

HSBC Global Investment Funds

GLOBAL EMERGING MARKETS BOND

Monthly report 29 February 2024 | Share class AM2

Fund center



Risk Disclosure

- The Fund invests mainly in emerging markets fixed income securities.
- The Fund may have substantial investments in securities issued by a single sovereign issuer with a non-investment grade credit rating and is subject to higher concentration risk, sovereign risk and credit risk.
- The Fund may pay dividends out of capital or gross of expenses. Dividend is not guaranteed and may result in capital erosion and reduction in net asset value.
- The Fund may invest in financial derivative instruments for investment purpose which may lead to higher volatility to its net asset value.
- The Fund's investments may involve substantial credit, credit rating, currency, volatility, liquidity, interest rate, valuation, sovereign debt, general debt securities, non-investment grade and unrated debt securities, geographic concentration, emerging markets, tax and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Portfolio Currency Hedged Share Classes are subject to higher currency and exchange rate risks.
- Investors should not invest solely based on factsheet and should read the offering documents for details.

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.

Share Class Details

Key metrics

NAV per Share	USD 14.35
Yield to maturity	11.75%

Fund facts

UCITS V compliant	Yes
Dividend treatment	Distributing
Distribution Frequency	Monthly
Dividend ex-date	29 February 2024
Dividend annualised yield*	8.42%
Dividend Amount	0.096989
Dealing frequency	Daily
Share Class Base Currency	USD
Domicile	Luxembourg
Inception date	5 January 2011
Fund Size	USD 1,079,508,017
Reference benchmark	100% JP Morgan EMBI Global Diversified
Managers	Scott Davis Jaymeson Paul Kumm

Fees and expenses

Minimum initial investment (HK) ¹	USD 1,000
Maximum initial charge (HK)	3.000%
Management fee	1.250%

Codes

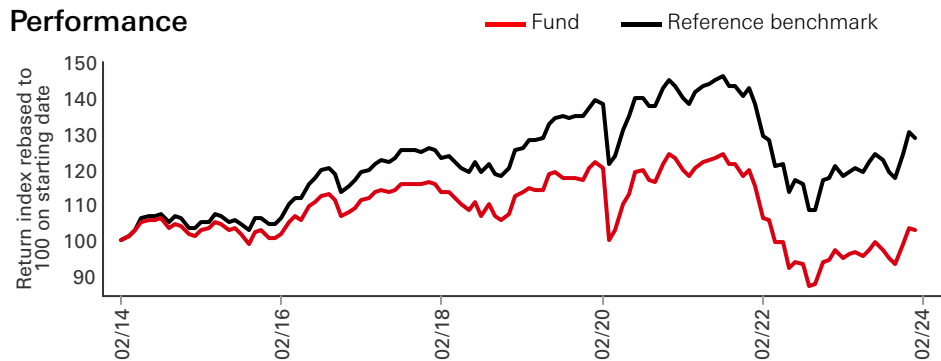
ISIN	LU0571531218
Bloomberg ticker	HSGEMAM LX

¹Please 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. 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. Fund change that may have material impact on performance: 21 May 2007 – investment objective changed. 1 Jan 2011 – fee structure changed. 16 Sep 2013 – investment objective changed. 16 Nov 2018 - Change in the manner of charging sales charge / switching charge.

For definition of terms, please refer to the Glossary QR code.
 Source: HSBC Asset Management, data as at 29 February 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years	5 years
AM2	0.08	1.08	4.92	6.55	9.12	-13.36	-8.53
Reference benchmark	-0.05	0.98	4.68	6.27	10.05	-7.00	3.20

Calendar year performance (%)	2019	2020	2021	2022	2023
AM2	12.26	3.21	-3.56	-21.36	10.12
Reference benchmark	14.42	5.71	-1.80	-17.78	11.09

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	AM2	Reference benchmark	5-Year Risk Measures	AM2	Reference benchmark
Volatility	11.39%	10.63%	Volatility	12.91%	11.00%
Sharpe ratio	-0.62	-0.45	Sharpe ratio	-0.29	-0.12
Tracking error	1.64%	--	Tracking error	2.79%	--
Information ratio	-1.39	--	Information ratio	-0.86	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	259	959	--
Average coupon rate	6.25	5.38	0.87
Portfolio yield	11.74%	8.44%	3.29%
Effective duration	6.68	6.49	0.18
Average maturity	11.49	11.13	0.35
Average Credit Quality	BB+/BB	BBB-/BB+	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (%)	Fund	Reference benchmark	Relative
AAA	25.43	--	25.43	0-2 years	-5.23	10.88	-16.11
AA	4.00	6.41	-2.41	2-5 years	44.06	24.70	19.36
A	8.36	15.69	-7.34	5-10 years	25.80	30.13	-4.33
BBB	24.67	27.74	-3.07	10+ years	35.37	34.29	1.08
BB	22.20	22.30	-0.10				
B	17.14	18.90	-1.76				
CCC	7.19	5.77	1.41				
CC	0.44	0.80	-0.36				
C	0.27	0.04	0.23				
D	3.84	2.21	1.63				
NR	-2.34	0.12	-2.46				
Cash	6.21	--	6.21				
Cash Offset	-17.40	--	-17.40				

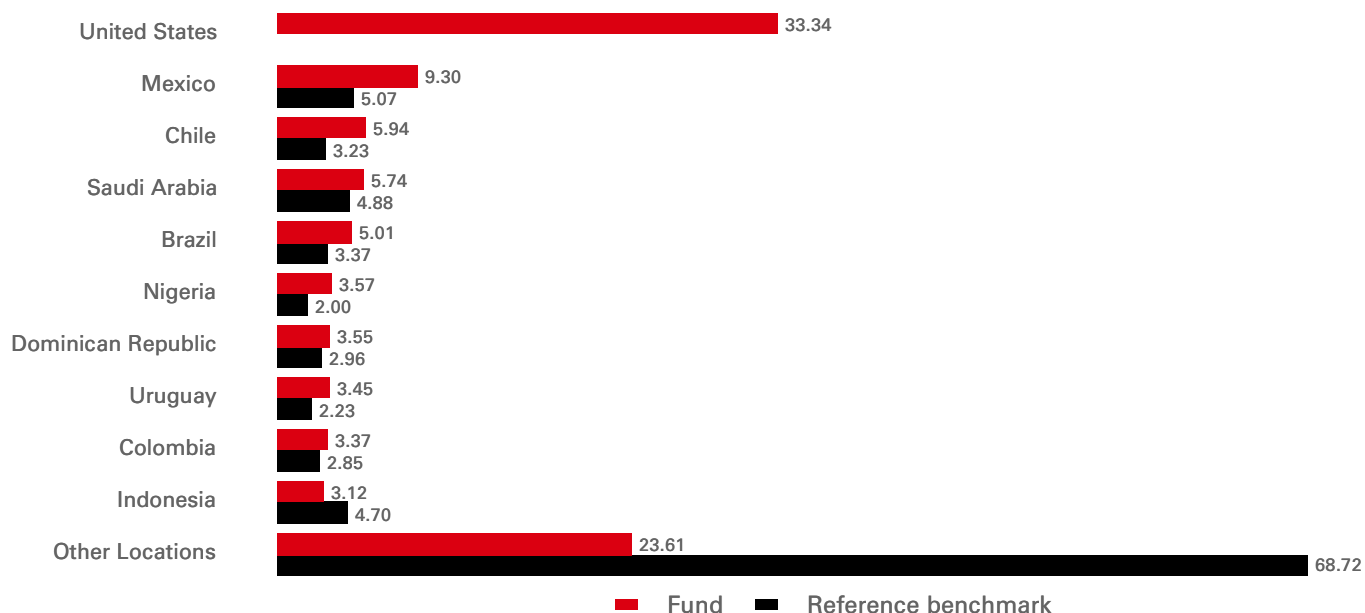
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Currency Allocation (%)	Fund	Reference benchmark	Relative
USD	99.51	100.00	-0.49
BRL	1.20	--	1.20
IDR	0.60	--	0.60
MXN	0.39	--	0.39
SGD	0.02	--	0.02
CHF	0.01	--	0.01
AUD	0.01	--	0.01
ZAR	0.00	--	0.00
PLN	0.00	--	0.00
HKD	0.00	--	0.00
Other Currencies	-1.74	--	-1.74

Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Government	83.29	83.06	0.23
Energy	14.44	7.75	6.70
Financial	5.52	3.51	2.01
Basic Materials	4.52	1.82	2.70
Utilities	3.48	2.26	1.22
Industrial	1.15	0.82	0.33
Consumer Non cyclical	0.85	0.64	0.21
Communications	0.34	--	0.34
Consumer Cyclical	--	0.13	-0.13
credit default swap index	-2.41	--	-2.41
Other Sectors	-17.40	--	-17.40
Cash	6.21	--	6.21

Top 10 Holdings	Weight (%)
DOMINICAN REPUBBL 5.500 22/02/29	1.80
URUGUAY 5.750 28/10/34	1.29
BRAZIL NTN-F 10.000 01/01/33	1.20
PETROLEOS MEXICA 7.690 23/01/50	1.17
QATAR STATE OF 5.103 23/04/48	1.10
CODELCO INC 5.125 02/02/33	1.05
IVORY COAST-PDI 6.125 15/06/33	1.05
PETROLEOS MEXICA 6.500 13/03/27	1.01
URUGUAY 5.100 18/06/50	0.99
ABU DHABI GOVT 4.125 11/10/47	0.94

Monthly performance commentary

Market review

EMD assets were mixed over the month as US growth and inflation surprised to the upside. Hard currency returns were able to continue their positive momentum as spreads tightened, while local bonds were negative given the stronger dollar. EMFX was able to outperform USD given the high carry of the asset class. Performance for February was largely driven by the stronger-than-expected data coming from the US, which led to higher rates and tighter spreads. Emerging market spreads continued to be resilient given the supportive macro backdrop, despite another wave of new issuance and high core rates. Yields in local markets pushed higher with USTs as volatility in rates was brought on by stronger data which then stabilized in the later part of the month as US retail sales came in weaker. In addition, the stronger data led to a strengthening of the dollar which also put pressure on EM local debt. EM central banks remain mixed, with additional countries having signaled willingness to diverge from the Fed. On a technical standpoint, net new issuance in February remained positive for both hard currency and corporates, with a combined \$17bn in new issues. Lastly, flows into EMD remained negative, with hard currency retail funds remaining the bulk of the outflows.

Performance

EM hard currency assets posted positive returns in February as spreads grinded tighter following global macro/geopolitical developments which have been supportive. The fund outperformed the benchmark during the month. The outperformance experienced over the month was mainly driven by asset allocation. The overweight to high yield credits relative to an underweight to tight investment grade credits was a main contributor to relative returns. The overweight position to Egypt added to relative returns as the market priced out liquidity risks due to expectations of more support from the IMF and inflows from a FDI deal with the UAE. The overweight positions to high yield credits such as Ecuador and Argentina added to relative returns. The structural overweight to Latam investment grade vs an underweight to Asian investment grade benefitted relative performance as tight Asia credits lagged the investment universe. Lastly, security selection in Brazilian corporates and Peruvian quasi-sovereigns added to relative returns over the month. In terms of detractors, the underweight to spread duration hurt relative returns as a supporting macro backdrop allowed for spread compression. The overweight to Ivory Coast hurt relative returns as the country lagged the broader universe as they brought new issuance to market. In addition, the overweight to El Salvador hurt relative returns as the country underperformed the broader universe based on negative headlines. Lastly, security selection in Indonesia hurt relative returns.

Positioning

We have slightly increased the underweight to spread duration and remain neutral duration looking for opportunities to add back exposure to spreads into any widening. We remain active in new issues, looking to take advantage of new issue concessions to generate incremental performance for the fund. We are potentially looking to increase off benchmark exposure to local markets to take advantage of relative value opportunities.

Outlook

We believe the backup in rates year to date provides an interesting entry point for Emerging Markets Debt in 2024. Carry remains very attractive despite the compression in spreads, and as a long duration asset class EMD is poised to benefit in an outsized way from Federal Reserve policy easing in coming quarters. Our portfolios maintain conviction in long local rates views as emerging market economies have seen rapid disinflation and their central banks have largely been well ahead of the Fed in normalizing policy. Countries like Brazil, Indonesia, Mexico, Peru, and South Africa are likely to see local bond yields drop significantly in 2024 as rate cuts continue around the world. The weakening in EM currencies as US rates have edged up recently is likely to reverse in coming months as interest rates inevitably come down. We find value in a number of EM currencies such as Chile, Hungary, India, and Malaysia, and we anticipate something on the order of a 7% EM FX return at the portfolio level for the remainder of the year. Although EM credit spreads optically appear at the richer end of historical valuations, we acknowledge that high yield spreads tend to remain rich during periods of financial conditions easing such as we are in now. Spreads are also benefitting from fundamental factors as growth across EM regions is improving even as it slows in developed economies, and country ratings upgrades after years of downward momentum mark a long-term inflection point and should spell markedly lower default rates than in US or European credit markets over the next year or two. The period between the Fed's last rate hike and the first rate cut tends to be the sweet spot for the EMD asset class historically, when improving liquidity in markets leads to suppressed volatility and euphoric returns. This is in line with asset class returns at similar past cycle inflection points (1999, 2003, 2009, 2012, 2019) and is often the environment in which bonds outperform equities.

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For more information please contact us
at Tel: 852 2284 1111.

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Glossary



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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.

Important Information

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Source: HSBC Asset Management, data as at 29 February 2024

Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Dividend Amount	Annualised Yield based on ex-dividend date
AC	USD	--	--	--	--
ACHKD	HKD	--	--	--	--
AM2	USD	Monthly	29 February 2024	0.096989	8.42%
AM2	USD	Monthly	31 January 2024	0.096249	8.39%
AM2	USD	Monthly	28 December 2023	0.100728	8.64%
AM2	USD	Monthly	30 November 2023	0.096244	8.60%
AM2	USD	Monthly	31 October 2023	0.092140	8.65%
AM2	USD	Monthly	27 September 2023	0.095180	8.72%
AM2	USD	Monthly	30 August 2023	0.097080	8.62%
AM2	USD	Monthly	27 July 2023	0.099353	8.65%
AM2	USD	Monthly	27 June 2023	0.097144	8.51%
AM2	USD	Monthly	31 May 2023	0.095604	8.47%
AM2	USD	Monthly	28 April 2023	0.097695	8.53%
AM2	USD	Monthly	29 March 2023	0.097348	8.56%
AM2HKD	HKD	Monthly	29 February 2024	0.038269	8.42%
AM2HKD	HKD	Monthly	31 January 2024	0.037926	8.39%
AM2HKD	HKD	Monthly	28 December 2023	0.039700	8.64%
AM2HKD	HKD	Monthly	30 November 2023	0.037841	8.58%
AM2HKD	HKD	Monthly	31 October 2023	0.036342	8.65%
AM2HKD	HKD	Monthly	27 September 2023	0.037516	8.72%
AM2HKD	HKD	Monthly	30 August 2023	0.038408	8.62%
AM2HKD	HKD	Monthly	27 July 2023	0.039140	8.66%
AM2HKD	HKD	Monthly	27 June 2023	0.038357	8.50%
AM2HKD	HKD	Monthly	31 May 2023	0.037767	8.48%
AM2HKD	HKD	Monthly	28 April 2023	0.038670	8.53%
AM2HKD	HKD	Monthly	29 March 2023	0.038534	8.56%
AM3HAUD	AUD	Monthly	29 February 2024	0.028613	7.06%
AM3HAUD	AUD	Monthly	31 January 2024	0.028725	7.11%
AM3HAUD	AUD	Monthly	28 December 2023	0.030211	7.36%
AM3HAUD	AUD	Monthly	30 November 2023	0.028395	7.20%
AM3HAUD	AUD	Monthly	31 October 2023	0.026956	7.17%
AM3HAUD	AUD	Monthly	27 September 2023	0.027549	7.15%
AM3HAUD	AUD	Monthly	30 August 2023	0.028823	7.25%
AM3HAUD	AUD	Monthly	27 July 2023	0.030357	7.49%
AM3HAUD	AUD	Monthly	27 June 2023	0.027945	6.92%
AM3HAUD	AUD	Monthly	31 May 2023	0.026944	6.75%
AM3HAUD	AUD	Monthly	28 April 2023	0.027910	6.89%
AM3HAUD	AUD	Monthly	29 March 2023	0.028357	7.05%
AM3HEUR	EUR	Monthly	29 February 2024	0.026594	6.70%
AM3HEUR	EUR	Monthly	31 January 2024	0.025664	6.48%
AM3HEUR	EUR	Monthly	28 December 2023	0.027064	6.73%
AM3HEUR	EUR	Monthly	30 November 2023	0.026665	6.91%
AM3HEUR	EUR	Monthly	31 October 2023	0.025306	6.88%
AM3HEUR	EUR	Monthly	27 September 2023	0.025316	6.71%
AM3HEUR	EUR	Monthly	30 August 2023	0.025737	6.61%
AM3HEUR	EUR	Monthly	27 July 2023	0.025948	6.53%
AM3HEUR	EUR	Monthly	27 June 2023	0.024515	6.20%

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: $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n) - 1$, 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.

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Source: HSBC Asset Management, data as at 29 February 2024

Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Dividend Amount	Annualised Yield based on ex-dividend date
AM3HEUR	EUR	Monthly	31 May 2023	0.024107	6.17%
AM3HEUR	EUR	Monthly	28 April 2023	0.023715	5.97%
AM3HEUR	EUR	Monthly	29 March 2023	0.023926	6.07%
PD	USD	Annually	31 May 2023	0.595802	4.57%

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