdowns and speedier recoveries than longer-dated fixed income.[1]

HSBC short duration capabilities

HSBC offers a range of **3** short duration funds highlighted in this brochure which are all Recognised Schemes in Singapore.

[1] HSBC Asset Management March 2022:The continuous sequence of maturing bonds in a short duration portfolio creates a consistent "pull to par" effect—recovering or 'healing' relatively quickly in market sell-offs or downturns versus longer-maturity fixed income segments

HSBC short duration opportunities

Navigating the short duration space

Short duration strategies come in many shapes and sizes. Some are benchmarked against widely-used industry benchmarks; other strategies are not—either because there is no standard benchmark or because they are unconstrained, “total return” strategies and prefer to have as much flexibility as possible within a particular investment universe. There is no standard benchmark, for example, for ultra short duration strategies. High yield short duration strategies also do not conform to standard benchmark approaches—some funds reference benchmarks while others don’t.

In all cases, active short duration solutions aim to generate total returns over time by taking less risk than strategies with longer durations. By construction, they are also designed to limit potential downside risks derived from factors such as interest rate moves or spread widening in risk-off environments.

HSBC offers a range of short duration options for investors to consider based on their risk/return profiles and investment horizons. These 3 sub-funds are Recognised Schemes in Singapore.

- The HSBC GIF***Ultra Short Duration Bond** sub-fund is primarily a credit bond fund that uses fixed and floating rate securities to maintain an average portfolio duration of about 0.5 years.
- The HSBC GIF* **Global Short Duration Bond** sub-fund is an aggregate bond fund with a 1-3 year benchmark that can allocate across a wide range of fixed income opportunities.
- The HSBC GIF* **Global Short Duration High Yield Bond** sub-fund is designed for investors that can invest in high yield credit; this fund focuses on allocating to high quality issuers with coupons with less duration risk than a full high yield benchmark.

*HSBC GIF: HSBC Global Investment Funds

Source: HSBC Asset Management as of June 30, 2022

HSBC GIF - Ultra Short Duration Bond sub-fund

Objective

The HSBC GIF - Ultra Short Duration Bond sub-fund invests in investment grade (IG) corporate bonds and opportunistically in non-US corporate bonds (hedged in USD) and in asset backed securities (ABS). The sub-fund seeks to deliver yield potential versus short-term treasuries, government securities or cash deposits, while maintaining liquidity and limiting volatility from interest rate moves.

Investment strategy

Invests in a regularly maturing series of bonds so that as each issue expires, the proceeds are continually reinvested in the best new opportunities available. This creates a consistent “pull to par” effect which helps temper the length and severity of potential drawdowns.

The sub-fund is actively managed and specializes in credit selection, aiming to uncover mispriced opportunities through the dynamic research and insights from a broad global network of credit analysts and industry specialists.

Key features

Potential yield pick-up. Offers yield potential versus cash, money market funds or CDs with a modest increase in risk. Also focuses on corporate credit allocations for yield relative to treasuries and government securities.

Short duration helps limit volatility. Invests in soon-to-mature bonds so that the sub-fund maintains an effective ultra short duration. This ultra short duration potentially reduces its sensitivity to interest rate fluctuations and limits NAV volatility.

A high quality, well diversified portfolio. The sub-fund seeks exposure to a range of return opportunities in US and non-US credit and in asset backed securities (ABS).

Fund managers

Jason Moshos

- Senior Portfolio Manager
- 18+ years industry experience

Viral Desai

- Portfolio Manager, IG Fixed Income
- 7+ years industry experience

HSBC GIF Ultra Short Duration Bond sub-fund

Characteristics & Allocations

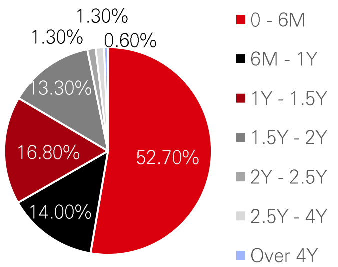
Option-Adjusted Spread (OAS)	144.70 bps
Effective Duration	0.07
Spread Duration	1.50
Avg. Maturity	0.87
Avg. Credit Quality	A
% Floating Rate	41%
% ABS	18%
# of Issuers	242

Sub-fund details

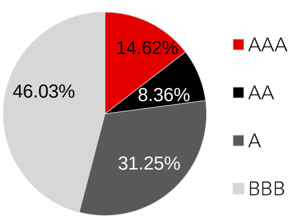
Fund launch	7 June 2021	
Fund size	$ 875.31M	
Share classes (partial list)		
AC	USD	LU2334454522
PM2	USD	LU2334455339

Additional share classes and currencies available

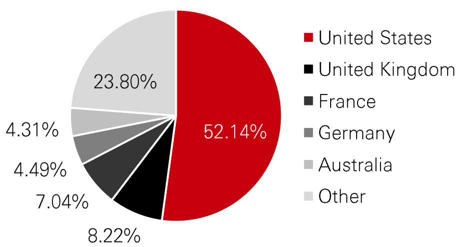
Duration



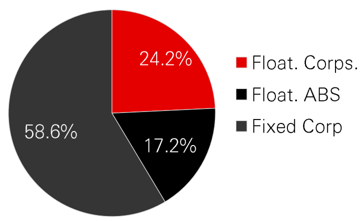
Ratings



Regional exposures



Floating rate exposures



Source: HSBC Asset Management as of 30 June 2022

HSBC GIF - Global Short Duration Bond sub-fund

Objective

The HSBC GIF - Global Short Duration Bond sub-fund is a diversified, multi-sector global short duration bond fund. The sub-fund invests primarily in investment grade (IG) short duration bonds, aiming to provide risk-adjusted returns and capital preservation while also mitigating the impacts of rising bond yields, interest rate increases and market volatility.

Investment strategy

The sub-fund is actively managed and does not track a benchmark. It has an internal or external target to outperform the reference benchmark, Bloomberg Global Aggregate 1-3 Years Hedged USD. The sub-fund applies a flexible investment strategy and can invest up to 30% in emerging markets (EM) bonds and up to 20% in non-investment grade bonds.

The sub-fund dynamically allocates across the short duration universe for diversified sources of return by using a multi-tier investment process—a process spanning asset allocation and rates positioning, together with security selection and currency positioning.

Key features

Access to yields in short-term bonds. The sub-fund dynamically allocates across the short duration universe to harness yields, while seeking to maintain stability amidst volatility.

Lower duration exposure to dampen volatility. The sub-fund on average maintains a short duration. This shorter duration aims to preserve capital and de-risk it to withstand uncertain economic environments and limit drawdowns.

A broadly diversified, high portfolio. The sub-fund invests in a global portfolio of assets, fine-tuning an optimal balance between yields and credit ratings. It seeks to invest about 80% in IG bonds

Fund managers

Oliver Boulind
- Head of Global Credit Strategy
- 29 years industry experience

Ernst Osiander
- Head of Global Rates Strategy
- 28 years industry experience

HSBC GIF - Global Short Duration Bond sub-fund

Characteristics & Allocations

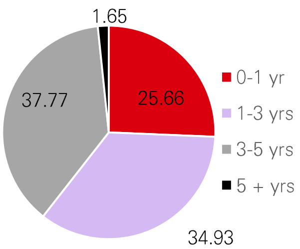
Option-Adjusted Spread (OAS)	92bps
Effective Duration	1.75
Spread Duration	3.45
Avg. Maturity	3.93
Avg. Credit Quality	A-/BBB+
% Floating Rate	18%
% ABS	18.8%
# of Issuers	193

Sub-fund details

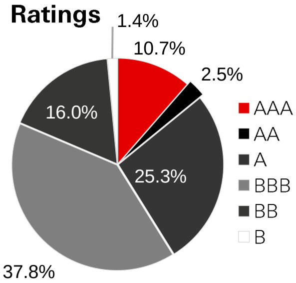
Fund launch	27 Feb 2015	
Fund size	$ 294.04M	
Share classes (partial list)		
AC	USD	LU1163226092

Additional share classes and currencies available

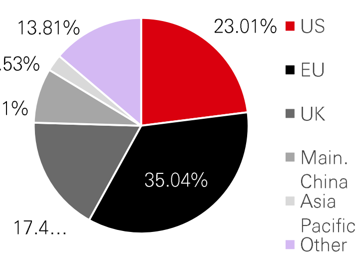
Duration



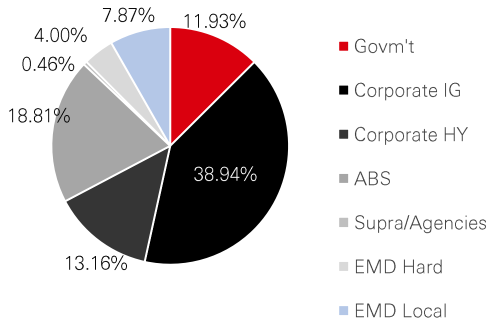
Ratings



Regional allocations



Asset class allocations



Source: HSBC Asset Management as of 30 June 2022

HSBC GIF - Global Short Duration High Yield Bond sub-fund

Objective

The HSBC GIF - Global Short Duration High Yield Bond sub-fund aims to achieve total return (with income as its largest component) and to reduce volatility in the short duration space; by optimizing credit selection and top-down strategic positioning, it also seeks to mitigate risk from interest rate moves.

Investment strategy

The sub-fund is actively managed and does not track a benchmark. The reference benchmark for sub-fund market comparison purposes is Bloomberg Global Short Duration High Yield BB-B 2% Constrained USD Hedged.

The sub-fund would predominantly be invested in (BB and B rated) high yield (HY) securities in the US and Europe, with a focus on allocating to stable-to-improving corporates. The sub-fund is also broadly diversified across industry sectors with a current tilt to more defensive industries including Consumer Non-Cyclicals and Utilities.

Key features

Globally diversified risk/reward profile. The sub-fund looks for a globally diversified set of relative value opportunities across countries/ industries in different stages of growth. Investing in a broad set of active relative positions rather than in outright directional bets would provide a highly efficient use of risk budgets.

Quality approach. The sub-fund invests with a quality bias aiming to avoid credit deterioration and the corresponding negative convexity in shorter-dated bonds.

Defensive, risk-focused portfolio. Identifying, pricing and combining risks is at the core of the sub-fund's investment approach.

Fund manager

Mary Bowers
- Senior Portfolio Manager
- 20+ years industry experience

Rick Liu
- Senior Portfolio Manager
- 19+ years industry experience

HSBC GIF - Global Short Duration High Yield Bond sub-fund
Characteristics & Allocations

Option-Adjusted Spread (OAS)	616.28
Effective Duration	2.57
Spread Duration	3.12
Avg. Maturity	3.87
Avg. Credit Quality	BB-/B+
% Floating Rate	0.00
% ABS	0.00
# of Issuers	106

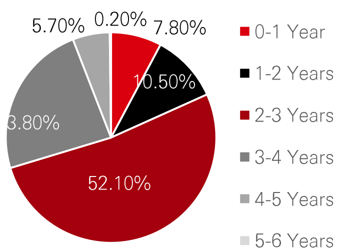
Sub-fund details

Fund launch		12 June 2013
Fund size		$ 128.80M
Share classes (partial list)		
AC	USD	LU0922809933

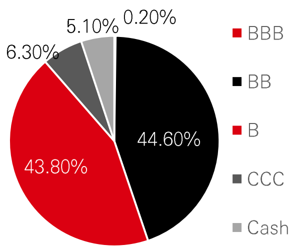
Additional share classes and currencies available

Source: HSBC Asset Management as 30 June 2022

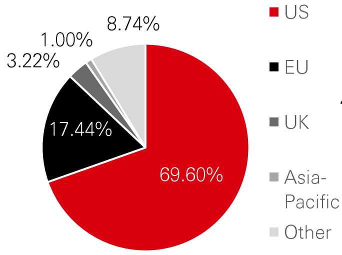
Duration



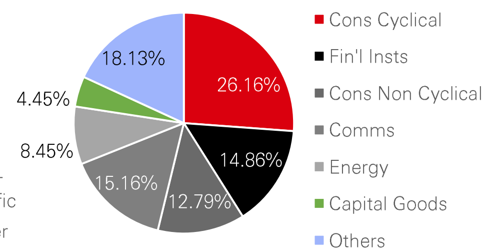
Ratings



Regional Exposures



Sector allocation



Key risks

Risk Considerations. There is no assurance that a portfolio will achieve its investment objective or will work under all market conditions. The value of investments may go down as well as up and you may not get back the amount originally invested. Portfolios may be subject to certain additional risks, which should be considered carefully along with their investment objectives and fees.

Exchange rate risk Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.

Foreign and emerging markets risks. Investments in foreign markets involve risks such as currency rate fluctuations, potential differences in accounting and taxation policies, as well as possible political, economic, and market risks. These risks are heightened for investments in emerging markets which are also subject to greater illiquidity and volatility than developed foreign markets.

High yield risk. Investments in high yield securities (commonly referred to as "junk bonds") are often considered speculative investments and have significantly higher credit risk than investment grade securities. The prices of high yield securities, which may be less liquid than higher rated securities, may be more volatile and more vulnerable to adverse market, economic or political conditions.

Asset-backed securities (ABS) are bonds that are created from various types of consumer debt. They are subject to additional risks such as prepayment risk, liquidity risk, default risk and adverse economic developments.

Liquidity risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.

Counterparty risk. The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.

Operational risk may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

Derivatives risk Derivatives 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 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

Interest rate risk When interest rates rise, bond values generally fall. This risk is generally greater the longer the maturity of a bond investment and the higher its credit quality.

Default risk. The issuers of certain bonds could become unwilling or unable to make payments on their bonds.

Credit risk. A bond or money market security could lose value if the issuer's financial health deteriorates.

Investment fund risk. Investing in other funds involves certain risks an investor would not face if investing in markets directly. Governance of underlying assets can be the responsibility of third-party managers.

CoCo bond risk. Contingent convertible securities (CoCo bonds) are comparatively untested, their income payments may be cancelled or suspended, and they are more vulnerable to losses than equities and can be highly volatile.

Important information

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