

## HSBC Global Investment Funds

# GLOBAL EMERGING MARKETS BOND

Monthly report 31 July 2022 | Share class PD



### Investment objective

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



### Investment strategy

The Fund is actively managed. 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.
- 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	<b>USD 13.34</b>
Performance 1 month	<b>1.95%</b>
Yield to maturity	<b>7.97%</b>

#### Fund facts

UCITS V compliant	<b>Yes</b>
Subscription mode	<b>Cash</b>
Dividend treatment	<b>Distributing</b>
Distribution Frequency	<b>Annually</b>
Dividend ex-date	<b>6 July 2022</b>
Dividend annualised yield	<b>3.86%</b>
Last Paid Dividend	<b>0.505912</b>
Dealing frequency	<b>Daily</b>
Valuation Time	<b>17:00 Luxembourg</b>
Share Class Base Currency	<b>USD</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>9 July 1999</b>
Fund Size	<b>USD 1,354,934,139</b>
Reference benchmark	<b>100% JP Morgan EMBI Global Diversified</b>
Managers	<b>Jaymeson Paul Kumm Scott Davis</b>

#### Fees and expenses

Minimum initial investment (SG) <sup>1</sup>	<b>USD 1,000</b>
Maximum initial charge (SG)	<b>3.000%</b>
Management fee	<b>1.000%</b>

#### Codes

ISIN	<b>LU0099919721</b>
Bloomberg ticker	<b>HSBCGLM LX</b>

<sup>1</sup>Please note that initial minimum subscription may vary across different distributors

Performance is annualised when calculation period is over one year. Past performance does not predict future returns.

Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark

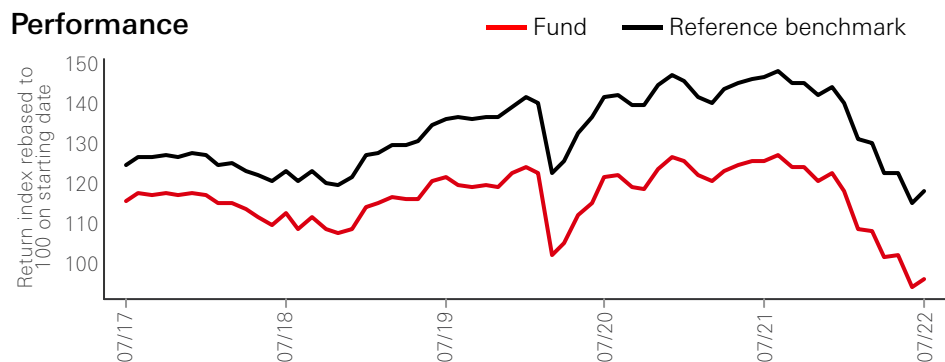
\*Share class denoted with "(Net)" refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied.

This is a marketing communication. Please refer to the prospectus and to the KIID before making any final investment decisions.

Reference Performance Benchmark: JP Morgan EMBI Global Diversified since 8 Dec 2020. Previously JP Morgan EMBI Global from 1 Jan 2000 to 7 Dec 2020. Prior to that, the benchmark was JP Morgan EMBI.

Source: HSBC Asset Management, data as at 31 July 2022

## Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
<b>PD</b>	<b>-21.54</b>	<b>1.95</b>	<b>-5.68</b>	<b>-18.65</b>	<b>-23.58</b>	<b>-7.51</b>	<b>-3.65</b>
PD (Net)*	-23.82	-1.02	-8.42	-21.02	-25.80	-8.42	-4.22
Reference benchmark	-18.01	2.89	-3.48	-15.60	-19.28	-4.51	-1.02

Calendar year performance (%)	2017	2018	2019	2020	2021
<b>PD</b>	<b>7.93</b>	<b>-7.58</b>	<b>12.55</b>	<b>3.45</b>	<b>-3.33</b>
PD (Net)*	4.79	-10.28	9.27	0.44	-6.14
Reference benchmark	9.32	-4.61	14.42	5.71	-1.80

3-Year Risk Measures	PD	Reference benchmark	5-Year Risk Measures	PD	Reference benchmark
Volatility	14.31%	11.50%	Volatility	11.96%	9.63%
Sharpe ratio	-0.57	-0.45	Sharpe ratio	-0.41	-0.24
Tracking error	3.48%	--	Tracking error	2.96%	--
Information ratio	-0.86	--	Information ratio	-0.89	--

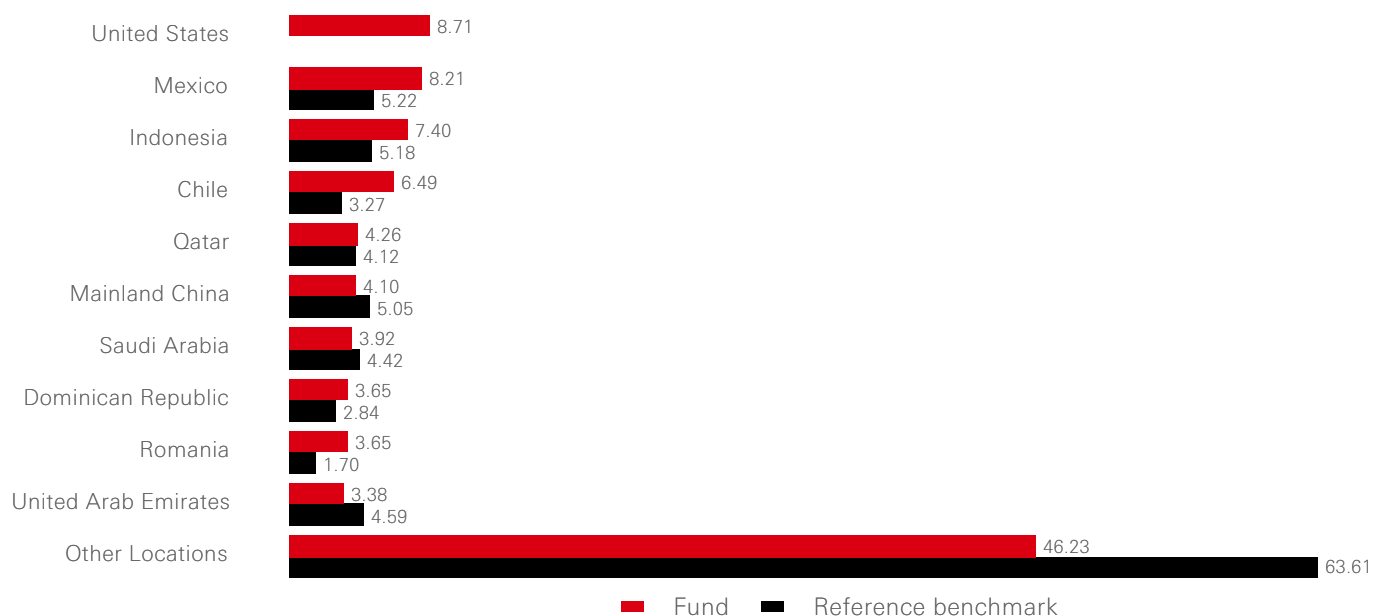
Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	281	945	--
Average coupon rate	4.48	5.05	-0.58
Yield to worst	7.51%	7.54%	-0.03%
Option Adjusted Duration	6.62	7.03	-0.41
Modified Duration to Worst	6.67	7.02	-0.35
Option Adjusted Spread Duration	6.78	6.97	-0.19
Average maturity	10.97	11.83	-0.87
Rating average	BBB/BBB-	BBB-/BB+	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (%)	Fund	Reference benchmark	Relative
AAA	-6.88	--	-6.88	0-2 years	16.44	10.32	6.12
AA	7.21	7.38	-0.17	2-5 years	12.21	23.18	-10.98
A	13.62	16.22	-2.60	5-10 years	34.94	28.68	6.26
BBB	25.80	28.45	-2.65	10+ years	36.42	37.82	-1.40
BB	18.39	22.12	-3.72				
B	21.87	21.11	0.76				
CCC	3.63	2.38	1.25				
CC	1.01	0.58	0.43				
C	0.58	0.40	0.18				
D	0.55	0.74	-0.19				
NR	1.92	0.63	1.29				
Cash	13.75	--	13.75				

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Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark  
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Source: HSBC Asset Management, data as at 31 July 2022

Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	101.01	100.00	1.01
SGD	0.01	--	0.01
CHF	0.01	--	0.01
AUD	0.00	--	0.00
BRL	0.00	--	0.00
GBP	0.00	--	0.00
COP	0.00	--	0.00
ZAR	0.00	--	0.00
PLN	0.00	--	0.00
MXN	0.00	--	0.00
Other Currencies	-1.03	--	-1.03

#### Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Government	52.53	81.35	-28.82
Energy	20.95	9.58	11.37
Basic Materials	3.86	1.97	1.89
Utilities	3.34	2.67	0.67
Financial	2.75	2.55	0.20
Communications	1.68	--	1.68
Industrial	1.57	1.15	0.42
Consumer Non cyclical	0.88	0.59	0.29
Consumer Cyclical	0.15	0.13	0.01
Cash	13.75	--	13.75
Cash Offset	-1.45	--	-1.45

Top 10 Holdings	Weight (%)
QATAR ENERGY 2.250 12/07/31	1.86
PETROLEOS MEXICA 6.700 16/02/32	1.85
PETROLEOS MEXICA 6.500 13/03/27	1.61
IVORY COAST-PDI 6.125 15/06/33	1.45
DOMINICAN REPUBL 5.500 22/02/29	1.33
ROMANIA 3.625 27/03/32	1.07
GALAXY PIPELINE 2.625 31/03/36	1.07
PANAMA 3.870 23/07/60	1.05
DOMINICAN REPUBL 4.500 30/01/30	1.04
COLOMBIA REP OF 4.125 22/02/42	1.00

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

## Monthly performance commentary

### Monthly market review

The EMD asset class rebounded in July overlooking high inflation and tightening financial conditions. Spreads on hard currency bonds tightened, while local rates rallied with falling UST yields. The US dollar was stronger putting pressure on EM currencies. The EM backdrop continued to be a challenge with persistent global inflation and growth concerns, but investors were able to overcome those worries in July. We continue to see interest rate hikes within EM countries such as Colombia, Korea, the Philippines and South Africa in July. Additionally, the FOMC continued their rate hiking cycle with another 75bps hike, giving guidance that they will slow the pace of hikes at some point. In China, the country sticks to their zero-Covid policy with continue lockdowns, in addition to a worsening property sector. Lastly, the scheduled maintenance of the Nord Stream 1 was completed and the pipeline was turned back on, but with only a fraction of the gas being deliver than before. This possesses a challenge for Europe, and we could see developed Europe tip into a recession as well as having an impact of the CEE region. EM bond fund flows continued to experience outflows over the month, erasing the inflows seen in 2021. Total flows from the EM debt assets was roughly -\$6.6bn, with -\$3.1bn exiting EM hard currency and -\$3.4bn flowing out of EM local currency.

Over the month, the EMD asset classes experienced the following returns:

- Hard currency sovereign bonds returned: 2.89% (JP Morgan EMBI Global Diversified)  
Investment Grade: 3.39%  
High Yield: 2.35%
- Hard currency sovereign bonds ESG returned: 3.20% (JP Morgan ESG EMBI Global Diversified)
- Hard currency corporate bonds returned: 1.30% (JP Morgan CEMBI Diversified)
- Local bonds returned: 0.29% (JP Morgan GBI-EM Global Diversified)
- Local bonds ESG returned: 0.47% (JP Morgan ESG GBI-EM Global Diversified)
- Local currencies returned: -0.81% (JP Morgan ELMI+)

### Performance

EM hard currency assets posted positive returns over the month as spreads tightened despite surging inflation and recessionary risks. The strategy underperformed the benchmark over the period. In terms of detractors, off-benchmark exposure to corporates and the underweight to duration position hurt relative returns over the period. Security selection within Kazakhstan, primarily the quasi-sovereign, detracted from relative returns. The underweight to Brazil and South Africa detracted from relative returns as these countries outperformed the broader universe. The curve positioning within Egypt hurt relative performance over the period. The positioning within Sri Lanka hurt relative returns as the country works its way through a default. Lastly, the overweight to Ukraine hurt relative returns as the country continues its geo-political conflict with Russia. In terms of contributors, security selection within Indonesia and Mexico, primarily the quasi-sovereigns, added to relative returns. The overweight to Dominican Republic added to relative returns as the country outperformed the broader universe. The underweight to China and UAE added to relative returns as the countries underperformed the broader universe. Lastly, the overweight to Romania added to relative returns over the month.

### Positioning

The strategy continued with the underweight position to duration relative to the benchmark of roughly -0.40 years. In terms of spread duration, we continue with the underweight relative to the benchmark of -0.28 years. Over the month, we trimmed positions that don't offer much value any more, such as Argentina and Sri Lanka, as well as took profits from some relative value trades.

### Outlook

Emerging Market (EM) assets have experienced a sharp sell-off following several recent shocks that include debt rollover in part related to emergency Covid financing, a slowing China adapting to a new economic model, an intense conflict between Russia and Ukraine, elevated inflation exacerbated by chronic and severe global supply chain issues, and a coordinated cycle of global central bank policy tightening. Negative performance owing to an unprecedented combination of rising global rates and extreme spread widening has been further exacerbated in recent weeks by persistent outflows in a market of poor and seasonally low liquidity. We believe that market pricing has fundamentally overshot because of the extreme selling and poor market technicals, with EMBI Global Diversified spreads reaching the important level of 600. 600 is a crisis level that we have only surpassed twice in the past 20 years, for four months during the 2008 Global Financial Crisis, and for a few short weeks in March 2020. In other words, this is a level that we don't stay at for long once we have reached it, and it is now difficult for us to reach any forecast other than a recovery in spreads and returns in double-digits over the remainder of the year, with relatively high conviction. This can be seen most significantly in HY issuers that are now trading at levels representing extreme market stress with over 10% of the EM sovereign index currently trading below a dollar price of 50, including even high-quality bonds, due to the long duration nature of the asset class and the underappreciated effect of convexity when starting at such low yield levels from the Quantitative Easing period. Given the disproportionate sell-off in EM compared to other Fixed Income asset classes, relative valuations look extremely attractive today both in time series and in relative value terms, particularly for HY. Our

**The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.**  
**Source: HSBC Asset Management, data as at 31 July 2022**

## 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.
- 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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## 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 31 July 2022**

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## Glossary



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Company Registration No. 198602036R

Should there be any discrepancy, the English version shall prevail. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

## Supplemental information sheet

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AC USD	-21.66	1.91	-5.75	-18.76	-23.78	-7.75	-3.89
AC USD (Net)*	-23.95	-1.06	-8.50	-21.13	-26.00	-8.65	-4.46
AD EUR	-12.62	4.51	-2.47	-10.67	-11.34	-5.00	-1.06
AD EUR (Net)*	-15.16	1.47	-5.31	-13.27	-13.93	-5.93	-1.64
AD SGD	-19.63	1.29	-5.60	-16.90	-22.14	-7.42	-3.53
AD SGD (Net)*	-21.97	-1.66	-8.35	-19.32	-24.41	-8.33	-4.10
AD USD	-21.65	1.93	-5.73	-18.75	-23.77	-7.74	-3.89
AD USD (Net)*	-23.93	-1.04	-8.48	-21.11	-25.99	-8.65	-4.45
AM2 SGD	-19.66	1.27	-5.61	-16.92	-22.17	-7.42	-3.53
AM2 SGD (Net)*	-22.00	-1.68	-8.36	-19.34	-24.44	-8.33	-4.10
AM2 USD	-21.68	1.91	-5.75	-18.77	-23.79	-7.74	-3.89
AM2 USD (Net)*	-23.96	-1.06	-8.50	-21.14	-26.01	-8.65	-4.46
AM3HAUD AUD	-22.12	1.85	-6.04	-19.19	-24.35	-8.68	-4.68
AM3HAUD AUD (Net)	-24.38	-1.11	-8.77	-21.54	-26.55	-9.57	-5.24
*							
AM3HEUR EUR	-22.62	1.65	-6.37	-19.69	-25.04	-9.36	-6.01
AM3HEUR EUR (Net)*	-24.88	-1.31	-9.09	-22.03	-27.23	-10.25	-6.57
AM3HSGD SGD	-21.82	1.89	-5.82	-18.91	-23.95	-8.19	-4.50
AM3HSGD SGD (Net)*	-24.09	-1.08	-8.56	-21.27	-26.16	-9.09	-5.06
PD EUR	-12.49	4.53	-2.41	-10.56	-11.12	-4.76	-0.81
PD EUR (Net)*	-15.04	1.48	-5.25	-13.17	-13.71	-5.69	-1.39
PD SGD	-19.52	1.30	-5.54	-16.80	-21.95	-7.19	-3.29
PD SGD (Net)*	-21.86	-1.65	-8.29	-19.22	-24.22	-8.10	-3.86
PD USD	-21.54	1.95	-5.68	-18.65	-23.58	-7.51	-3.65
PD USD (Net)*	-23.82	-1.02	-8.42	-21.02	-25.80	-8.42	-4.22

Performance is annualised when calculation period is over one year. Past performance does not predict future returns.

Fund return: NAV-to-NAV basis or Bid-to-Bid 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.

Source: HSBC Asset Management, data as at 31 July 2022



## Supplemental information sheet

Calendar year performance (%)	2017	2018	2019	2020	2021
AC USD	7.66	-7.82	12.27	3.19	-3.57
AC USD (Net)*	4.52	-10.50	9.00	0.19	-6.38
AD EUR	-5.43	-3.17	14.34	-5.33	3.75
AD EUR (Net)*	-8.19	-5.99	11.01	-8.09	0.73
AD SGD	-0.41	-5.98	10.76	1.43	-1.64
AD SGD (Net)*	-3.31	-8.72	7.54	-1.53	-4.50
AD USD	7.66	-7.81	12.27	3.19	-3.57
AD USD (Net)*	4.53	-10.50	9.00	0.19	-6.38
AM2 SGD	-0.41	-5.99	10.75	1.45	-1.63
AM2 SGD (Net)*	-3.31	-8.73	7.53	-1.51	-4.50
AM2 USD	7.66	-7.83	12.26	3.21	-3.56
AM2 USD (Net)*	4.52	-10.51	8.99	0.21	-6.37
AM3HAUD AUD	8.01	-8.36	11.01	1.69	-4.01
AM3HAUD AUD (Net)*	4.86	-11.03	7.78	-1.27	-6.80
AM3HEUR EUR	5.37	-10.58	8.86	1.34	-4.54
AM3HEUR EUR (Net)*	2.30	-13.19	5.69	-1.62	-7.32
AM3HSGD SGD	7.01	-8.71	11.35	2.38	-3.72
AM3HSGD SGD (Net)*	3.90	-11.37	8.11	-0.60	-6.52
PD EUR	-5.20	-2.92	14.62	-5.09	4.01
PD EUR (Net)*	-7.96	-5.75	11.28	-7.86	0.99
PD SGD	-0.16	-5.74	11.03	1.68	-1.39
PD SGD (Net)*	-3.07	-8.49	7.80	-1.28	-4.26
PD USD	7.93	-7.58	12.55	3.45	-3.33
PD USD (Net)*	4.79	-10.28	9.27	0.44	-6.14

Performance is annualised when calculation period is over one year. Past performance does not predict future returns.

Fund return: NAV-to-NAV basis or Bid-to-Bid 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.

Source: HSBC Asset Management, data as at 31 July 2022

## Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
AD	USD	Annually	6 July 2022	0.705439	3.51%
AM2	USD	Monthly	27 July 2022	0.099256	8.58%
AM3HAUD	AUD	Monthly	27 July 2022	0.033656	8.22%
AM3HEUR	EUR	Monthly	27 July 2022	0.023413	5.80%
AM3HSGD	SGD	Monthly	27 July 2022	0.033548	8.20%
PD	USD	Annually	6 July 2022	0.505912	3.86%

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 July 2022

## Supplemental information sheet

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	6 January 2011	LU0566116140	USD	USD 5,000	30.63	1.250%	Accumulating
AD	11 January 2011	LU0566116223	USD	USD 5,000	20.44	1.250%	Distributing
AM2	5 January 2011	LU0571531218	USD	USD 5,000	14.77	1.250%	Distributing
AM3HAUD	4 September 2012	LU0798789524	AUD	USD 5,000	5.21	1.250%	Distributing
AM3HEUR	12 September 2012	LU0798789797	EUR	USD 5,000	5.08	1.250%	Distributing
AM3HSGD	18 September 2012	LU0818609710	SGD	USD 5,000	5.21	1.250%	Distributing
PD	9 July 1999	LU0099919721	USD	USD 50,000	13.34	1.000%	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.**