HSBC Asset Management

HSBC Investment Funds

Corporate Bond Fund

Monthly report 31 March 2024 | Share class Acc C

Investment objective

The Fund aims to provide higher returns (before charges and tax are deducted from the Fund) than the Markit iBoxx GBP Corporates Index plus 1% per year, over three-year periods.

Investment strategy

To achieve its objective the Fund will invest at least 80% of its value in bonds that have a credit rating of investment grade and are issued in sterling or are hedged back to sterling. The bonds may be issued by companies and supranational or government-backed organisations which may be located anywhere in the world. The types of bond the Fund may invest in include covered bonds and asset backed securities. The Fund is managed with reference to the Markit iBoxx GBP Corporates Index. The fund manager is not limited to investing in bonds that are part of the Markit iBoxx GBP Corporates Index. The fund manager aims to generate returns in excess of the Markit iBoxx GBP Corporates Index plus 1% per year, over three-year periods, before charges and tax are deducted from the Fund. This is based on our current view of returns the Fund may potentially achieve, which may change. The Markit iBoxx GBP Corporates Index is also considered as part of our investment risk monitoring process, to check that the overall level of risk taken by the fund manager is not inconsistent with the sterling corporate bond market. The performance of the Fund is shown against the performance of the Markit iBoxx GBP Corporates Index plus 1% per year.

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.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- 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.

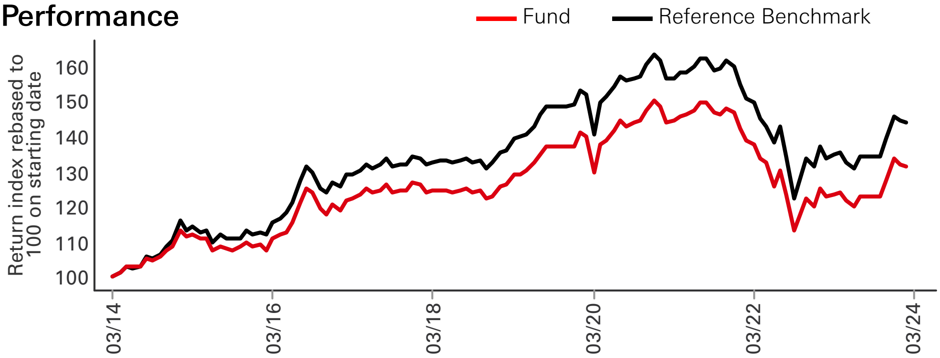
Share class details

Key metrics	
NAV per share	**GBP 3.09**
Performance 1 month	**2.43%**
Yield to maturity	**5.99%**
Fund facts	
UCITS V compliant	**Yes**
UK reporting fund status (UKRS)	**Yes**
ISA eligible	**Yes**
Dividend treatment	**Accumulating**
Dividend ex-date	**16 January 2020**
Dealing frequency	**Daily**
Valuation time	**12:00 United Kingdom**
Share class base currency	**GBP**
Domicile	**United Kingdom**
Inception date	**3 December 2012**
Fund size	**GBP 178,589,324**
Reference benchmark	**100% Markit iBoxx GBP Corporates Index plus 1% per year**
Managers	**Mohamed Imtiaz Siddeeq Oliver Boulind**
Fees and expenses	
Minimum initial investment[1]	**GBP 1,000,000**
Ongoing charge figure[2]	**0.370%**
Codes	
ISIN	**GB00B85KC152**
Bloomberg ticker	**HSCPBAC LN**
SEDOL	**B85KC15**

[1]Please note that initial minimum subscription may vary across different distributors
[2]Ongoing Charges Figure is an estimate due to a change of fee structure.

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions.
For definition of terms, please refer to the Glossary QR code and Prospectus.
Source: HSBC Asset Management, data as at 31 March 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
Acc C	**0.74**	**2.43**	**0.74**	**9.39**	**8.64**	**-2.32**	**0.84**	**3.01**
Reference Benchmark	0.94	1.85	0.46	8.96	8.56	-2.17	0.99	3.90

Rolling performance (%)	31/03/23-31/03/24	31/03/22-31/03/23	31/03/21-31/03/22	31/03/20-31/03/21	31/03/19-31/03/20	31/03/18-31/03/19	31/03/17-31/03/18	31/03/16-31/03/17	31/03/15-31/03/16	31/03/14-31/03/15
Acc C	**8.64**	**-9.95**	**-4.73**	**11.23**	**0.60**	**3.38**	**2.14**	**9.78**	**-1.04**	**12.44**
Reference Benchmark	8.56	-9.66	-4.54	11.18	0.94	5.10	2.59	11.76	1.10	14.54

3-Year Risk Measures	Acc C	Reference Benchmark
Volatility	9.68%	9.93%
Sharpe ratio	-0.52	-0.50
Tracking error	1.26%	--
Information ratio	-0.10	--

5-Year Risk Measures	Acc C	Reference Benchmark
Volatility	9.16%	9.37%
Sharpe ratio	-0.11	-0.09
Tracking error	1.09%	--
Information ratio	-0.13	--

Fixed Income Characteristics	Fund	Reference Benchmark	Relative
No. of holdings ex cash	165	861	--
Average coupon rate	4.87	4.29	0.58
Yield to worst	5.69%	5.26%	0.44%
Current yield	4.82%	4.39%	0.43%
Option adjusted duration	6.24	5.86	0.38
Option adjusted spread duration	5.68	5.92	-0.23
Average maturity	9.14	8.38	0.76
Rating average	BBB+	A-/BBB+	--

Credit rating (%)	Fund	Reference Benchmark	Relative
AAA	--	1.16	-1.16
AA	4.59	8.80	-4.20
A	22.30	37.69	-15.38
BBB	67.04	52.17	14.87
BB	3.86	0.19	3.67
B	1.11	--	1.11
NR	-0.19	--	-0.19
Cash	1.28	--	1.28

Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
UK	4.42	3.06	1.36
Europe-ex UK	1.27	1.47	-0.19
North America	0.49	1.16	-0.67
Asia	0.06	0.13	-0.07
Latam	--	0.04	-0.04
Other Locations	0.00	--	0.00
Cash	0.00	--	0.00
Total	**6.24**	**5.86**	**0.38**

Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
Source: HSBC Asset Management, data as at 31 March 2024

Maturity Breakdown (Option adjusted duration)	Fund	Reference Benchmark	Relative
0-2 years	0.21	0.17	0.04
2-5 years	0.93	1.08	-0.16
5-10 years	1.19	1.61	-0.41
10+ years	3.92	3.01	0.91
Total	**6.24**	**5.86**	**0.38**

Sector allocation (%)	Fund	Reference Benchmark	Relative
Financials	50.13	45.82	4.31
Utilities	23.45	19.67	3.79
Telecommunications	5.20	6.19	-0.99
Consumer Services	4.40	8.07	-3.68
Gilts	4.29	--	4.29
Consumer Goods	3.12	7.16	-4.04
Mbs	2.63	--	2.63
Industrials	1.75	3.72	-1.97
Health Care	1.28	2.25	-0.96
Oil & gas	1.03	2.10	-1.07
Other Sectors	1.43	5.03	-3.60
Cash	1.28	--	1.28

Top 10 holdings	Weight (%)
NATWEST GROUP 3.125 28/03/27	2.02
BARCLAYS PLC 3.750 22/11/30	1.90
M&G PLC 3.875 20/07/49	1.62
AT&T INC 2.900 04/12/26	1.61
UK TSY GILT 1.250 31/07/51	1.59
SCOTTISH & SOUTH 8.375 20/11/28	1.52
SANTANDER UK GRP 2.920 08/05/26	1.50
BARCLAYS PLC 8.407 14/11/32	1.50
ROTHESAY LIFE 5.500 17/09/29	1.49
NATWEST GROUP 3.619 29/03/29	1.37

Source: HSBC Asset Management, data as at 31 March 2024

Monthly performance commentary

Strategy
The fund value increased in March (1.97%), outperforming the benchmark by 20bps. Our overweight to credit was positive to relative performance, as Investment Grade, High Yield and Emerging market credit markets saw spreads tighten. Our overweight to duration was a detractor as yields rose due to investors pricing out earlier rate cuts.

March was generally a constructive month for markets, as both rates and credits saw minor rallies. Whilst economic data had been mixed, it was the dovish slant of central banks that drove the rally. A surprise cut from the Swiss National Bank, the first G10 cut since 2020, followed by the Fed's meeting which also surprised on the dovish side as Powell downplayed the recent hotter-than-expected US inflation data, and the dot plot continued to show 3 cuts for this year. The BoE decision to leave rates unchanged was expected after CPI data came in as expected. The surprise was the two hawks on the MPC: Mann and Haskel, who had previously voted for 25bp hikes dropped to unchanged. Dhingra maintained a vote for a 25bp cut, which resulted in a shift to a more dovish skew, affirmed later by Governor Bailey that rate cuts would still mean policy would remain restrictive.

The market impact saw 10yr UK Gilt yields fall 19bp, outperforming both US and Euro markets. Credit also continued to rally in this environment as sterling corporate spreads tightened a further 7bp, getting near their previous record tight levels in September 2021. This has finally started to bring some profit taking from investors, though continued inflows into Fixed Income and Credit funds supported the tighter levels as despite less attractive valuations, the high all-in yields remain attractive. Rates volatility which previously caused weakness in credit, now gives investors the opportunity to lock-in higher yields which has been a continuing support for credit, which we expect to continue.

New issuance in sterling helped to meet some of the strong demand with most issuers able to garner strong order books, often 2-4x covered, and despite issue spreads being tightened, most bonds performed well in secondary markets. Individual credit stories dominated with Thames Water back in focus after shareholders refused to inject the previously promised £500m of new equity adding further fuel to the fire with shareholders, Ofwat and the Government still in deadlock. Thames was therefore the main underperformer with their spreads 25-40bp wider across the opco sterling senior curve. Other water companies did widen in sympathy, particularly the weaker ones such as Southern Water and Kelda. EDF was the other notable underperformer widening some 10-15bp after news they would be indirectly involved in nuclear weapons production. Although financially immaterial, the concern was that ESG-related divestment would impact demand for their bonds. Direct Line widened after Ageas decided to withdraw its bid after being rejected twice. Virgin Money was one of the main outperformers as Nationwide agreed terms for its takeover which is expected to close in Q4 subject to regulatory approvals. Virgin Money bonds rallied strongly 50-100bp tighter in senior and subordinated bonds on the news to trade nearer Nationwide levels.

There were no major changes in fund positioning although we took the opportunity to reduce both our credit beta and duration overweight marginally on the rally. We also reduced part of our EDF overweight due to the potential ESG concerns.

We remain comfortable with a credit and rates overweight position as we do still have a robust set of technical in the sterling corporate market, and with a mostly improving macro picture, we do not expect any material weakening of spreads despite the less attractive valuations, as we expect continued support from fund inflows and pension risk transfer activity, attracted by the high all-in yields still available.

Outlook
March was another strong month for credit markets with excess returns adding to the positive contribution from rates markets. All spread markets tightened in March. Global investment grade tightened 6.5bp [Bloomberg Global Aggregate Corporate Index] while global high yield tightened 8bp [ICE BofA Global High Yield Index]. Emerging markets performed strongly, with JP Morgan's Emerging Bond Global Government Index tightening 21bp driven by EM HY which tightened 20bp while EM IG tightened 4bp. Asia HY also generated a positive return of around 2%. Consequently, we continue to rotate out of securities we consider fully valued and into new investment opportunities. Over the balance of 2024, we consider stock selection supported by fundamental research will be important driver of portfolio resilience and return in a lower spread environment.

The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.
Source: HSBC Asset Management, data as at 31 March 2024

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.
- Liquidity is a measure of how easily the Fund's holdings can be quickly converted to cash. The value of the Fund's holdings may be significantly impacted by liquidity risk during adverse market conditions.
- Further information on the potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

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Source: HSBC Asset Management, data as at 31 March 2024

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Glossary

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