

HSBC Global Investment Funds

GLOBAL LOWER CARBON BOND

Monthly report 30 September 2022 | Share class ACHEUR

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of bonds that has a lower carbon footprint than its reference benchmark (Bloomberg Global Aggregate Corporates Diversified Hedged USD).

Investment strategy

In normal market conditions, the Fund will invest at least 70% of its assets in investment grade and non-investment grade bonds issued by companies that are based in developed markets and emerging markets. The Fund will invest in bonds issued by companies with consideration of their Lower Carbon Criteria. The Fund will also invest in Green Bonds meeting the Green Bond Principles of the International Capital Market Association. The Fund will not invest in companies involved in the production of tobacco or related activities. The Fund may invest up to 10% 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 non-investment grade bonds and up to 10% in ABS and MBS. The Fund may invest up to 10% in contingent convertible securities and up to 10% in other funds, including HSBC funds. The Fund's primary currency exposure is to USD. See the Prospectus for a full description of the investment objectives and derivative usage.

Main risks

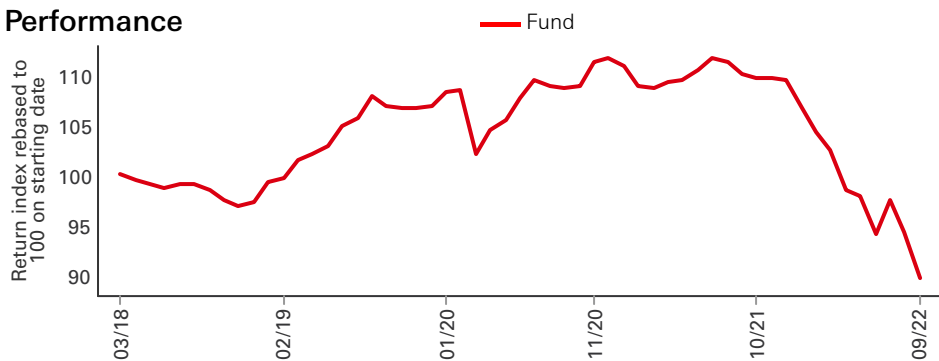
- The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.
- The Fund invests in bonds whose value generally falls when interest rates rise. This risk is typically greater the longer the maturity of a bond investment and the 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	EUR 8.99
Performance 1m	-4.87%
Yield to maturity	5.03%
Fund facts	
UCITS V compliant	Yes
Dividend treatment	Accumulating
Dealing frequency	Daily
Valuation time	17:00 LU
Share class base currency	EUR
Domicile	LU
Inception date	20 March 2018
Fund size	USD 168,162,915
Managers	Jerry Samet Jean Olivier Neyrat Mohamed Imtiaz Siddeeq
Fees and expenses	
Minimum initial investment	USD 5,000
Ongoing charge figure ¹	1.072%
Maximum initial charge	3.100%
Codes	
ISIN	LU1689526272
Bloomberg ticker	HSGACHE LX

¹Ongoing Charges Figure, is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

Performance



Performance (%)	YTD	1m	3m	6m	1y	3y ann	5y ann	Since inception ann
ACHEUR	-18.04	-4.87	-4.70	-12.48	-18.54	-5.67	--	-2.32

Rolling performance (%)	30/09/21-30/09/22	30/09/20-30/09/21	30/09/19-30/09/20	30/09/18-30/09/19	30/09/17-30/09/18
ACHEUR	-18.54	1.37	1.66	8.53	--

Carbon footprint	Fund	Reference benchmark	HSBC ESG Score	ESG score	E	S	G
Carbon intensity emissions	78.06	198.30	Fund	6.1	7.6	5.6	6.0
Carbon Intensity measures the quantity of carbon emission of a company (tonnes CO ² e/USD million) Source of analytics: Trucost			Reference benchmark	5.9	7.2	5.1	5.9

3-Year Risk Measures	ACHEUR	Reference Benchmark	5-Year Risk Measures	ACHEUR	Reference Benchmark
Volatility	7.00%	--	Volatility	--	--
Sharpe ratio	-0.74	--	Sharpe ratio	--	--

Fixed Income Characteristics	Fund	Reference Benchmark	Relative
No. of holdings ex cash	358	13,738	--
Average coupon rate	2.65	2.75	-0.10
Yield to worst	5.00%	5.15%	-0.15%
Option adjusted duration	5.38	5.76	-0.38
Modified duration to worst	5.45	5.74	-0.29
Option adjusted spread duration	6.44	6.01	0.43
Average maturity	8.17	7.93	0.24
Rating average	A/A-	A-/BBB+	--

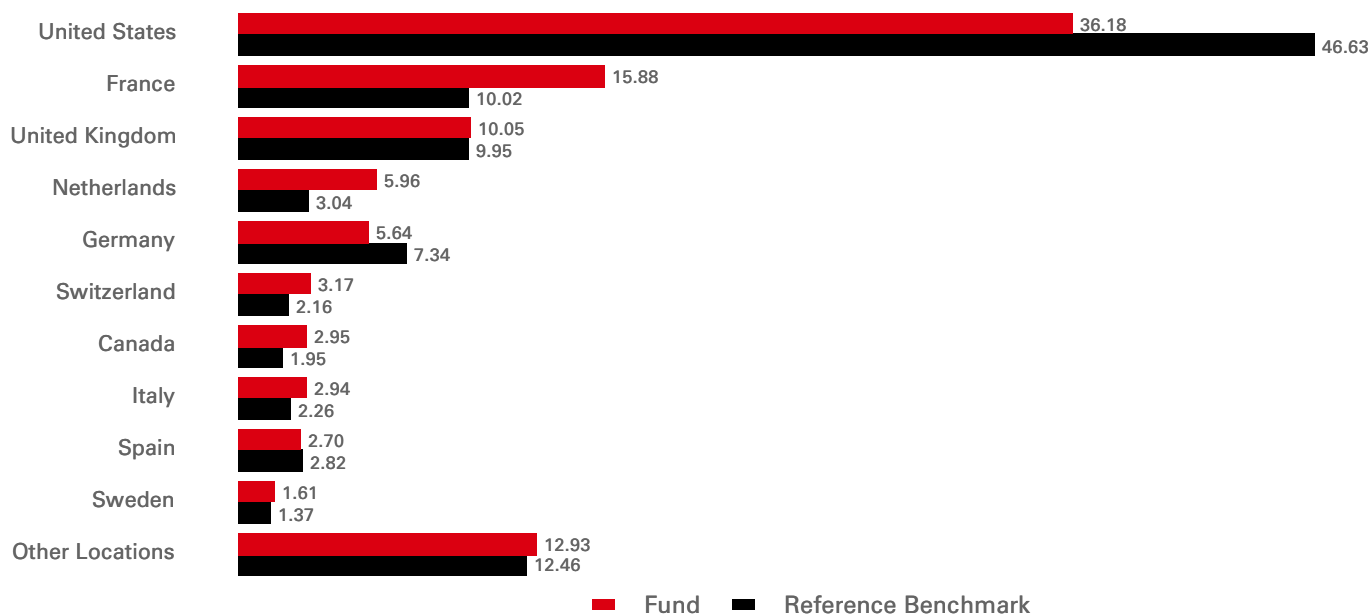
Credit rating (%)	Fund	Reference Benchmark	Relative
AAA	9.08	0.92	8.16
AA	3.16	7.14	-3.98
A	28.61	40.77	-12.16
BBB	49.94	51.17	-1.23
BB	2.00	--	2.00
B	0.08	--	0.08
No Rating	0.00	--	0.00
Cash	7.12	--	7.12

Maturity Breakdown (Option adjusted duration)	Fund	Reference Benchmark	Relative
0-2 years	0.04	0.16	-0.12
2-5 years	0.74	1.17	-0.43
5-10 years	2.24	1.90	0.34
10+ years	2.36	2.53	-0.17
Total	5.38	5.76	-0.38

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
 The benchmark data is that of the reference benchmark of the fund, as this data is calculated at fund level rather than share class level.
 The reference benchmark of the fund is 100% Bloomberg Global Aggregate Corporates Diversified Hedged USD
 Source: HSBC Asset Management, data as at 30 September 2022

Currency Allocation (%)	Fund	Reference Benchmark	Relative
USD	99.70	100.00	-0.30
EUR	0.21	--	0.21
GBP	0.08	--	0.08
HKD	0.00	--	0.00
AUD	0.00	--	0.00
SGD	0.00	--	0.00
CHF	0.00	--	0.00

Geographical allocation (%)



Sector allocation (%)	Fund	Reference Benchmark	Relative
Financial Institutions	46.41	40.47	5.94
Treasuries	9.66	--	9.66
Communications	6.64	7.51	-0.86
Consumer Non cyclical	6.24	13.66	-7.42
Utility	4.80	8.36	-3.56
Technology	4.31	5.76	-1.45
Consumer Cyclical	4.13	7.61	-3.48
Capital Goods	3.48	4.82	-1.33
Energy	2.79	5.23	-2.44
Agencies	2.60	--	2.60
Other Sectors	1.81	6.59	-4.78
Cash	7.12	--	7.12

Top 10 holdings	Weight (%)
US TREASURY N/B 2.625 31/07/29	2.22
US TREASURY N/B 2.250 15/02/52	1.37
US TREASURY N/B 1.875 15/02/32	1.34
JPMORGAN CHASE 4.600	1.27
US TREASURY N/B 3.250 15/05/42	1.21
BANK NOVA SCOTIA 3.120 11/04/25	1.17
SOCIETE GENERALE 3.465 21/01/26	1.17
ENERGY TRANSFER 6.250 15/04/49	1.11
AMGEN INC 4.050 18/08/29	1.10
ORANGE 2.375	1.09

Monthly performance commentary

Portfolio Review

Risk assets suffered over a challenging month in September as high inflation, hawkish central banks and a slowdown in growth remain at the forefront of investor concerns. Credit spreads moved meaningfully wider over the month while rates also increased which saw both Investment Grade and High Yield credit post negative total returns. IG and HY supply fell over the month with just \$80.5 billion for IG, the lightest September supply since 2011 and down 14% YTD vs 2021. HY saw \$9.0 billion issued bring YTD supply to just 20% of 2021 levels. Treasury yields continued higher in September with the curve inverting further driven by front end rates. The US 2, 5, 10 and 30 year Treasuries yields moved +79, +74, +64 and +48 bps to end the month at 4.28%, 4.09%, 3.83% and 3.78% respectively. In this market context the fund's benchmark returned -4.43% over the month.

The strategy saw negative performance on an absolute basis underperforming the reference benchmark gross of fees.

Regionally the underweight to USD bonds and overweight to UK was a drag on relative performance with the US outperforming the UK over the month on a USD hedged basis. Issue selection was positive for relative performance with positive effects in the UK and US segments outweighing negative selection effects in the EUR segment. The overall underweight to duration as well as the bear flattener positioning also added to relative performance as rates rose with the curve flattening over the month.

Regionally the portfolio is underweight to the US, and overweight vs Europe and the UK. The regional weights for the US, EUR and UK are 48%, 44% and 9% respectively. The average rating is one notch higher than the benchmark at A/A- with an underweight to AA, A and BBB rated bonds and an overweight to AAA rated bonds. The fund also has an off-benchmark exposure to BB rated bonds. From an industry perspective the strategy's largest industry sector overweight is to financials where we see attractive relative value vs industrials. We also continue to see solid fundamentals as well as lower relative carbon footprints vs industrials. The main underweights are to consumer non-cyclicals and utilities on the basis of less attractive valuations as well as a higher carbon footprint for utilities. The overall duration is underweight the benchmark by 0.4 years at 5.38 on an option adjusted basis and the portfolio beta is at 1.08.

Outlook

With inflation remaining persistently high and the Fed's continued assurance that it will stick to its course to keep raising rates, any market hopes of a Fed pivot to a more dovish stance and potential rate cuts has now been pushed out until late 2023 at the earliest. This has raised investor fears about how deep a potential recession could be, especially if inflation remains stubbornly high. Corporate fundamentals continue to look better than market expectations although the upcoming earnings season may dampen that narrative. Despite the recent weakness however, given the economic slowdown and threat of a recession, we believe that spreads are still more likely to test wider levels from here. Having said that we will remain nimble with our tactical positioning should we see opportunities in the shorter term.

For Investment Grade portfolios beta remains at or close to 1 reflecting our more neutral stance given our view of an economic slowdown and potential recession. We remain focused on issuer selection with an emphasis on companies with stable or improving credit fundamentals. We also remain up in quality especially in sectors which we believe could be more vulnerable to short term volatility and the longer-term economic downturn. Regionally we are maintaining our overweight to Europe vs the US given better valuations and the attractive level of hedge carry when converting back to USD. We have further reduced our underweight to duration close to neutral overall but remain positioned with a flattener as we anticipate further curve inversion.

Ten lowest carbon intensity issuers

Fund	Carbon intensity emissions (tonnes CO ₂ e/USD million)	Reference benchmark	Carbon intensity emissions (tonnes CO ₂ e/USD million)
ALD SA	0.36	STBNO V1.875 09/30/51	0.02
SAMPO OYJ	0.45	JUSTLN 9 10/26/26	0.04
NN GROUP NV	0.53	MGNLN V3.875 07/20/49	0.25
ARGENTUM (ZURICH INS)	0.76	SLHNVX 3.25 08/31/29	0.29
PRUDENTIAL PLC	0.87	SLHNVX V4.375 PERP	0.29
MUNICH RE	1.50	SLHNVX V4.5 PERP EMTN	0.29
SVENSKA HANDELSBANKEN AB	1.55	SRENVX 4.25 12/06/42 144A	0.33
MAPFRE SA	1.57	SRENVX 6.05 02/15/56	0.33
ALLIANZ SE	1.59	SRENVX V2.534 04/30/50	0.33
ING GROEP NV	1.70	SRENVX V2.6 PERP	0.33

Ten highest carbon intensity issuers

Fund	Carbon intensity emissions (tonnes CO ₂ e/USD million)	Reference benchmark	Carbon intensity emissions (tonnes CO ₂ e/USD million)
MPLX LP	1,058.20	HNINTL 2.25 02/20/25	13,579.89
WASTE CONNECTIONS INC	1,049.46	UTCMIN 2.8 02/16/31 REGS	8,292.65
WASTE MANAGEMENT INC	1,026.40	VST 3.55 07/15/24 144A	8,269.14
ENEL FINANCE INTL NV	688.76	CNL 3.743 05/01/26	7,330.87
ENGIE SA	643.99	CNL 4.646 09/01/42 A-2	7,330.87
ANGLO AMERICAN CAPITAL	561.33	KALLPA 4.875 05/24/26 REGS	6,951.16
TOTALENERGIES SE	320.47	RWE 2.5 08/24/25	6,492.84
MOHAWK INDUSTRIES INC	275.01	HXCEME 2.25 11/19/25 emtn	6,086.36
BP CAPITAL MARKETS PLC	253.18	OGE 3.25 04/01/30	5,917.15
AKELIUS RESIDENTIAL PROP	151.60	RATCH 4.5 03/27/28 EMTN	5,752.05

Company carbon data, can often be "partially disclosed", i.e. partial geographic coverage, or incomplete operational data. Trucost* undertakes analysis and research to assess company reported results. The proprietary Trucost model enables an estimate of total emissions which relies on more than just reported financial data. Where securities are not covered by Trucost, HSBC assigns a proxy value based on the average intensity score of comparable companies.*Trucost are a division of S&P Global; they assess risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors.

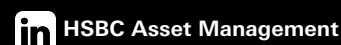
Source of analytics: Trucost / HSBC

Source: HSBC Asset Management, data as at 30 September 2022

Risk disclosures

- 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.
- Further information on the potential risks can be found in the Key Investor Information Document (KID) and/or the Prospectus or Offering Memorandum.

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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 30 September 2022



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The fund presented in this document is a sub-fund of HSBC Global Investment Funds, an investment company constituted as a société à capital variable domiciled in Luxembourg. HSBC Global Investment Funds is marketed in Malta in terms of the Directive on Undertakings for Collective Investment Schemes in Transferable Securities (UCITS).

The shares in HSBC Global Investment Funds have not been and will not be registered under the US Securities Act of 1933 and will not be sold or offered in the United States of America, its territories or possessions and all areas subject to its jurisdiction, or to United States Persons.

All applications are made on the basis of the relevant and current HSBC Global Investment Funds prospectus, the Key Investor Information Document of the related Fund (KIID) and the most recent annual and semi-annual reports (when available), which can be obtained upon request free of charge from HSBC Bank Malta p.l.c. which is licensed to conduct Investment Services business by the Malta Financial Services Authority.

The Fund is manufactured by HSBC Investment Funds (Luxembourg) S.A. 16, boulevard d' Avranches, L-1160 Luxembourg ('the Management Company'). The Management Company has appointed HSBC Global Asset Management (Malta) Limited, 80 Mill Street, Qormi, as Distributor of the Fund with the right to appoint sub-distributors. In Malta, the Fund is distributed to Investors through HSBC Bank Malta p.l.c. (a sub-distributor of HSBC Global Asset Management (Malta) Limited).

Approved by HSBC Global Asset Management (Malta) Limited, 80 Mill Street, Qormi, which is regulated by the Malta Financial Services Authority under the Investment Services Act.