

## HSBC Global Investment Funds

# SINGAPORE DOLLAR INCOME BOND

Monthly report 31 December 2023 | Share class AM2



### Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of bonds denominated in or hedged to Singapore dollars (SGD).



### Investment strategy

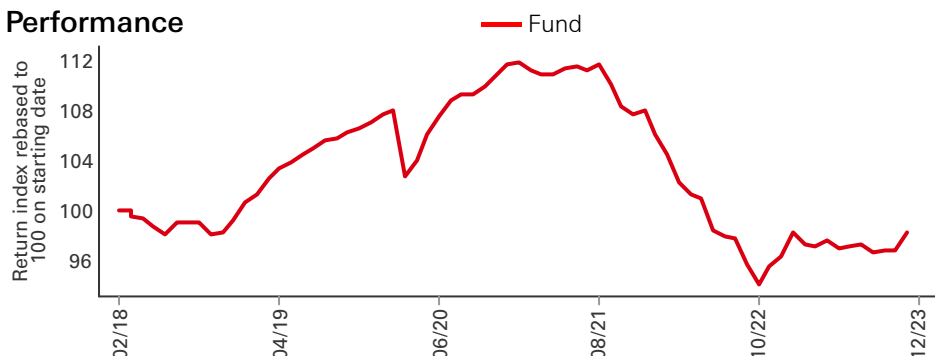
The Fund is actively managed and is not constrained by a benchmark. In normal market conditions, the Fund will invest at least 90% of its assets in investment grade bonds, non-investment grade bonds and unrated bonds issued by governments, government-related entities, supranational entities and companies that are based in or carry out the larger part of their business in Asia, either denominated in SGD or non-SGD currencies that are hedged back to SGD. The Fund may invest up to 30% in non-investment grade bonds, and invest up to 10% in asset-backed securities and mortgage-backed securities. The Fund may invest up to 10% in convertible bonds and up to 10% in contingent convertible securities. The Fund may invest up to 10% in other funds, including HSBC funds. 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.

### Performance



### Share Class Details

#### Key metrics

NAV per Share	<b>SGD 7.91</b>
Performance 1 month	<b>1.60%</b>
Yield to maturity	<b>5.41%</b>

#### Fund facts

UCITS V compliant	<b>Yes</b>
Subscription mode	<b>Cash / SRS (Supplementary Retirement Scheme)</b>
Dividend treatment	<b>Distributing</b>
Distribution Frequency	<b>Monthly</b>
Dividend ex-date	<b>28 December 2023</b>
Dividend annualised yield	<b>5.57%</b>
Last Paid Dividend	<b>0.035754</b>
Dealing frequency	<b>Daily</b>
Valuation Time	<b>17:00 Luxembourg</b>
Share Class Base Currency	<b>SGD</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>2 March 2018</b>
Fund Size	<b>SGD 226,166,200</b>
Managers	<b>William GOH Daniel Lam Sanjay B Shah</b>

#### Fees and expenses

Minimum initial investment (SG) <sup>1</sup>	<b>SGD 1,000</b>
Maximum initial charge (SG)	<b>3.000%</b>
Management fee	<b>0.800%</b>

#### Codes

ISIN	<b>LU1734076539</b>
Bloomberg ticker	<b>HSSDAM2 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. 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 December 2023

HSBC Global Investment Funds SINGAPORE DOLLAR INCOME BOND  
Monthly report 31 December 2023 | Share class AM2

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AM2	3.54	1.60	3.10	2.68	3.54	-3.67	0.13
AM2 (Net)*	0.52	-1.36	0.09	-0.31	0.52	-4.62	-0.46

Calendar year performance (%)	2019	2020	2021	2022	2023
AM2	7.97	4.30	-3.31	-10.71	3.54
AM2 (Net)*	4.82	1.27	-6.13	-13.31	0.52

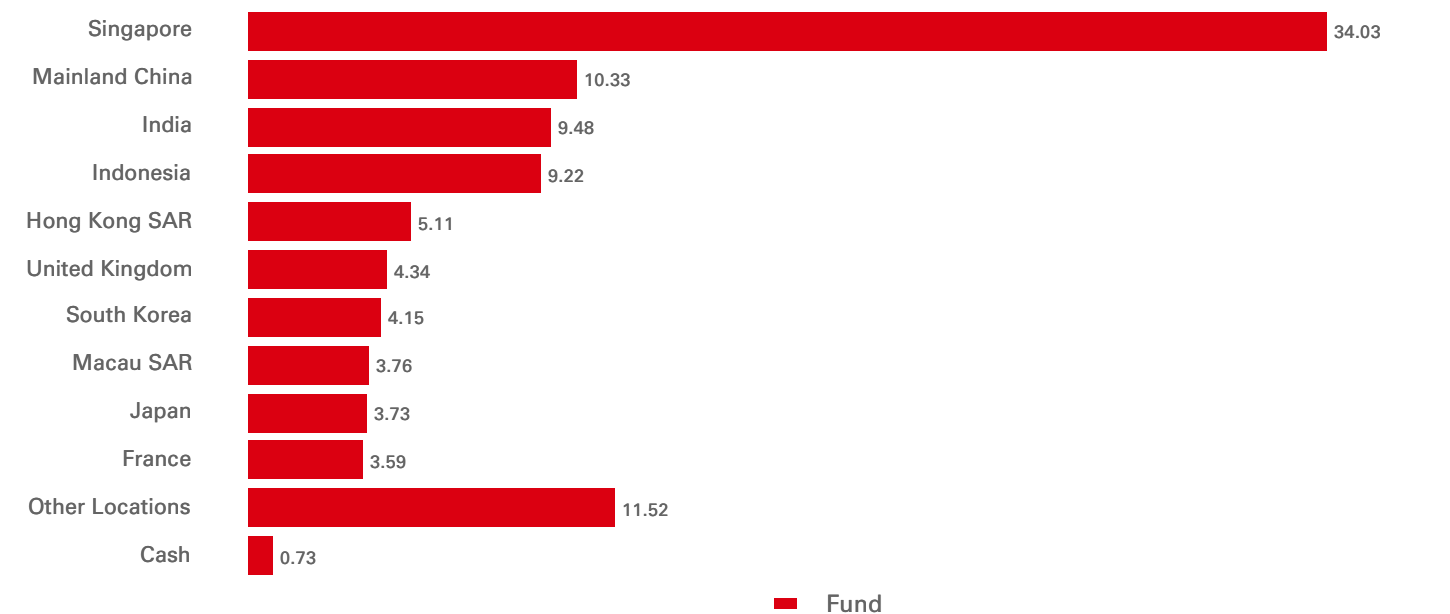
3-Year Risk Measures	AM2	Reference benchmark	5-Year Risk Measures	AM2	Reference benchmark
Volatility	3.70%	--	Volatility	4.13%	--
Sharpe ratio	-1.58	--	Sharpe ratio	-0.41	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	206	--	--
Average coupon rate	4.30	--	--
Yield to worst	5.34%	--	--
Current yield	4.53%	--	--
OAD	4.04	--	--
Option Adjusted Spread Duration	5.60	--	--
Average maturity	6.11	--	--
Rating average	BBB+/BBB	--	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (OAD)	Fund	Reference benchmark	Relative
AAA	12.64	--	--	0-2 years	0.15	--	--
AA	2.94	--	--	2-5 years	1.14	--	--
A	19.39	--	--	5-10 years	1.66	--	--
BBB	35.29	--	--	10+ years	1.08	--	--
BB	16.49	--	--	<b>Total</b>	<b>4.04</b>	<b>--</b>	<b>--</b>
B	6.75	--	--				
CCC	1.93	--	--				
CC	0.43	--	--				
D	1.07	--	--				
NR	2.33	--	--				
Cash	0.73	--	--				

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.  
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Source: HSBC Asset Management, data as at 31 December 2023

## Geographical Allocation (%)



Sector Allocation (%)	Fund	Reference benchmark	Relative
Banks	22.50	--	--
Government	14.28	--	--
Reits	10.03	--	--
Consumer Cyclical	8.39	--	--
Industrial	6.13	--	--
Utilities	5.84	--	--
Diversified Finan serv	4.95	--	--
Energy	4.95	--	--
Insurance	4.79	--	--
Consumer Non cyclical	3.91	--	--
Other Sectors	13.50	--	--
Cash	0.73	--	--

Top 10 Holdings	Weight (%)
BOC AVIATION 3.930 11/05/25	2.65
AIA GROUP 2.900	2.65
SINGAPORE GOV'T 3.000 01/08/72	2.40
MPACT TREASURY 3.110 24/08/26	2.40
CHANGI AIRPORT G 1.880 12/05/31	2.16
UNITED OVERSEAS 2.250	1.93
BARCLAYS PLC 8.300	1.61
NATIONAL ENV AG 2.500 15/09/51	1.60
HUARONG FINANCE 3.800 07/11/25	1.57
MPACT TREASURY 3.045 27/08/27	1.51

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

## Monthly performance commentary

### Review

Over the month, the treasury curve shifted downwards as disinflation trends continued and the market reassessed the 'higher for longer' narrative amid increased expectations of rate cuts in 2024. The Fed revised up near-term growth, revised down inflation in the coming years and continued to predict a limited rise in unemployment. It also pivoted towards deeper-than-expected rate cuts in 2024. Overall, 2-year treasury yields declined by 43bps and 10-year yields dropped 45 bps. Following US Treasury curve, Singapore sovereign yield curve shifted lower over the month. Singapore's November core CPI (excluding private road transport and accommodation) rose on both MoM and YoY basis, in line with expectations. Goods inflation picked up slightly, while services inflation continued to ease gradually. The downtrend in food prices has somewhat halted. Headline inflation rose YoY while falling MoM. Singapore's November manufacturing production came in weaker than expected, down MoM but up YoY. The weaker-than-expected print was driven by tech and non-tech/biomedical, with a partial offset from the volatile biomedical component. Within tech, the main drag came from semiconductor production. The Asia credit market posted strong returns in December. US Treasuries rallied, with yields across all tenors moving lower. The decline in yields was spurred by signs of cooling inflation across developed markets and dovish notes from the Fed. Overall, 2-year treasury yields fell 43bps while 10-year yields fell 45 bps. Investment grade (IG) bonds outperformed high yield (HY) bonds as IG spreads tightened whilst HY spreads widened. In the IG space, the best performer was India infrastructure due to positive headlines on a conglomerate's acquisition. India industrial and Macau consumer also saw spreads tightening due to buoyant market sentiment on dovish Fed comments. On the other hand, Indonesia and Philippines TMT were top detractors. Korea infrastructure also saw spreads widening. In the HY arena, the best performers were Sri Lanka sovereign and quasi-sovereign as there was progress on the IMF bailout after the country struck the debt restructuring deal with China. India metals & mining also saw spread compression on positive development around the liability management exercise of a company. On the contrary, China oil & gas was top detractor due to the lingering concerns on China's weak economic conditions. China real estate saw spreads widening as property sales remained tepid. Cambodia consumer also underperformed.

### Strategy

The fund ended December higher with duration exposure contributed the most given the downward shifting sovereign yield curve. Meanwhile, credit exposure also added value, mainly from Macau gaming and India HY renewables. Elsewhere, yield carry continued to lift the returns as the fund continued to maintain a decent yield.

The fund's duration was being managed at around four years. Over the month, the fund increased exposure to Indonesia property and Japan financials, while trimming exposure to Singapore property. Meanwhile, it continues to hold a meaningful size of SGD denominated investment grade bonds. At the same time, it also diversifies into the USD Asian credit market which offers a wider selection of bonds across the credit rating spectrum than the SGD bond market. From a sectoral standpoint, the fund prefers corporates over sovereigns and agency bonds. The fund has a major allocation to Singapore REITs for their stable income. We also favour bank subordinated debt such as those from Singapore, Europe and broader Asia Pacific region given their relatively defensive nature and attractive yields. Also, the fund is exposed to China financials, Macau gaming and India renewables. Moreover, it holds a certain exposure to high quality quasi-sovereign names in Singapore for yield carry.

### Outlook


The Monetary Authority of Singapore (MAS) has kept its monetary policy unchanged at its last policy meeting in October and we expect no change in MAS's monetary policy in near-term due to the sticky inflation. As per MAS's projection, core inflation in 2024 should moderate to an average of 2.5% to 3.5% while there are still inflationary risks on the back of the tight labour market and shocks to global energy and food prices. In our view, MAS has completed its tightening cycle and should be on hold for an extended period. If the disinflation trend continues in the coming months, this should allow MAS to embark its rate cut cycle in early 2024. In the latest global bond rally triggered by signs of disinflation in the US and the dovish Fed in December, the Singapore Government Securities (SGS) have lagged the US Treasuries (USTs) on rally due to the relatively stable nature. From technical perspective, the SGS should stay less volatile than USTs and be well supported by the low bond supply next year according to the 2024 SGS issuance calendar. We expect SGD yields to follow a moderate downward trajectory, in sympathy with the decline in UST yields over the course of next year. On the currency front, SGD should continue to extend its strength as MAS's policy stance is still on an appreciation stance. As a trade-dependent currency, the global exports recovery story also points to a stronger SGD. Asia credit finished the challenging year with a positive return on credit spread compression and high carry despite the 100bps rate hike by the Fed. Going into 2024, Asia credit outlook looks more promising, with the peak of global rates, well-performing Asian economies, and China to benefit from more policy support. Asian economies should continue to benefit from the more favourable macroeconomic dynamics and better growth prospects, as they have not experienced the same inflation and interest rate shocks as the western economies. This should help cushioning the credit market from downgrades or defaults and allow governments to be supportive with fiscal and monetary policies. Asian investment grade market will remain resilient, offering attractive yield premium to the West, with high quality and low volatility. Overall, with the negative influence from the China real estate funding crisis fading, we believe 2024 will be a pleasant year for Asian credit. Following the diminished size of the China property sector in the overall Asia credit market, the high yield market has now become more diversified. Although we expect to see intensified policy efforts to support the China property sector, we do not foresee a major housing market turnaround. Meanwhile, there are pockets of opportunities offering competitive yields outside of China and they would remain intact. We could see more positive rating actions in Indian high yield amid positive macro tailwind. Furthermore, Macau leisure continue to see strong recovery in visitors and gross gaming revenue. This momentum is likely to continue, and we should see more rating upgrades. From a valuation perspective, opportunity remains for investors to enjoy decent returns in the upcoming future as yields remain attractive at near post-global financial crisis high.

**The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.**  
**Source: HSBC Asset Management, data as at 31 December 2023**

## 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.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- 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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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 SGD	3.53	1.60	3.09	2.69	3.53	-3.67	0.13
AC SGD (Net)*	0.51	-1.36	0.09	-0.30	0.51	-4.61	-0.46
AM2 SGD	3.54	1.60	3.10	2.68	3.54	-3.67	0.13
AM2 SGD (Net)*	0.52	-1.36	0.09	-0.31	0.52	-4.62	-0.46
AM3HAUD AUD	3.35	1.65	3.16	2.78	3.35	-4.06	-0.29
AM3HAUD AUD (Net)	0.34	-1.31	0.15	-0.22	0.34	-5.00	-0.88
*							
AM3HUSD USD	4.99	1.75	3.54	3.54	4.99	-3.19	0.60
AM3HUSD USD (Net)*	1.94	-1.22	0.52	0.52	1.94	-4.14	0.01

Calendar year performance (%)	2019	2020	2021	2022	2023
AC SGD	7.96	4.31	-3.31	-10.70	3.53
AC SGD (Net)*	4.82	1.27	-6.12	-13.30	0.51
AM2 SGD	7.97	4.30	-3.31	-10.71	3.54
AM2 SGD (Net)*	4.82	1.27	-6.13	-13.31	0.52
AM3HAUD AUD	7.50	3.83	-3.69	-11.29	3.35
AM3HAUD AUD (Net)*	4.37	0.81	-6.49	-13.88	0.34
AM3HUSD USD	8.55	4.63	-3.34	-10.59	4.99
AM3HUSD USD (Net)*	5.39	1.58	-6.16	-13.19	1.94

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	SGD	--	--	--	--
AM2	SGD	Monthly	28 December 2023	0.035754	5.57%
AM3HAUD	AUD	Monthly	28 December 2023	0.038840	6.05%
AM3HUSD	USD	Monthly	28 December 2023	0.047095	7.36%

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	2 March 2018	LU1734076612	SGD	USD 5,000	9.98	0.800%	Accumulating
AM2	2 March 2018	LU1734076539	SGD	USD 5,000	7.91	0.800%	Distributing
AM3HAUD	20 March 2018	LU1734076885	AUD	USD 5,000	7.92	0.800%	Distributing
AM3HUSD	20 March 2018	LU1734076703	USD	USD 5,000	7.93	0.800%	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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\*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 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 December 2023