

HSBC Investment Funds

Corporate Bond Fund

Monthly report 31 May 2022 | 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.

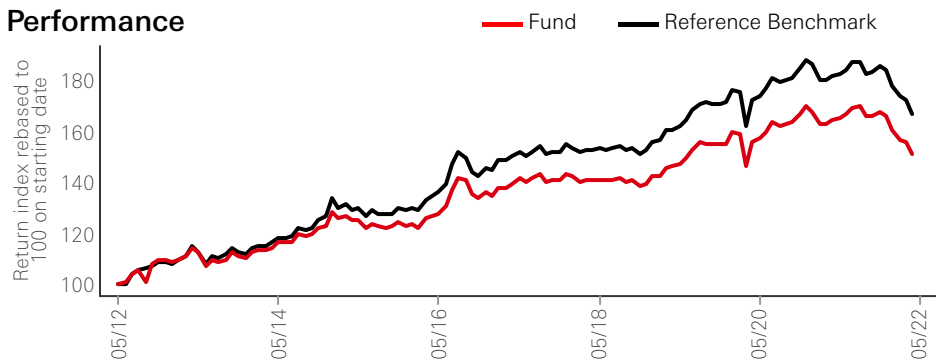
Share class details

Key metrics	
NAV per share	GBP 3.04
Performance 1 month	-1.10%
Yield to maturity	4.46%
Fund facts	
UCITS V compliant	Yes
ISA eligible	Yes
Dividend treatment	Accumulating
Dividend ex-date	16 January 2020
Last paid dividend	0.023449
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 233,397,147
Reference benchmark	100% Markit iBoxx GBP Corporates Index plus 1% per year
Managers	Mohamed Imtiaz Siddeeq Shamil Pankhania
Fees and expenses	
Minimum initial investment ¹	GBP 1,000,000
Ongoing charge figure ²	0.380%
Codes	
ISIN	GB00B85KC152
Bloomberg ticker	HSCPBAC LN
SEDOL	B85KC15

¹Please note that initial minimum subscription may vary across different distributors

²Ongoing 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.

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	10 years ann
Acc C	-9.70	-1.10	-4.53	-10.56	-9.53	0.53	1.08	4.11
Reference Benchmark	0.67	-1.25	-5.10	-11.34	-9.70	0.55	1.58	5.11

Rolling performance (%)	31/05/21-31/05/22	31/05/20-31/05/21	31/05/19-31/05/20	31/05/18-31/05/19	31/05/17-31/05/18	31/05/16-31/05/17	31/05/15-31/05/16	31/05/14-31/05/15	31/05/13-31/05/14	31/05/12-31/05/13
Acc C	-9.53	5.23	6.73	4.57	-0.67	11.05	1.88	7.81	3.36	12.48
Reference Benchmark	-9.70	4.72	7.51	5.69	0.67	11.96	4.48	9.98	4.75	12.90

3-Year Risk Measures	Acc C	Reference Benchmark	5-Year Risk Measures	Acc C	Reference Benchmark
Volatility	7.58%	7.79%	Volatility	6.30%	6.49%
Sharpe ratio	0.02	0.02	Sharpe ratio	0.09	0.17
Tracking error	0.79%	--	Tracking error	0.75%	--
Information ratio	-0.02	--	Information ratio	-0.67	--

Fixed Income Characteristics	Fund	Reference Benchmark	Relative
No. of holdings ex cash	159	812	--
Average coupon rate	4.19	3.83	0.36
Yield to worst	4.20%	3.68%	0.52%
Current yield	3.96%	3.66%	0.30%
Option adjusted duration	6.89	7.00	-0.12
Option adjusted spread duration	6.62	7.12	-0.50
Average maturity	10.28	9.80	0.48
Rating average	BBB+/BBB	A-/BBB+	--

Credit rating (%)	Fund	Reference Benchmark	Relative
AAA	--	1.35	-1.35
AA	7.06	7.14	-0.08
A	14.90	35.17	-20.28
BBB	63.03	56.28	6.75
BB	11.74	0.06	11.68
B	0.92	--	0.92
NR	0.30	--	0.30
Cash	2.05	--	2.05

Geographical allocation (Option adjusted duration)	Fund	Reference Benchmark	Relative
UK	4.91	3.66	1.25
Europe-ex UK	1.14	1.72	-0.57
North America	0.63	1.40	-0.77
Latam	0.13	0.05	0.08
Asia	0.07	0.18	-0.11
Other Locations	0.00	--	0.00
Cash	0.00	--	0.00
Total	6.89	7.00	-0.12

**Maturity Breakdown
 (Option adjusted
 duration)**

	Fund	Reference Benchmark	Relative
0-2 years	0.11	0.10	0.02
2-5 years	0.93	1.02	-0.08
5-10 years	1.10	1.88	-0.78
10+ years	4.75	4.01	0.74
Total	6.89	7.00	-0.12

Sector allocation (%)	Fund	Reference Benchmark	Relative
Financials	42.30	43.95	-1.64
Utilities	15.80	19.73	-3.93
Industrials	7.89	6.98	0.91
Telecommunications	6.89	6.96	-0.07
Gilts	6.49	--	6.49
Mbs	3.67	--	3.67
Consumer Services	3.20	6.88	-3.68
Consumer Goods	3.19	6.46	-3.26
Oil & gas	2.60	2.37	0.23
Health Care	2.17	3.33	-1.16
Other Sectors	3.75	3.34	0.41
Cash	2.05	--	2.05

Top 10 holdings

	Weight (%)
UK TSY GILT 0.625 31/07/35	2.84
UK TSY GILT 4.500 07/12/42	2.64
BAA FUNDING LTD 7.125 14/02/24	2.41
CGNU PLC 6.125 14/11/36	1.67
HSBC HOLDINGS 3.000 22/07/28	1.50
CREDIT SUISSE 2.125 12/09/25	1.43
LLOYDS BK GR PLC 7.625	1.34
CREDIT SUISSE 2.250 09/06/28	1.33
SCOTTISH & SOUTH 8.375 20/11/28	1.32
WESTERN POWER DI 3.625 06/11/23	1.25

Monthly performance commentary

Strategy

The fund value decreased in May. Markets were in a metaphorical tug-of-war between investor worries that higher inflation will cause central banks to continue to move aggressively thereby engineering a recession and investor optimism that inflation will taper, and central banks will find a way to slow tightening sufficiently to avoid recession.

Asset Allocation and Security Selection detracted from performance, primarily a result of our allocations to MBS, Financials and Consumer Goods. However, rates positioning was a positive to performance as we moved duration slightly more underweight. There were no major changes to the funds positioning in May. We continued to take advantage of attractive new financial issues to rotate out of secondary holdings such that there was no material increase in credit beta. Whilst we remained cautious on macro risk, overall credit beta was marginally increased in off benchmark euro corporates where valuations look particularly attractive but remains slightly above neutral. Duration was moved slightly underweight, but we would look to increase the underweight further should the BoE become less hawkish on interest rate hikes or market yields fall back again. We retained the off-benchmark exposure to Securitised Credit and USD and EUR denominated holdings on relative valuations, hedged back into sterling. The UK gilt exposure was also maintained for duration management purposes.

Outlook

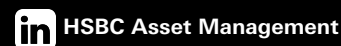
May was a volatile month for Credit. Overall spreads widened at the global Investment Grade level by 2bp to 144 OAS as measured by the Bloomberg Global Aggregate Corporate Index, while High Yield widened by 28bp to 480 OAS as per the ICE BoA Global High Yield Index. EMD continued to suffer albeit at a much slower pace than earlier in 2022. Sovereigns, as measured by the JPMorgan Emerging Bond Global Sovereign Index, widened by 4bp to +383 spread while IG and HY corporates moved +13bp to +218 spread and +32bp to +510 spread, respectively, as measured by the JPMorgan Corporate EMBI indices. Intra-month was also volatile where volatility in spreads surpassed 10bp in IG during the month and 75bp in HY.

Looking forward, we remain carefully positioned in funds. We see the market, at times, to be range bound and we look to trade the range both in terms of sector valuations but also individual credits.

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 Investor Information Document (KID) and/or the Prospectus or Offering Memorandum.

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Glossary



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Source: HSBC Asset Management, data as at 31 May 2022

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