

# HSBC GIF Global Bond Total Return

Flexible approach to optimising fixed income investing

February 2021

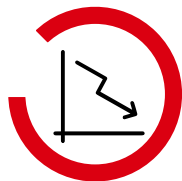
For Professional Clients only



**HSBC**  
Global Asset  
Management

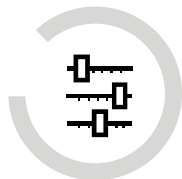
Marketing communication related to HSBC GIF Global Bond Total Return, a Luxembourg domiciled SICAV. This publication is intended for Professional Clients as defined by MIFID only and should not be distributed to or relied upon by Non professional clients. The information contained in this publication is not intended as investment advice or recommendation. Non contractual document / promotional document

# Why HSBC Global Bond Total Return?



**Investors are significantly allocating to the flexible bond universe, growing to +\$516bn**

- ◆ Lower for longer rates, tight credit spreads, lower yields and market volatility had led investors to reassess their fixed income allocation
- ◆ Retaining sectorial investment flexibility and avoiding being locked in is key



**A dynamic multi-sector fixed income strategy can be an efficient diversifier for broader fixed income allocations**

- ◆ Avoiding house style bias by utilising the full fixed income toolkit
- ◆ Built on a short duration core, allocating to alpha credit opportunistically



**A global flexible investment with controlled volatility has a place in a balanced 'core' Fixed Income solution**

- ◆ Balancing allocations between macro and credit exposures
- ◆ As a replacement for traditional 'core' fixed income solutions
- ◆ **Flexible duration** approach with a range between **-2 to +8 yrs**



**Unique, uncorrelated, differentiated strategy that captures upside opportunities and protects capital**

- ◆ High conviction and low volatility approach, aiming for an attractive total return over a cycle with **volatility between 4-5%**
- ◆ Combines capital growth and income-generation capabilities



**Strong track record with complementary results versus peers**

- ◆ Excellent long-term performance, drawdown and recovery statistics
- ◆ Low correlation to existing manager allocations

**Past performance should not be seen as an indication of future returns.**

Source: HSBC Global Asset Management, Broadridge as of 31 December 2020.





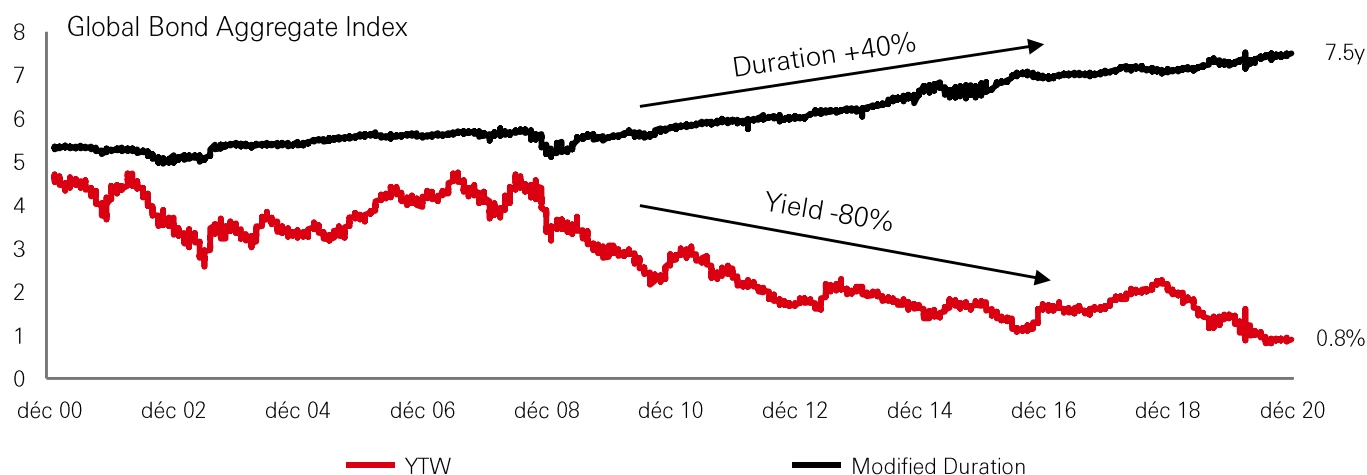
# Why consider unconstrained multi-sector fixed income?

## A challenging environment for investors

### Bonds market context

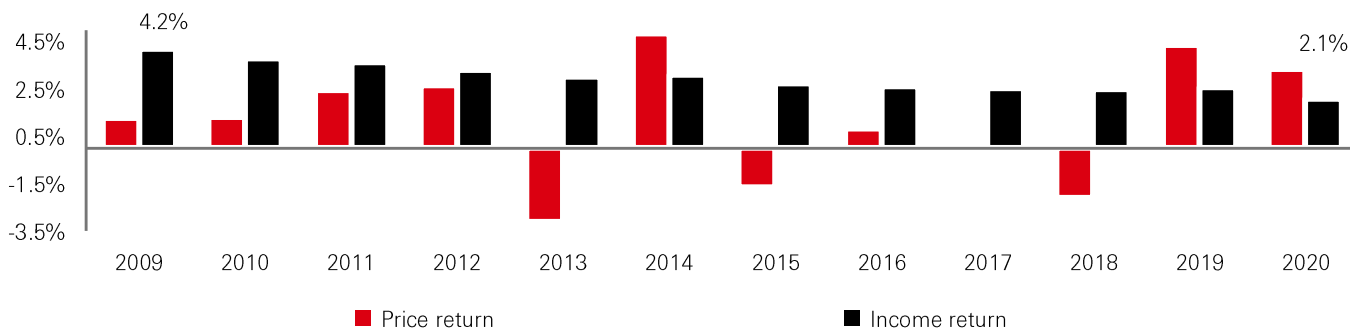
- ◆ **Lower-for-longer rates** pushing reassessment of fixed income allocations
- ◆ **With yields and spreads at, or close to all-time lows**, the traditional fixed income investing approach is **unlikely to generate strong returns going forward**
- ◆ **Year after year, asset class returns exhibit the “first to worst” phenomenon**
- ◆ Solutions managed to a benchmark are bound to **a high duration exposure** and offer **unattractive yields**

### Are investors adequately compensated for their core fixed income exposure?



Source: Bloomberg. Index used: Bloomberg Barclays Global Aggregate Index. Data as of 31<sup>st</sup> December 2020.

### While income return has fallen by 50%:



Source: Bloomberg. Index used: ICE BofA Merrill Lynch Global Broad Market Index. Data as of 31<sup>st</sup> December 2020.

**Any performance information shown refers to the past and should not be seen as an indication of future returns.**

The views and opinions above are provided by and represent those of HSBC Global Asset Management and are subject to change without notice. Any forecast, projection or target contained in this presentation is for information purposes only and is not guaranteed in any way. HSBC accepts no liability for any failure to meet such forecasts, projections or targets.

# Dynamic multi-sector fixed income strategy

## Avoiding style bias enhances drawdown protection

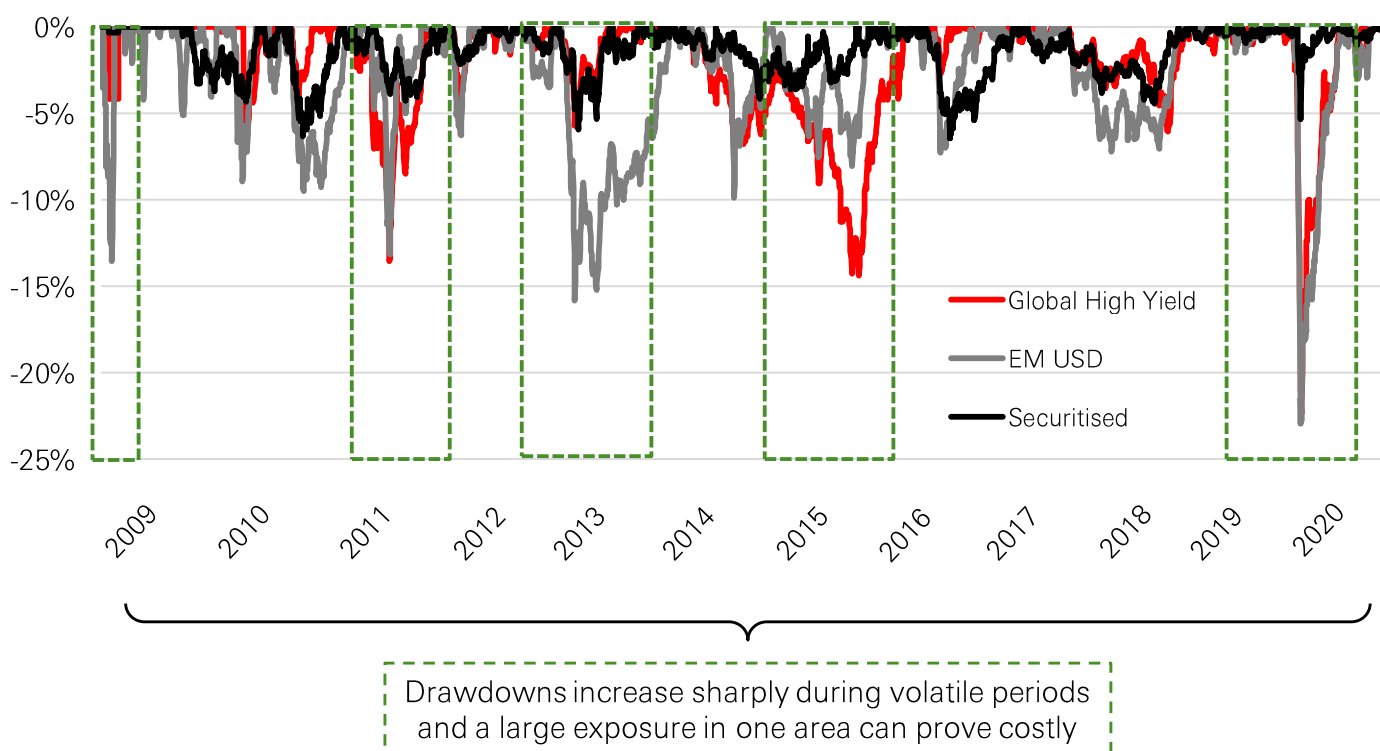
### Why does style matter?

- ◆ **Systematic biases** are present in funds typically promoted as being unconstrained
- ◆ **Drawdowns of funds with house style biases** tend to be **larger and** may last **longer** than those with a more diversified multi-sector approach
- ◆ The **HSBC approach actively eliminates the need for style biases**
  - The key focus is instead to dynamically allocate across all economic environments

### ... to enhance drawdown protection

- ◆ **Avoiding style biases** is the key to achieving drawdown protection
- ◆ Achieving drawdown protection requires **balance between macro and credit exposures**
- ◆ The HSBC GIF Global Bond Total Return Fund provides **upside participation** with **downside mitigation** through on-going opportunity assessment and decoupling investment decisions from particular sectorial biases

### Historical Drawdowns of Global High Yield, Emerging Markets, and Securitized Fixed Income



Source: Bloomberg/HSBC Global Asset Management as of 31 December 2020 (data inception 30 January 2009).

**Any performance information shown refers to the past and should not be seen as an indication of future returns.**

The views and opinions above are provided by and represent those of HSBC Global Asset Management and are subject to change without notice. Any forecast, projection or target contained in this presentation is for information purposes only and is not guaranteed in any way. HSBC accepts no liability for any failure to meet such forecasts, projections or targets.

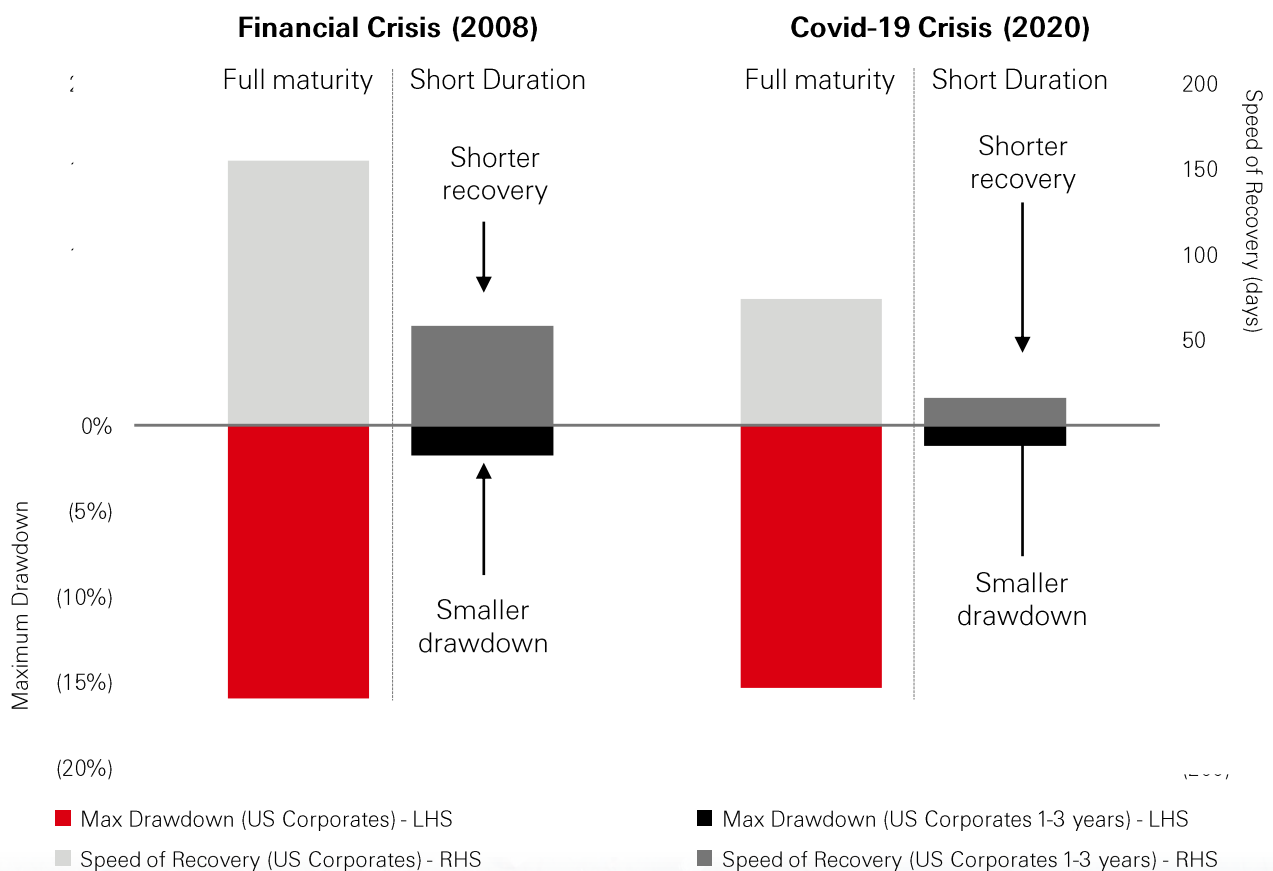
# Dynamic multi-sector fixed income strategy

## Upside participation and downside mitigation

### Benefits of a core balanced Short Term portfolio?

- ◆ Consistent return requires an equilibrium between **multi-sector asset allocation** and **defensive portfolio resilience**
- ◆ **High quality corporates** offer an attractive spread, which support the income generation of the overall fund
- ◆ **Short duration investment grade corporates** provide consistent levels of risk-adjusted return, whilst simultaneously building a defense versus unforeseen volatility

Short duration corporates have a smaller maximum drawdown and a faster speed of recovery faster when compared to full maturity corporates:



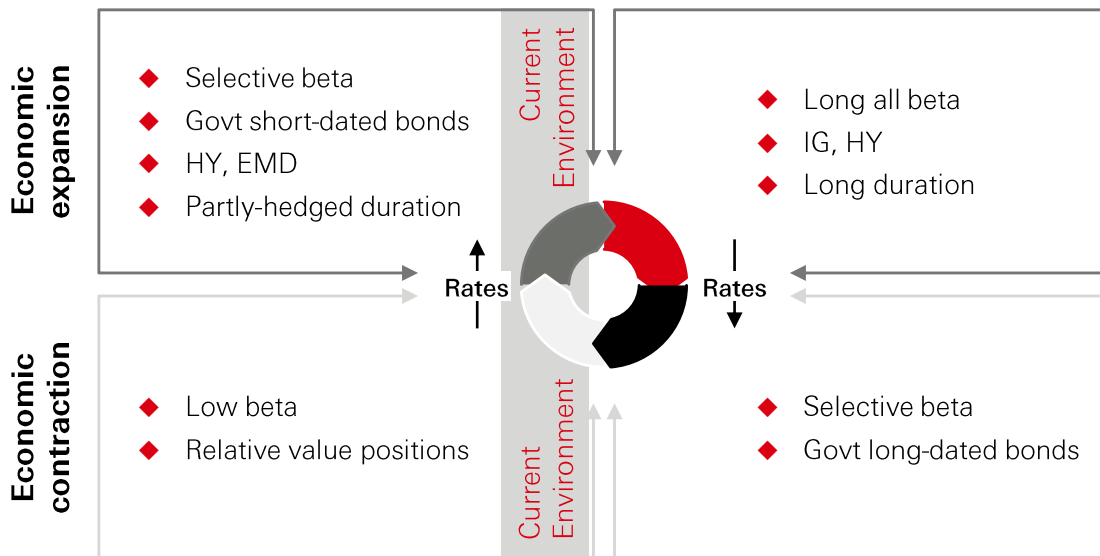
Source: HSBC Global Asset Management, Bloomberg, as of 31<sup>st</sup> December 2020. US Corporates corresponds to the Bloomberg US Corporates Index USD hedged. 1-3y Corporates corresponds to the Bloomberg US Corporates 1-3 years Index USD hedged.

# Dynamic multi-sector fixed income strategy

## Flexible duration and volatility controlled solution

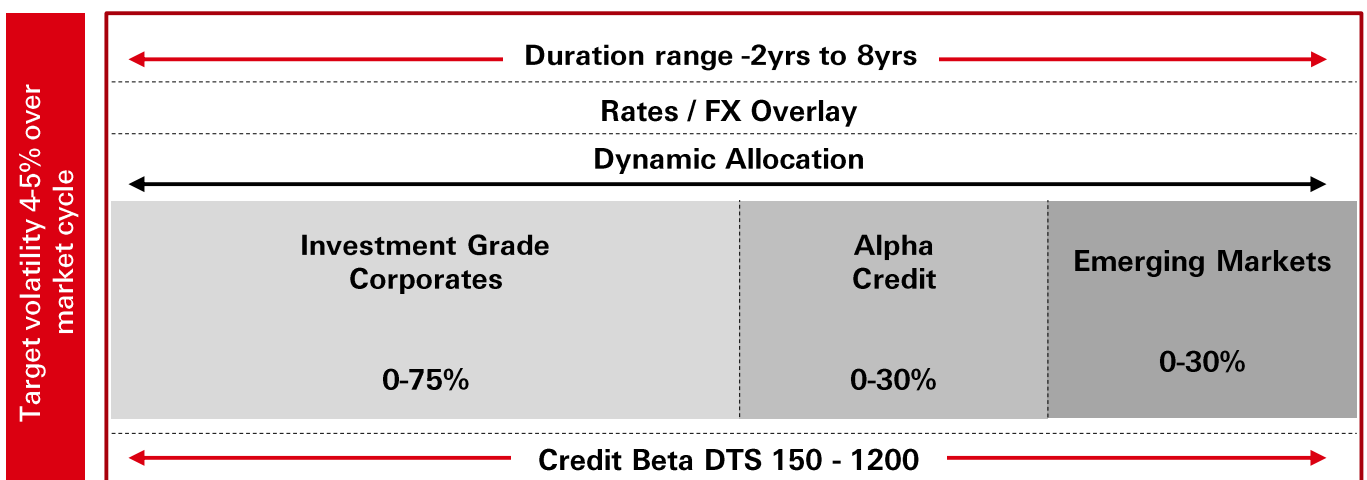
### Generating investment ideas

- ◆ **Dynamic allocation as economic conditions change** by combining top-down macroeconomic assessment with bottom-up idea generation
- ◆ **Efficiently allocating to fixed income markets** by conducting an in-depth analysis of the environment
- ◆ Ensuring a comprehensive view of the **opportunities available at a global level**
- ◆ **Leveraging a large, experienced and well-resourced global platform** to generate inputs and ideas



### Implementing investment ideas

- ◆ Employs the **full fixed income toolkit**
- ◆ Yield and **income generation** are the result of considered portfolio construction
- ◆ **Flexible duration approach** is a key capability:
  - Duration exposure only when it is rewarding within a **range between -2 and 8 years**
- ◆ **Allocating to alpha credit only when values are attractive**
- ◆ We seek **an attractive total return over a cycle with volatility between 4% and 5%**



Source: HSBC Global Asset Management as of 31 December 2020. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Global Asset Management accepts no liability for any failure to meet such forecast, projection or target.



# Dynamic multi-sector strategy

## An efficient diversifier for broader fixed income allocations

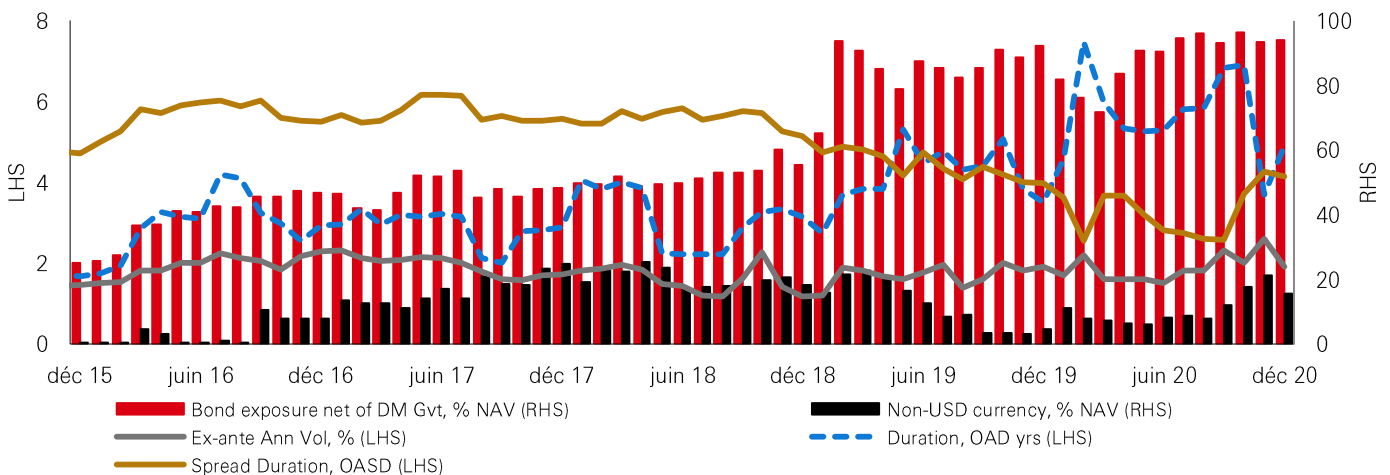
### Why monitor correlation?

- ◆ Year after year, asset class returns exhibit the **“first to worst”** phenomenon
- ◆ Credit exposure is a key driver but **no sector dominates performance across all periods**
- ◆ This makes it imperative to **identify the best opportunities** and **manage the risks** with an **emphasis on preserving capital**
- ◆ **The HSBC GIF Global Bond Total Return Fund has low correlations** with the majority of various bond segments (outside of corporate credit) as demonstrated below:

Correlation matrix 27/02/15 - 31/12/20	10+y US Treasury	1-10y US Treasury	Global Govt	German Govt	Euro Govt	Euro Corp	US Corp	Euro High Yield	US High Yield	EM Ext Debt	EM Corp
HSBC GBTR	0.36	0.27	0.37	0.44	0.44	0.75	0.67	0.56	0.53	0.58	0.67

Source: HSBC Global Asset Management as of 31 December 2020. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Global Asset Management accepts no liability for any failure to meet such forecast, projection or target.

### Volatility (%), duration and main exposures (market weight)



### Any performance information shown refers to the past and should not be seen as an indication of future returns.

Source: HSBC Global Asset Management, data as at 31 December 2020. The views and opinions provided represents the opinions of HSBC Global Asset Management and are subject to change without notice. The information provided is for informational purposes only and should not be construed as a recommendation or solicitation for any investment strategy or product, nor securities in the regions and countries referenced. Weightings are subject to change daily and may not represent current portfolio composition. Data is supplemental to the GIPS compliant report.



# HSBC GIF Global Bond Total Return

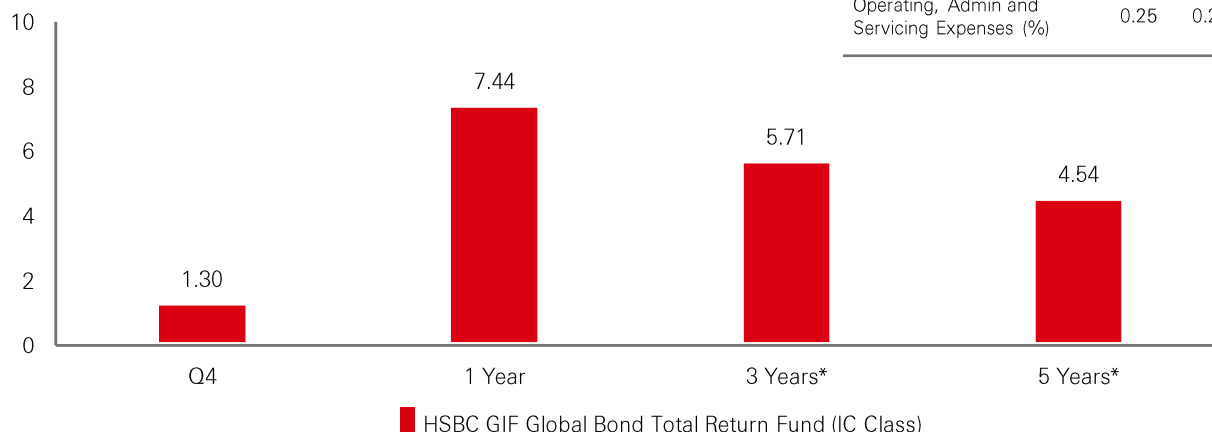


Morningstar Rating™

Strong track record

Portfolio performance (USD,%)  
as at 31 December 2020

Class of Shares	A	I	X
Management Fee (%)	0.90	0.45	0.40
Operating, Admin and Servicing Expenses (%)	0.25	0.20	0.15



Performance (%)	1y	3y (ann)	5y (ann)
Fund (IC class)	7.44	5.71	4.54
Peer ranking (Morningstar)**	1	1	2

\*Annualised \*\*Peer quartile rating Morningstar. © Copyright 2021 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

	2020	2019	2018	2017	2016
Fund (IC class)	7.44	10.57	-0.55	3.23	2.39

## Benefits of investing into HGIF Global Bond Total Return fund:

- ◆ Aims to improve risk-adjusted performance
- ◆ Expanded diversification - sectorial, issuers and issues
- ◆ Additional defensive properties within the overall portfolio

**Enhanced Fixed Income return profile** with comparatively **less volatility** and **higher Sharpe ratios** coupled with low correlations versus other asset classes:

Figures since 30/11/2015	HSBC GBTR	Bloomberg Aggregate (Hedged)	Bloomberg Aggregate (Unhedged)	S&P 500 Index	Euro Stoxx 600 Index	FTSE 100 Index
Return (% annualised)	4.8%	4.4	4.6	11.7	0.2	-0.3
Volatility (% annualised)	3.0	2.8	4.7	15.2	14.6	13.6
Sharpe ratio	1.1	1.0	0.7	0.7	-0.1	-0.1
Correlation with HSBC GBTR		0.6	0.5	0.3	0.2	0.2

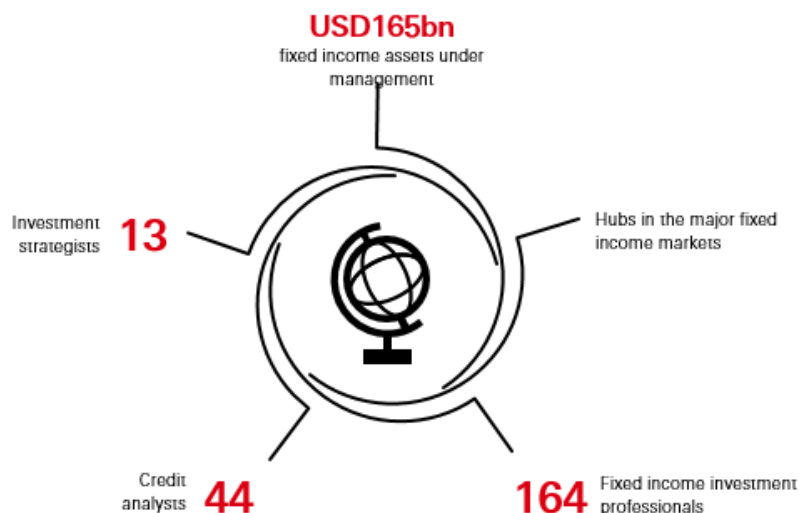
**Performance is net of management fees. The performance figures relate to the past performance which should not be seen as an indication of future returns. The capital invested in the fund can increase or decrease and is not guaranteed. Future returns will depend, inter alia, on market conditions, fund manager's skill, fund risk level and fees.** Source: HSBC Global Asset Management, as at 31 December 2020. Benchmark is the MSCI All Country World Net Index. This benchmark is indicative only and is not guaranteed in any way. HSBC Global Asset Management accepts no liability for any failure to meet this benchmark. Data is supplemental to the GIPS® compliant presentation.



# A distinct approach to investing

HSBC Global Asset Management investment process is **characterised by structure and discipline, implemented with skill by empowered and accountable teams** of portfolio managers and analysts.

Strong global investment platform and operations supports local investment teams.



## Discipline, not fashion

Markets are cyclical, our approach is not



## Research and technology-driven

We harness the strengths of our intellectual capital with proprietary research and technologies



## Risk-focused approach

Our clients value our capacity to identify, quantify and manage risk across all its dimensions



## Structured but not dogmatic

Our clearly-articulated process promotes cohesiveness, consistency and constant improvement



## Integrated talent

Our approach is grounded in a common philosophy and shared values

## Responsible investing is embedded in our culture and processes

We believe, ESG can have a material effect on company fundamentals, in terms of both opportunities and risks.

### Integrated ESG Research

ESG analysis is incorporated alongside financial analysis to quantify a company's potential risks and returns over the longer-term

### Active Ownership

We are active stewards of the assets we manage on behalf of our clients. We were an early PRI signatory in 2006 committing to the six principles of responsible investing

### Policy & Advocacy

We actively engage with regulators and policymakers, individually and collectively with other investors on systematic sustainable investment issues

# Contact

## Key risks

The value of an investment in the portfolios and any income from them can go down as well as up and as with any investment you may not receive back the amount originally invested.

- ◆ **Counterparty Risk:** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.
- ◆ **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.
- ◆ **Emerging Markets Risk:** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- ◆ **Exchange Rate Risk:** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.
- ◆ **Index Tracking Risk:** To the extent that the Fund seeks to replicate index performance by holding individual securities, there is no guarantee that its composition or performance will exactly match that of the target index at any given time ("tracking error").
- ◆ **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.
- ◆ **Liquidity Risk:** 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.
- ◆ **Operational Risk:** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

## Important information

This presentation is distributed by HSBC Global Asset Management (France) and is only intended for professional investors as defined by MIFID. The information contained herein is subject to change without notice. All non-authorised reproduction or use of this commentary and analysis will be the responsibility of the user and will be likely to lead to legal proceedings. This document has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The commentary and analysis presented in this document reflect the opinion of HSBC Global Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from HSBC Global Asset Management.

Consequently, HSBC Global Asset Management (France) will not be held responsible for any investment or disinvestment decision taken on the basis of the commentary and/or analysis in this document. All data from HSBC Global Asset Management (France) unless otherwise specified. Any third party information has been obtained from sources we believe to be reliable, but which we have not independently verified.

Synthetic Risk and Reward Indicator (SRRRI) \* : 3/7. The rating is based on price volatility over the last five years, and is an indicator of absolute risk. Historical data may not be a reliable indication for the future. The rating is not guaranteed to remain unchanged and the categorisation may shift over time. The lowest rating does not mean a risk-free investment. The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Where overseas investments are held the rate of currency exchange may also cause the value of such investments to fluctuate. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Stock market investments should be viewed as a medium to long term investment and should be held for at least five years. Any performance information shown refers to the past and should not be seen as an indication of future returns.

HSBC GIF Global Bond Total Retrun is a sub fund of HSBC Global Investment Funds, a Luxembourg domiciled SICAV. Before subscription, investors should refer to Key Investor Document (KIID) of the fund as well as its complete prospectus. For more detailed information on the risks associated with this fund, investors should refer to the complete prospectus of the fund. Shares of the Company may not be offered or sold for sale or sold to any "U.S. Person within the meaning of the Articles of Incorporation, i.e. a citizen or resident of the United States of America (the "United States"), a partnership organised or existing under the laws of any state, territory or possession of the United States, or a corporation organised or existing under the laws of the United States or of any state, territory or possession thereof, or any estate or trust, other than an estate or trust the income of which from sources outside the United States is not includible in gross income for purposes of computing United States income tax payable by it.

The fund uses the swing principle calculation method which determines the net asset value of the fund. Swing pricing allows investment funds to pay the daily transaction costs arising from subscription and redemptions by incoming and outgoing investors. The aim of swing pricing is to reduce the dilution effect generated when, for example, major redemptions in a fund force its manager to sell the underlying assets of the fund. These sales of assets generate transaction costs and taxes, also significant, which impact the value of the fund and all its investors. The fund has a redemption threshold (gate), the level at which the manager of an undertaking for collective investment in transferable securities can stagger the redemption of securities instead of proceeding immediately.

All subscriptions in any fund presented in this document are accepted only on the basis of the current prospectus, available on request from HSBC Global Asset Management (France), Important information for Luxembourg investors: HSBC entities in Luxembourg are regulated and authorised by the Commission de Surveillance du Secteur Financier (CSSF).

Important information for Swiss investors: This document may be distributed in Switzerland only to qualified investors according to Art. 10 para 3. 3bis and 3ter of the Federal Collective Investment Schemes Act (CISA). The presented fund is authorised for public distribution in Switzerland in the meaning of Art. 120 of the Federal Collective Investment Schemes Act. (Potential) investors are kindly asked to consult the latest issued Key Investor Information Document (KIID), prospectus, articles of incorporation and the (semi-)annual report of the fund which may be obtained free of charge at the head office of the representative: HSBC Global Asset Management (Switzerland) Ltd., Gartenstrasse 26, P.O. Box, CH-8002 Zurich. Paying agent: HSBC Private Bank (Suisse) S.A., Quai des Bergues 9-17, P. O. Box 2888, CH-1211 Geneva 1.

HSBC Global Asset Management (France) - 421 345 489 RCS Nanterre. Portfolio management company authorised in France by the French regulatory authority AMF (no. GP99026) with capital of 8.050.320 euros, in Italy, Spain and Sweden through the Milan, Madrid and Stockholm branches of HSBC Global Asset Management (France), regulated respectively by Banca d'Italia and Commissione Nazionale per le Società e la Borsa (Consob) in Italy, the Comisión Nacional del Mercado de Valores (CNMV) in Spain and the Swedish Financial Supervisory Authority (Finansinspektionen) in Sweden. Postal address : 38 avenue Kléber 75116 PARIS; Offices: Immeuble Coeur Défense - 110 esplanade du Général de Gaulle - La Défense 4 - 92400 Courbevoie – France Website: [www.assetmanagement.hsbc.com/fr](http://www.assetmanagement.hsbc.com/fr)

HSBC Global Asset Management (Switzerland) AG – Gartenstrasse 26, P.O. Box, CH-8027 Zurich, Switzerland. Website: [www.assetmanagement.hsbc.com/ch](http://www.assetmanagement.hsbc.com/ch)

Copyright © 2021. HSBC Global Asset Management (France). All rights reserved.

Updated in February 2021 AMFR\_EXT\_157\_2021. Expires January 2022