

# HSBC Index Tracker Investment Funds - UK Gilt Index Fund

Share Class Retail Income

31 Oct 2020

## Fund Objective and Strategy

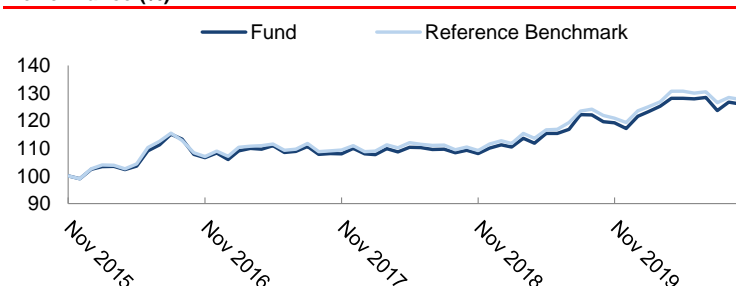
### Investment Objective

The Fund aims to provide income by tracking the performance of the FTSE Actuaries UK Conventional Gilts All Stocks Index (the "Index"). The Index is made up of Sterling denominated UK Government Bonds ("gilts"), as defined by the Index provider.

### Investment Strategy

The Fund will invest in all of the gilts that make up the Index in the same or very similar proportions in which they are included in the Index. However, there may be circumstances when it is not possible or practical for the Fund to invest in all the gilts that make up the Index. The Fund's performance is measured against the Index, because the Fund intends to track the performance of the Index.

## Performance (%)



Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>
Retail Income	7.59	-0.54	-1.86	5.32	5.24	4.97
Reference Benchmark	7.02	-0.53	-2.15	4.77	5.37	5.20

Rolling Performance (%)	31 Oct 2019-31 Oct 2020	31 Oct 2018-31 Oct 2019	31 Oct 2017-31 Oct 2018	31 Oct 2016-31 Oct 2017	31 Oct 2015-31 Oct 2016
Retail Income	5.32	9.53	1.05	0.27	9.02
Reference Benchmark	4.77	10.28	1.27	0.63	9.45

**Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.**

Source: HSBC Global Asset Management, data as at 31 October 2020

## Risk Disclosure

- 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.
- 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").
- 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 Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

## Share Class Details

UCITS V Compliant	Yes
ISA Eligible	Yes
Distribution Type	Distributing
Distribution Frequency	Quarterly
Dividend ex-date	17 Aug 2020
Dividend Yield <sup>2</sup>	2.01%
Last Paid Dividend	0.0058
Dealing Frequency	Daily
Valuation Time	12:00 United Kingdom
Min. Initial Investment	GBP 1,000
Ongoing Charge Figure <sup>3</sup>	0.290%
Share Class Base Currency	GBP
Domicile	United Kingdom
ISIN	GB00B3YY6J92
Share Class Inception Date	07 Jun 2010
NAV per Share	GBP 1.24
Fund Size	GBP 160,422,232
Bloomberg Ticker	HSBUKGI LN
SEDOL	B3YY6J9
Reference Benchmark	FTSE Actuaries UK Conventional Gilts All Stocks Index
Manager	HSBC Passive Fixed Income Team

<sup>1</sup>Result is annualised when calculation period is over one year.

<sup>2</sup>Dividend Yield: represents the ratio of distributed income over the last 12 months to the fund's current Net Asset Value.

<sup>3</sup>Ongoing 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.

3-Year Risk Measures	Retail Income	Reference Benchmark	5-Year Risk Measures	Retail Income	Reference Benchmark
Volatility	6.06%	5.74%	Volatility	6.77%	6.50%
Sharpe Ratio	0.76	0.82	Sharpe Ratio	0.65	0.71
Tracking Error	1.44%	-	Tracking Error	1.44%	-
Information Ratio	-0.09	-	Information Ratio	-0.17	-

Characteristics	Fund	Reference Benchmark	Relative	Characteristics	Fund	Reference Benchmark	Relative
Number of Holdings ex Cash	51	51	-	Current Yield (Gross)	2.03	2.04	0.00
Average Coupon	2.88	2.88	0.00	Modified Duration to Worst	12.61	12.61	0.00
Option Adjusted Duration (OAD)	12.75	12.76	0.00	Rating Average <sup>4</sup>	AA-	AA-	-
Yield to Worst (Gross)	0.39	0.39	0.00	Maturity Average	16.34	16.34	0.00
Yield to Maturity (Gross)	0.39	0.39	0.00	Number of Issuers	1	1	-

Credit Quality Rating Allocation (Market Value %)	Fund	Reference Benchmark	Relative	Sector Allocation (Market Value %)	Fund	Reference Benchmark	Relative
AA	99.98	100.00	-0.02	Gilts	96.49	96.51	-0.02
Cash	0.02	-	0.02	Sovereigns	3.49	3.49	0.00
				Cash	0.02	-	0.02

Sorted from highest to lowest rating. Cash is not included in any rating.

Maturity Breakdown (Option Adjusted Duration)	Fund	Reference Benchmark	Relative
0-3 years	0.26	0.26	0.00
3-5 years	0.46	0.46	0.00
5-10 years	1.24	1.24	0.00
10-15 years	0.98	0.98	0.00
15-20 years	1.24	1.24	0.00
20-30 years	3.81	3.81	0.00
30+ years	4.77	4.77	0.00
<b>Total</b>	<b>12.75</b>	<b>12.76</b>	<b>0.00</b>

Sorted from shortest to longest per the length of maturity.

Top 10 Holdings (%)	Weight (%)
UK TSY GILT 4.750 07/12/30	3.24
UK TSY GILT 4.250 07/06/32	3.03
UK TSY GILT 4.250 07/12/55	2.96
UK TSY GILT 4.500 07/09/34	2.89
UK TSY GILT 4.000 22/01/60	2.74
UK TSY GILT 4.500 07/12/42	2.60
UK TSY GILT 4.250 07/03/36	2.53
UK TSY GILT 1.500 22/07/26	2.45
UK TSY GILT 3.500 22/01/45	2.44
UK TSY GILT 0.875 22/10/29	2.38

<sup>4</sup>Average credit rating uses 'Index rating' which is an average of S&P, Fitch, Moody's. The average fund and benchmark rating does not include securities rated NR or NA.

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## **Contact Information**

UK Investor/Adviser Tel: 0800 358 3011

Lines are open 9am to 5pm Monday to Friday (excluding public holidays). To help the ACD and the Administrator continually improve their services and in the interests of security, they may monitor and/or record your communications with them.

## Terms of Glossary

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**Accumulation Share:** a type of share where the income earned by the Fund is retained in the Fund

**ACD:** HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director of the Company

**Actively Managed:** where the fund manager uses their expertise to pick investments to achieve the fund's objectives

**Beta:** an historical measure of volatility to measure how a fund moves versus its benchmark (i.e. an Index)

**Bond(s):** a loan, usually to a company or government, that pays interest

**Bond Index Futures:** a contract stating that the holder agrees to purchase a bond index at a particular price on a specified future date

**Collective Investment Scheme:** a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property

**Credit Rating:** an assessment of the credit risk of a company, government or other organisation. It seeks to measure how likely it is that the issuer of a bond will be able to continue to make interest payments and repay the money loaned to it

**Developed Markets:** countries with relatively high levels of personal income and established economies

**Duration:** a measure of how long it takes in years for an investor in a bond to recoup the price they paid for the bond from its interest payments. It provides an indication of how much bond prices are likely to change if and when interest rates change

**Emerging Markets (EM):** countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body

**Futures:** a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price

**Growth:** the increase in the value of investments

**Government Bond or Gilt:** a loan to a national government in return for regular payments (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date. Gilts are loans to the UK government

**Hedge Funds:** an investment fund that pools money from investors and invests in a variety of assets, often with complex investment strategies and risk management techniques

**Hedge or Hedging:** using derivative type investments as a way to reduce risk

**High yield bond:** a bond paying a higher level of interest but which has a lower credit rating than investment grade

**Income:** money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or paid back into the fund and reinvested

**Income Share:** the type of Share where the income earned by the Fund is paid out to you

**Information Ratio:** a measure of the risk-adjusted return of a fund against its benchmark

**Investment Grade:** a credit rating that indicates the issuer of a bond has a relatively low risk of being unable to make interest payments and repay the money to it

**Maturity:** the period of time left for a bond or gilt to remain outstanding before the original loan and any final interest is repaid to the lender

**Net Asset Value (NAV):** the value of the scheme property of a fund less the liabilities of the fund

**Ongoing Charges Figure:** a measure of what it costs to invest in a fund. It includes the fee paid to the ACD and other operating costs

**Option adjusted duration (OAD):** a duration value based on the probability of early redemption call by the bond issuer

**Option adjusted spread duration (OASD):** estimates the price sensitivity of a bond to a 100 basis-point movement (either widening or narrowing) in its spread relative to treasuries, taking into account the likelihood of early redemption

**Property-related securities:** shares of property companies that own, manage or develop property and Real Estate Investment Trusts (REITs), which are investment companies that own buildings and land

**Return(s):** the money made or lost on an investment

**Share(s):** an equally valued holding in a fund of a company, representing part ownership of that fund, (including larger denomination shares and smaller denomination shares)

**Sharpe ratio:** a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations

**Volatility:** a measure of the size and frequency of changes in the value of an investment over a short space of time

**Yield:** the income from an investment, usually stated as a percentage of the value of the investment

**Yield to Maturity:** the total return anticipated on a bond if the bond is held until the end of its lifetime, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage

**Yield to Worst:** the lowest potential yield that can be received on a bond without the issuer actually defaulting, excluding strategic currency hedges for Portfolio/Benchmark calculations. Number is shown in percentage