HSBC GIF Asia High Yield Bond

Fund Overview

January 2021

Why consider the HSBC GIF Asia High Yield Bond?

Who should consider this fund?

- Investors who wish to achieve a higher level of income and capital appreciation through investing primarily in a diversified portfolio of potentially higher yielding securities

Why choose this fund?

- **Solid track record in managing Asia high yield strategy** – The team has been managing a dedicated Asia high yield strategy since 2011. The fund is managed through a disciplined and repeatable investment process with an active, fundamental approach combining extensive top-down macro assessment and rigorous bottom-up credit analysis
- **Award winning expertise** – The fund is managed by our award winning Asian fixed income team[1]. The team is comprised of over 30 experienced investment professionals in the region and is one of the largest and most experienced Asian fixed income teams in the world, with investment offices in Hong Kong, Shanghai, Taipei and Mumbai
- **Rigorous credit selection and risk management** – Our Asian fixed income team benefits from our global credit research platform which utilises the expertise of over 30 seasoned sector specialists. We have an integrated approach towards fundamental research and local insight that marries rigorous credit selection with stringent risk controls

Why consider investing in Asia high yield bonds?

- **Yield premium** – Asia high yield bonds are trading at a yield premium over comparable US and Euro credits. In addition, Asia high yield bonds have relatively lower duration, indicating lower sensitivity to interest rate movements and potentially lower volatility[2]
- **Growing opportunities** – Strong local demand should continue to support Asian high yield credit, in particular from Chinese onshore investors
- **Provides good diversification within a global portfolio** – Asian high yield bonds exhibit low correlation to other asset classes.[2] Asia high yield provides diversification within a broader global portfolio

Lead Fund Manager

Alfred Mui

Director and Head of Asian Credit

- Joined HSBC in 2010, previously with Myo Capital and UBS Global Credit Strategies Group
- Over 25 years of industry experience

Overview

- The fund aims to offer a diverse array of growth opportunities: corporate, sovereign, quasi-sovereign, local currency denominated, convertible and unrated bonds
- The fund invests primarily in non-investment grade bonds denominated in USD that are traded or issued in Asian markets
- The focus is on stringent credit research to manage downside risk and upside potential
- The fund is managed by an award winning fixed income team that has managed local and regional portfolios for nearly 25 years

Source: HSBC Global Asset Management, as at 31 December 2020. Note 1: Includes Best of the Best Awards for Asian Bond House category by Asia Asset Management 2015, 2016, 2017, 2018, 2020; Note 2: Source: Bloomberg, JP Morgan, BoAML as of 31 December 2020.

HSBC
Global Asset
Management

Investment process and team

- Our investment process is active, fundamental and value driven. It combines qualitative top-down analysis of macroeconomic and market dynamics, with structured bottom-up research into individual bond issuers and fixed income securities. While investment decisions are taken locally to ensure focus and accountability, our portfolio managers in Asia are able to access the expertise and experience of our investment professionals worldwide in order to gain a truly global perspective
- The fund's lead manager is Alfred Mui, who has over 25 years of investment experience. The fund is backed by the resourced regional Asian fixed income team sharing the same investment philosophy and process across the region

HSBC credentials

- HSBC Global Asset Management is HSBC's dedicated investment business. It is a multi-specialist asset management firm offering broad, highly diverse strategies and as of September 2020, manages USD571.5 billion in assets for institutional and individual investors around the world. HSBC Global Asset Management has a strong global presence as well as extensive local knowledge and expertise

Key Risks[3]

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.

Exchange rate risk: Investing in assets denominated in a currency other than that of the investor's own currency perspective exposes the value of the investment to exchange rate fluctuations

Liquidity risk: Liquidity is a measure of how easily an investment can be converted to cash without a loss of capital and/or income in the process. The value of assets may be significantly impacted by liquidity risk during adverse market conditions

Emerging market risk: Emerging economies typically exhibit higher levels of investment risk. Markets are not always well regulated or efficient and investments can be affected by reduced liquidity

Fund details

Fund managers	Alfred Mui, Ming Leap
Fund domicile	Luxembourg
Reference Benchmark	JACI Non-Investment Grade Corporate Index
Inception date	27 November 2019
Fund size	USD 962 million
Management fee	Class AC: 1.25% p.a. Class AM2: 1.25% p.a. Class IC: 0.625% p.a. Class XC: 0.60% p.a.
Dealing	Daily
Valuation	Daily
Management Company	HSBC Investment Funds (Luxembourg) S.A.
Investment advisor	HSBC Global Asset Management (Hong Kong) Limited

Note 3: For more detailed information on the risks associated with this fund, investors should refer to the offering document of the fund.
Benchmark index given for comparative and illustrative purposes only.
Source: HSBC Global Asset Management as of 31 December 2020.

Derivative risk: The use of derivatives instruments can involve risks different from, and in certain cases greater than, the risks associated with more traditional assets. The value of derivative contracts is dependent upon the performance of underlying assets. A small movement in the value of the underlying assets can cause a large movement in the exposure and value of derivatives. Unlike exchange traded derivatives, over-the-counter (OTC) derivatives have credit and legal risk associated with the counterparty or the institution that facilitates the trade

Operational risk: The main risks are related to systems and process failures. Investment processes are overseen by independent risk functions which are subject to independent audit and supervised by regulators

Concentration risk: Funds with a narrow or concentrated investment strategy may experience higher risk and return fluctuations and lower liquidity than funds with a broader portfolio

Interest rate risk: As interest rates rise debt securities will fall in value. The value of debt securities is inversely proportional to interest rate movements

Derivative risk (leverage): The value of derivative contracts depends on the performance of an underlying asset. A small movement in the value of the underlying can cause a large movement in the value of the derivative. Over-the-counter (OTC) derivatives have credit risk associated with the counterparty or institution facilitating the trade. Investing in derivatives involves leverage (sometimes known as gearing). High degrees of leverage can present risks to sub-funds by magnifying the impact of asset price or rate movements

Emerging market fixed income risk: Emerging economies typically exhibit higher levels of investment risk. Markets are not always well regulated or efficient and investments can be affected by reduced liquidity, a measure of how easily an investment can be converted to cash without a loss of capital, and a higher risk of debt securities failing to meet their repayment obligations, known as default

High yield risk: Higher yielding debt securities characteristically bear greater credit risk than investment grade and/or government securities

Contingent Convertible Security (CoCo) risk: Hybrid capital securities that absorb losses when the capital of the issuer falls below a certain level. Under certain circumstances CoCos can be converted into shares of the issuing company, potentially at a discounted price, or the principal amount invested may be lost

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

Important information

This document provides a high level overview of the recent economic environment. It is for marketing purposes and does not constitute investment research, investment advice nor a recommendation to any reader of this content to buy or sell investments. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination.
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