

# ABF Hong Kong Bond Index

Monthly report 31 March 2024 | Share class AD

Fund center



## Risk Disclosure

- The Fund is a passively-managed index-tracking exchange traded fund that aims to track the Markit iBoxx ABF Hong Kong Index. There is no guarantee or assurance of exact replication of the Index. The manager will not have the discretion to adapt to market changes due to the inherent investment nature of the Fund. A fall in the index will result in a similar fall in the net asset value of the Fund.
- The listing of the Fund on the stock exchange in Hong Kong does not guarantee a liquid market and the Fund may be delisted. The Fund's market price on the stock exchange may be different from its net asset value per unit.
- The Fund may invest in financial derivative instruments for investment purpose which may lead to higher volatility to its net asset value.
- The Fund may pay dividends out of capital or gross of expenses. Dividend is not guaranteed and may result in capital erosion and reduction in net asset value.
- Investing in the Fund involves substantial credit, credit rating, currency, debt securities, interest rate, valuation, sovereign debt, geographic concentration, passive investment, termination, trading, volatility and liquidity risks. In the case of turbulent market situation, investors may suffer substantial loss.
- Investors should not invest solely based on factsheet and should read the offering documents for details.



## Investment objective

This Fund seeks to provide investment results that correspond closely to the total return of the Markit iBoxx ABF Hong Kong Index, before fees and expenses.



## Investment strategy

The investment objective of the Trust is to seek to provide investment results that correspond closely to the total return of the iBoxx ABF Hong Kong Index, before fees and expenses. The Manager will seek to achieve the Trust's investment objective by investing the Trust's assets primarily in Index Securities but also in certain securities other than Index Securities ("non-Index Securities") by adopting a representative sampling strategy or similar strategy. Representative sampling is a strategy investing in a representative sample of securities in the Underlying Index which have a similar investment profile as that of the Underlying Index. Securities selected have aggregate characteristics (such as yield and duration) similar to those of the Underlying Index. The Trust generally will not hold all the securities that are included in the Underlying Index.

## Share Class Details

### Key metrics

NAV per Share	HKD 95.94
Yield to maturity	4.08%

### Fund facts

UCITS V compliant	No
Dividend treatment	Distributing
Distribution Frequency	Semi-Annually
Dividend ex-date	30 January 2024
Dividend annualised yield*	2.26%
Dividend Amount	1.080000
Dealing frequency	Daily
Share Class Base Currency	HKD
Domicile	Hong Kong SAR
Inception date	17 June 2005
Fund Size	HKD 2,192,261,205
Reference benchmark	100% Markit iBoxx ABF Hong Kong TR HKD
Managers	Ming Leap Fouad Mouadine

### Fees and expenses

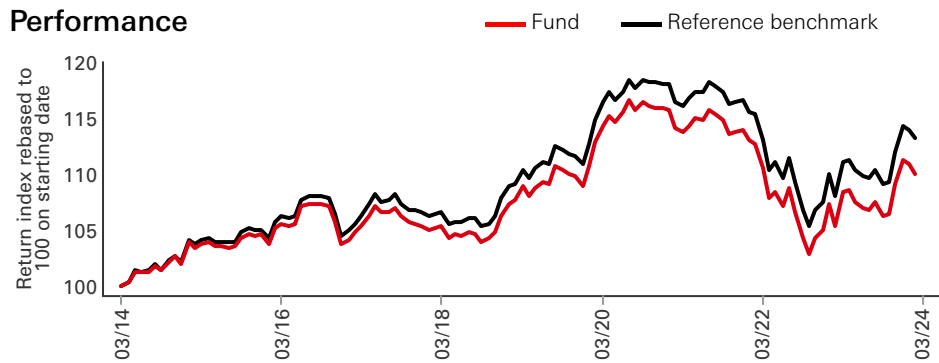
Maximum initial charge (HK)	0.000%
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### Codes

ISIN	HK2819031405
Bloomberg ticker	2819 HK

Past performance does not predict future returns. The figures are calculated in the share class base currency, NAV to NAV basis with dividend reinvested, net of fees. If investment performance is not denominated in HKD or USD, HKD or USD based investors are exposed to exchange rate fluctuations. \*The fund may pay dividends out of capital or gross of expenses. Fund change that may have material impact on performance: 11 Dec 2017 - charges of creating units increased. 29 Jan 2018 - dividend distribution policy changed. For definition of terms, please refer to the Glossary QR code. Source: HSBC Asset Management, data as at 31 March 2024

## Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years	5 years
<b>AD</b>	<b>-0.76</b>	<b>0.38</b>	<b>-0.76</b>	<b>3.92</b>	<b>1.89</b>	<b>-2.95</b>	<b>1.39</b>
Reference benchmark	-0.74	0.34	-0.74	4.13	2.19	-2.24	2.84

Calendar year performance (%)	2019	2020	2021	2022	2023
<b>AD</b>	<b>2.53</b>	<b>6.32</b>	<b>-1.68</b>	<b>-7.94</b>	<b>6.08</b>
Reference benchmark	2.91	6.46	-1.24	-7.84	6.40

The calendar year return of the first year is calculated between share class inception date and calendar year end of first year if the share class has less than 5-year history.  
Results are cumulative

3-Year Risk Measures	AD	Reference benchmark	5-Year Risk Measures	AD	Reference benchmark
Volatility	4.47%	4.50%	Volatility	3.92%	3.94%
Sharpe ratio	-0.83	-0.77	Sharpe ratio	-0.49	-0.42
Tracking error	0.16%	--	Tracking error	0.23%	--
Information ratio	-1.54	--	Information ratio	-1.26	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	52	102	--
Average coupon rate	2.49	2.67	-0.17
Portfolio yield	4.08%	3.97%	0.11%
Yield to maturity	4.08%	3.97%	0.11%
Current yield	2.62%	2.78%	-0.16%
Effective duration	3.85	3.84	0.01
Average maturity	4.38	4.38	0.00
Average Credit Quality	AA/AA-	AA/AA-	--
Number of issuers	10	17	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (Effective duration)	Fund	Reference benchmark	Relative
AAA	0.91	3.99	-3.07	< 1 year	0.10	--	0.10
AA	93.96	93.82	0.14	1-2 years	0.42	0.63	-0.21
A	5.00	2.19	2.80	2-3 years	0.14	0.27	-0.13
Cash	0.13	--	0.13	3-4 years	0.60	0.56	0.05
				4-5 years	0.31	0.28	0.02
				5-10 years	1.26	1.22	0.05
				> 10 years	1.02	0.88	0.14
				<b>Total</b>	<b>3.85</b>	<b>3.84</b>	<b>0.01</b>

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For definition of terms, please refer to the Glossary QR code.  
Source: HSBC Asset Management, data as at 31 March 2024

Sector Allocation (%)	Fund	Reference benchmark	Relative
Treasuries	60.04	60.69	-0.65
Agencies	38.27	31.30	6.97
Supranational	1.56	8.02	-6.45
Cash	0.13	--	0.13

Top 10 Holdings	Weight (%)
HK GOVT BOND PRO 1.680 21/01/26	14.26
HK GOVT BOND PRO 1.250 29/06/27	10.62
HK GOVT BOND PRO 2.130 16/07/30	4.87
HK GOVT BOND PRO 2.020 07/03/34	4.06
HK GOVT BOND PRO 1.970 17/01/29	3.85
CHINA DEV BK/HK 2.850 19/07/24	3.52
HK GOVT BOND PRO 1.790 14/04/25	3.44
HK GOVT BOND PRO 1.890 02/03/32	3.41
HK MTGE CORP 4.680 12/09/25	3.28
HK GOVT BOND PRO 1.590 04/03/36	3.24

## Monthly performance commentary

### Market Review

The treasury curve shifted broadly downwards as the FOMC meeting was seen as more dovish than expected. Although USTs were sold off in the first half of March, due to higher-than-expected inflation and strong nonfarm payroll numbers, they rallied in the second half with the Fed's Powell reiterating that rate cuts are expected "at some point this year", downplaying the recent inflation data. The FOMC's latest dot plot maintained three 25bp rate cuts for 2024 despite upgrading growth and inflation forecasts. Overall, 2-year treasury yields were flat while 10-year yields fell by 5bps.

The HKD sovereign curve largely shifted downwards over the month. For maturities greater than 1 year, yields were down by 1bp at the 2-year and 7-year respectively.

The HKD swap curve shifted downwards over the month in the long end, whilst the short end stayed relatively stable. For maturities greater than 1 year, yield changes ranged from 3bps higher at the 2-year, to 1bp higher at the 5-year and 5bps lower at the 10-year.

### Economic Review

Economic releases in the past month have been broadly stable, despite some areas showing weaknesses. The seasonally adjusted unemployment rate for the 3-month period ended February was unchanged and in line with expectations. The unemployment rate of various sectors stayed low in the 3-month period, and showed minimal changes compared to the prior period's data. The underemployment rate also remained unchanged. Inflation for February was slightly lower than expected, although still picking up meaningfully from January. The larger increase was mainly due to increases in food prices because of the Lunar New Year. The price of meals out and takeaway food continued to see faster increases, whilst the price of basic food declined from a year prior. Energy-related items continued their price decline, whilst other major components remained broadly in check. Total exports fell y-o-y and was worse than expected. Trade flows do normally show volatility in the first two months due to the Lunar New Year. Exports to the Mainland and the United States rose notably, whilst those to the European Union fell. Retail sales rose less than expected on a y-o-y basis, with the value of online retail sales decreasing substantially. However, it should be noted that y-o-y comparisons may be distorted due to the Lunar New Year. Following the Fed, the HKMA held its base rate steady over the month. There was no FX intervention by the HKMA this month and the Aggregate Balance remained stable.

### Economic/Market Outlook

Looking ahead, the government expects the labour market to stay tight in the near term, supported by growth in the local economy.

The US data prints and hawkish signal by Fed officials have continued to push yields higher and rate cut expectations further into the year, meanwhile HKD rates remained steady. Due to quarter-end funding demand near end-March, rates at the front-end were pushed higher, although the effect was temporary and quickly eased subsequently. The curve has stabilized back to being broadly flat when compared to pre quarter-end levels. Going into the next month, given the weak equity and fundamental backdrop, rates at the longer-end are expected to broadly track USD rates, unless there is a material change in funding. Front-end rates should remain driven by seasonal demand.

Glossary



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

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Investor should be aware that the Fund differs from a typical unit trust. Investor should refer to the offering document for details of these differences and the fees and expenses involved in investing in the Fund. Investor should note that the market price of the Fund's unit on the exchange may be different from the net asset value per unit of the Fund and the units may be delisted from the stock exchange.

These indicative values should not be viewed as "real time" updates of the NAV per unit of the Fund. The indicative NAV per unit of the Fund and the actual NAV per unit of the Fund (to published on the following dealing day) may differ.

### Indicative NAV

The indicative NAV calculations as shown on HSBC Global Asset Management (Hong Kong) Limited Website (the "INAV Calculations") are provided by [Solactive AG](https://www.solactive.com/), (see [What we do - ETF Services](https://www.solactive.com/what-we-do/) section) and are updated during trading hours of the Stock Exchange of Hong Kong (SEHK).

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Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Dividend Amount	Annualised Yield based on ex-dividend date
AD	HKD	Semi-Annually	30 January 2024	1.080000	2.26%
AD	HKD	Semi-Annually	28 July 2023	0.360000	0.77%

The above table cites the last dividend paid within the last 12 months only.  
Dividend is not guaranteed and may be paid out of capital, which will result in capital erosion and reduction in net asset value. A positive distribution yield does not imply a positive return. Past distribution yields and payments do not represent future distribution yields and payments. Historical payments may be comprised of both distributed income and capital.  
The calculation method of annualised yield from August 2019 is the compound yield calculation:  $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n) - 1$ , n depends on the distributing frequency. Annually distribution is 1; semi-annually distribution is 2; quarterly distribution is 4; monthly distribution is 12.  
The annualised dividend yield is calculated based on the dividend distribution on the relevant date with dividend reinvested, and may be higher or lower than the actual annual dividend yield.  
For definition of terms, please refer to the Glossary QR code.  
Source: HSBC Asset Management, data as at 31 March 2024