

ABF Hong Kong Bond Index

Monthly report 31 August 2022 | 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 94.03
Performance 1 month	-2.01%
Yield to maturity	3.27%

Fund facts

UCITS V compliant	No
Dividend treatment	Distributing
Distribution Frequency	Semi-Annually
Dividend ex-date	28 July 2022
Dividend annualised yield*	0.02%
Dividend Amount	0.010000
Dealing frequency	Daily
Share Class Base Currency	HKD
Domicile	Hong Kong SAR
Inception date	17 June 2005
Fund Size	HKD 2,152,886,853
Reference benchmark	100% Markit iBoxx ABF Hong Kong TR HKD
Managers	Ming Leap Fouad Mouadine

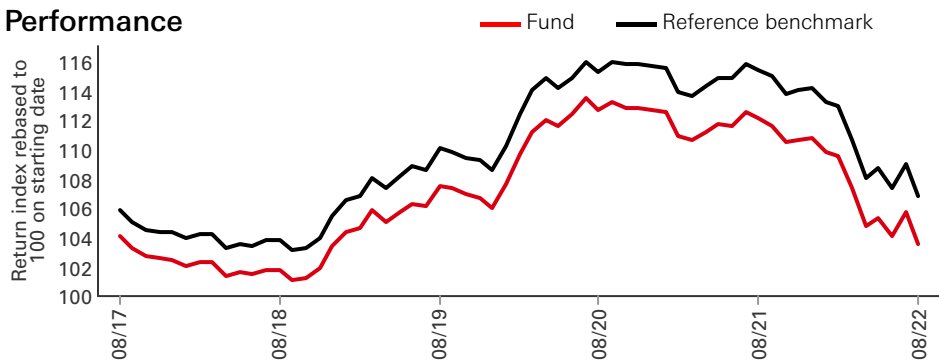
Fees and expenses

Maximum initial charge (HK)	0.000%
-----------------------------	---------------

Codes

ISIN	HK2819031405
Bloomberg ticker	2819 HK

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years	5 years
AD	-6.47	-2.01	-1.66	-5.41	-7.58	-3.67	-0.41
Reference benchmark	-6.38	-1.94	-1.71	-5.37	-7.39	-2.95	1.00

Calendar year performance (%)	2017	2018	2019	2020	2021
AD	1.62	0.88	2.53	6.32	-1.68
Reference benchmark	2.03	1.14	2.91	6.46	-1.24

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	3.40%	3.39%	Volatility	3.01%	3.02%
Sharpe ratio	-0.64	-0.57	Sharpe ratio	-0.44	-0.35
Tracking error	0.26%	--	Tracking error	0.22%	--
Information ratio	-0.96	--	Information ratio	-1.27	--

Fixed Income Characteristics	Fund	Reference benchmark	Relative
No. of holdings ex cash	52	97	--
Average coupon rate	1.84	1.96	-0.13
Portfolio yield	3.27%	3.41%	-0.13%
Yield to maturity	3.27%	3.41%	-0.13%
Current yield	1.94%	2.07%	-0.13%
Effective duration	3.92	3.96	-0.04
Average maturity	4.37	4.49	-0.12
Average Credit Quality	AA/AA-	AA/AA-	--
Number of issuers	9	14	--

Credit rating (%)	Fund	Reference benchmark	Relative	Maturity Breakdown (Effective duration)	Fund	Reference benchmark	Relative
AAA	--	0.21	-0.21	< 1 year	0.04	--	0.04
AA	91.13	83.10	8.03	1-2 years	0.59	0.65	-0.06
A	8.65	16.06	-7.41	2-3 years	0.19	0.28	-0.08
NR	--	0.63	-0.63	3-4 years	0.49	0.32	0.16
Cash	0.22	--	0.22	4-5 years	0.36	0.52	-0.16
				5-10 years	1.27	1.21	0.06
				> 10 years	0.98	0.98	0.00
				Total	3.92	3.96	-0.04

ABF Hong Kong Bond Index

Monthly report 31 August 2022 | Share class AD

Sector Allocation (%)	Fund	Reference benchmark	Relative
Treasuries	68.36	58.71	9.65
Agencies	31.42	38.30	-6.88
Supranational	--	2.98	-2.98
Cash	0.22	--	0.22

Top 10 Holdings	Weight (%)
HK GOVT BOND PRO 1.680 21/01/26	10.05
HK GOVT BOND PRO 2.220 07/08/24	9.93
HK GOVT BOND PRO 0.360 15/04/24	6.65
HK GOVT BOND PRO 1.250 29/06/27	4.61
HK GOVT BOND PRO 1.970 17/01/29	4.18
HK GOVT BOND PRO 1.890 02/03/32	4.11
HK GOVT BOND PRO 2.130 16/07/30	4.10
CHINA DEV BK/HK 2.850 19/07/24	3.91
HK GOVT BOND PRO 0.510 23/10/23	3.62
HK MTGE CORP 0.800 15/04/24	3.33

Monthly performance commentary

Market Review

The treasury curve shifted upwards over the month as the Fed reiterated its hawkish stance at the Jackson Hole Economic Symposium. During the annual Policy Symposium, Fed Chair Powell again emphasized that the FOMC's focus was to bring inflation down to its 2% goal and would likely require a restrictive monetary policy stance. However, the FOMC decision in September still looks to be a close call between a 50bps and 75 bps rate hike and will depend on the totality of the incoming data. Unemployment rate grew slightly with rising labour force participation rate in August, indicating a slight reduction in labor market imbalances. Meanwhile, nonfarm payrolls rose more than consensus in August, but the job growth has slowed compared to 2021. Both headline CPI and core CPI surprised to the downside in July. Headline CPI was flat MoM, with YoY rate falling, while core CPI rose, with YoY rate held steady. Price increases may be slowing for some categories such as used vehicles and new vehicles, while prices are still rising quickly in other areas including food and rents, labor market tightness continues to put upward pressure on services inflation. Total retail sales were unchanged between June and July, a soft headline figure that was held down by a drop in gasoline station sales that likely reflected a decline in prices during the month. Excluding gas stations, total retail sales rose in July. In general, the retail sales show more recent strength from consumers. Overall, two-year yields were up by 61 bps, while 10-year yields were up 54 bps.

The HKD sovereign curve shifted upwards over the month. For maturities greater than 1 year, yields were up by 66bps and 57bps at the 2-year and 7-year respectively.

The HKD swap curve shifted upwards over the month. For maturities greater than 1 year, yield changes ranged from 67bps higher at the 2-year, to 68bps higher at the 5-year and 49bps higher at the 10-year.

Economic Review

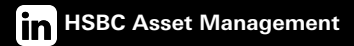
Economic data released in the past month were mixed. Unemployment rate dropped in July, mainly driven by the continual revival of domestic economic activities and the government's wage subsidy scheme. The consumption- and tourism-related sectors improved with falling unemployment rate in the food and beverage services sector and the retail sector. Most other sectors also experienced a decline in unemployment rate, including the transportation, arts, entertainment, and recreation sectors. Meanwhile, headline CPI grew YoY on a MoM gain in July, with food prices having a solid gain. Core CPI also grew MoM, with rising prices for housing-related items and clothing. Furthermore, retail sales volume grew YoY on a MoM gain in July after a marginal easing in June, mainly driven by the post-Omicron consumption recovery supported by the government's cash handouts. On trade figures, exports declined YoY on a 4.0% MoM fall in July, following the marginal gain in June. On the other hand, imports dropped on both YoY and MoM basis to an even larger extent, resulting in a narrowing trade deficit for July. The government has cut the seven-day hotel quarantine to a "3+4" model for inbound travellers, but the recent rapid increase in local COVID cases may lead the government to reassess the reopening strategy and pace, further COVID case increases may still weigh on near-term consumer sentiment.

Economic/Market Outlook

We expect HKD sovereign bonds to remain in lockstep with the US treasury market as policy rates move higher together and government budgets stay under pressure. Chairman Powell's brief speech at Jackson Hole altered the market narrative to the degree that it seemed to persuade more dovish market participants that rates would have to stay higher for longer in order to lean down on excess demand and therefore inflation. This certainly maintains upwards pressure on US treasury and HKD government yields in the short term, with a flattening bias perhaps even more prevalent if the higher rates are seen as likely to stifle economic growth.

However, the higher treasury yields rise, the closer we get to the point that they discount the entire tightening cycle, while many uncertainties assuredly remain, with the unknowable future path of inflation crucial to both the peak level of rates and the duration of their elevation. The currently discounted effective Fed Funds rate of nearly 4% would certainly- on our estimation- take rates well into restrictive territory. We would therefore say that current yields are getting close to fair value for the medium to long term.

Follow us on:



Website:

www.assetmanagement.hsbc.com/hk

Glossary



<https://>

[www.assetmanagement.hsbc.com/hk/
api/v1/download/document/
lu0164865239/hk/en/glossary](https://www.assetmanagement.hsbc.com/hk/api/v1/download/document/lu0164865239/hk/en/glossary)

Index Disclaimer

Neither Markit, its Affiliates or any third party data provider makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. Neither Markit, its Affiliates nor any data provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the Markit data, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom. Markit has no obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate. Without limiting the foregoing, Markit, its Affiliates, or any third party data provider shall have no liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgments, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein. Copyright © 2021, Markit Indices Limited.

**For definition of terms, please refer to the Glossary QR code.
Source: HSBC Asset Management, data as at 31 August 2022**

Important Information

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

Indicative NAV calculations as shown on HSBC Global Asset Management (Hong Kong) Limited Website (the "data") are provided by ICE Data Indices, see ICE Terms of Use, and is updated during SEHK trading hours.

Indicative NAV is indicative and for reference purposes only. All information provided by ICE Data Indices, LLC and its affiliates ("ICE Data") is owned by or licensed to ICE Data and its affiliates. The ICE Data are for informational purposes only and are not intended for trading purposes. In no event shall any user publish, retransmit, redistribute or otherwise reproduce any ICE Data Information in any format to anyone, and no user shall use any ICE Data Information in or in connection with any business or commercial enterprise, including, without limitation, any securities, investment, accounting, banking, legal or media business or enterprise. The ICE Data are provided on an "as is" basis. ICE Data, its affiliates and their respective third party suppliers make no warranty, express or implied, relating to the ICE Data, or as to results to be attained by user and the funds or other form the use of ICE Data, including, but not limited to, express or implied warranties of merchantability, fitness for a particular purpose or use.

Prior to the execution of a security trade based upon the ICE Data Information, you are advised to consult with your broker or other financial representative to verify pricing information.

Delayed Data

Delayed data as shown on this website (the "data") are provided by the data provider, ICE Data. ICE Data and HKEx Information Services Limited, and their respective holding companies and/or any subsidiaries of such holding companies, do not guarantee the accuracy or reliability of the data provided and accept no liability (whether in tort or contract or otherwise) for any loss or damage you may suffer or incur arising out of or in connection with your use of the data, including loss or damage which arises out of the data being inaccurate, incomplete or delayed, and however such loss or damage arises. You acknowledge that the data is provided for information only and should not be relied upon for any purpose.

The Fund is not sponsored, endorsed, sold or marketed by ICE Data Indices, LLC, its affiliates ("ICE Data") or their respective Third Party Suppliers.

ICE DATA OR ITS THIRD PARTY SUPPLIERS MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE INDICATIVE OPTIMIZED PORTFOLIO VALUES, FUND OR ANY FUND DATA INCLUDED THEREIN. IN NO EVENT SHALL ICE DATA HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, DIRECT, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

The material contained herein is for marketing purposes and is for your information only. This document is not contractually binding nor are we required to provide this to you by any legislative provision. It does not constitute legal, tax or investment advice or a recommendation to any reader of this material to buy or sell investments. You must not, therefore, rely on the content of this document when making any investment decisions.

Investors should not invest in the Fund solely based on the information provided in this document and should read the offering document of the Fund for details.

This document is prepared for general information purposes only and does not have any regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive it. Any views and opinions expressed are subject to change without notice. This document does not constitute an offering document and should not be construed as a recommendation, an offer to sell or the solicitation of an offer to purchase or subscribe to any investment. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. HSBC Asset Management has based this document on information obtained from sources it reasonably believes to be reliable. However, HSBC Asset Management does not warrant, guarantee or represent, expressly or by implication, the accuracy, validity or completeness of such information. Investment involves risk. Past performance is not indicative of future performance. Please refer to the offering document for further details including the risk factors. This document has not been reviewed by the Securities and Futures Commission. Copyright © HSBC Global Asset Management (Hong Kong) Limited 2022. All rights reserved. This document is issued by HSBC Global Asset Management (Hong Kong) Limited.

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	28 July 2022	0.010000	0.02%
AD	HKD	Semi-Annually	28 January 2022	0.510000	1.03%

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 August 2022