HSBC Liquidity Fund Canadian Dollar
HSBC Global Liquidity Funds plc

July 2021

The Bank of Canada (BOC) met on 14th July 2021, leaving the overnight target rate at 0.25% and their most notable action was the decision to take the next step on tapering. Quantitative Easing purchases were reduced to CAD2bn/week from the CAD3bn/week pace. This pace was the first reduction in 3 months and was widely expected. The statement reiterated that further adjustments to purchases would depend on the strength and durability of the recovery. The forward guidance timeframe for when slack would be fully absorbed and inflation sustainably at the 2% target was maintained at H2-2022, in a close to unchanged final paragraph. Inflation forecasts were raised substantially, though the BOC like the Federal Open Market Committee maintained their view that they see it as transitory. Full-year Gross Domestic Product forecasts saw 2021 lowered from 6.5% to 6.0%, while 2022 was raised from 3.7% to 4.6%. The first real chance of a rate hike remains over a year away so the impact to the portfolio management decisions was limited.

We maintain our usually high levels of liquidity and allocation to government securities. The fund keeps at least 20% in overnight time deposits and another 25-40% in Canadian T-bills. Short T-bills continue to rise as they have in recent months, whereas provinces provide little pick up verses comparable treasury maturities. Paper is scarce like in most major markets and name diversification is difficult but improving. The funds WAM ranged from the high thirties to mid-forties for most of the month and we will roll maturities under the current sector breakdowns until relative value appears.

Contact details

For a copy of the prospectus, key investor information document, supplementary information document, annual and semi-annual reports, information on portfolio holdings or other matters, please contact your local HSBC Group office, contact our team of liquidity specialists in your region:

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Please refer to the key risks and important information section

For more information on our capabilities go to:
https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/investment-expertise/liquidity

Key risks

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.

- Asset backed securities (ABS) and mortgage backed securities (MBS) risk. ABS and MBS typically carry prepayment risk, as well as having potential for default. The securities can carry an above-average risk of being hard to value or to sell at a desired time and price
- Counterparty risk. The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations
- Credit risk. A bond or money market security could lose value if the issuer's financial health deteriorates
- 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
- Exchange rate risk. Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly
- 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
- Money Market Fund risk. The fund's objective may not be achieved in adverse market conditions. During times of very low interest rates, the interest received by the Fund could be less than the costs of operating the Fund
- Operational risk. Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things

Further information can be found in the prospectus and Key Investor Information Document (KIID).

Important information

The MMF have availed of the derogation provided for under Article 17(7) of the Money Market Fund Regulation and accordingly a Fund may, in accordance with the principle of risk-spreading, invest up to 100% of its assets in different money market instruments issued or guaranteed separately or jointly by the European Union, the national, regional and local administrations or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more member states of the European Union belong.

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