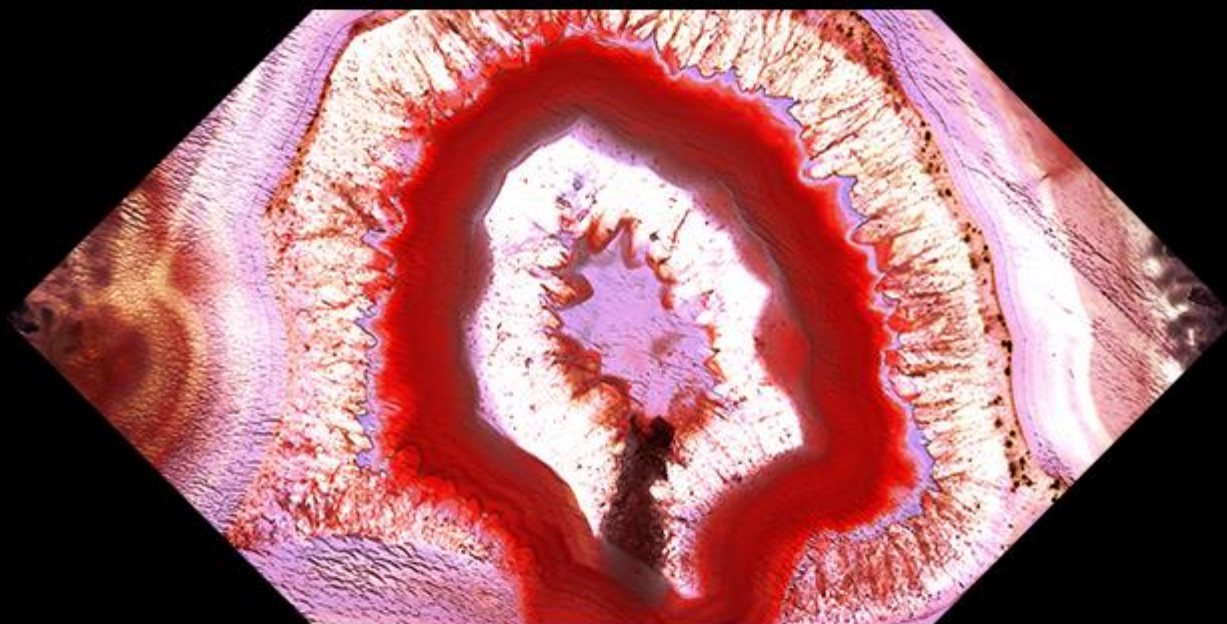


# HSBC Securitised Credit Strategies

Strategy Overview – January 2024



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This is a marketing communication. Please refer to the prospectus of the funds and to the KIIDs before making any final investment decisions.

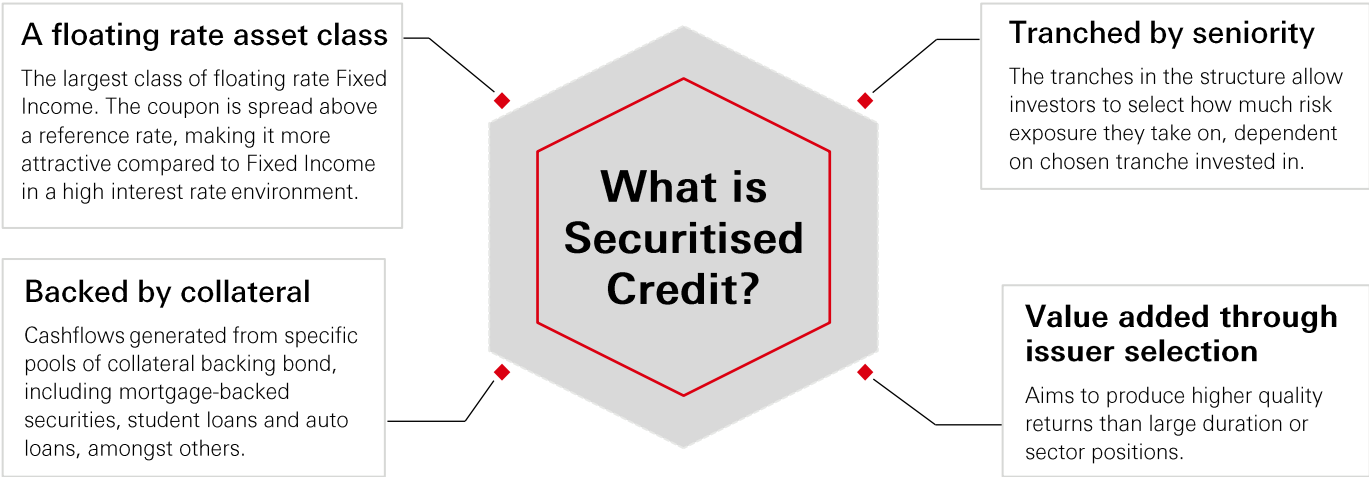
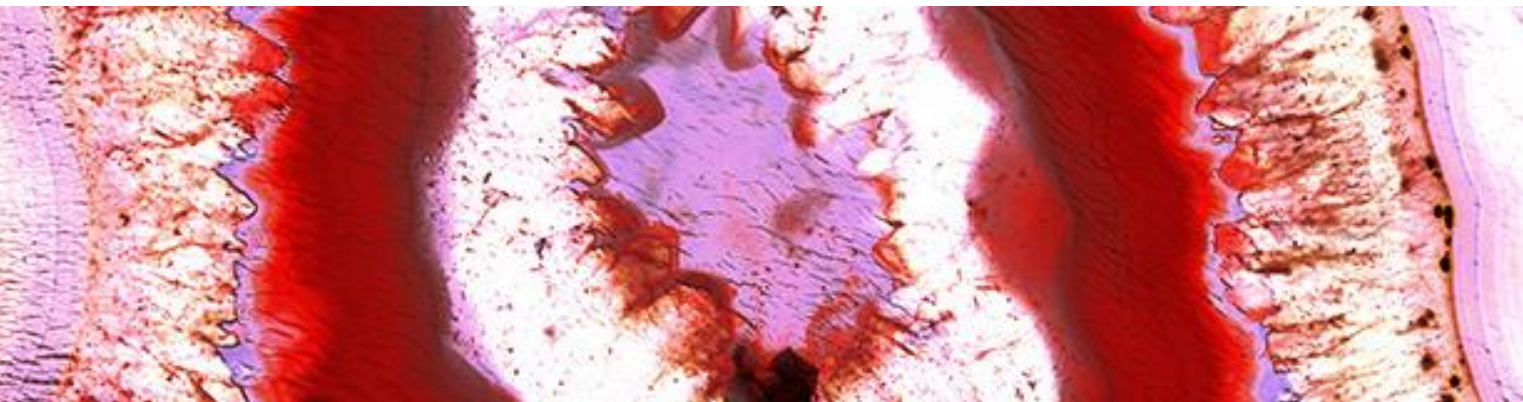


**HSBC** Asset Management

| Opening up a world of opportunity

# HSBC Securitised Credit Strategies

## Strategy Overview



### How does Securitised Credit compare to traditional Fixed Income?

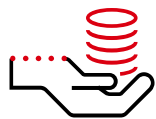
| Securitised Credit                                                                                                    | Traditional Corporate Bonds                                                                |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>Floating rate</b> coupons offer a margin above a reference rate such as the LIBOR.                                 | <b>Fixed rate</b> coupons locked in over full length of bond's maturity period.            |
| <b>Tranches</b> of seniority allow note holders to receive payments and suffer losses dependent on chosen risk level. | <b>No tranches</b> means that all bond holders receive payments and suffer losses equally. |
| <b>Amortising maturity dates</b> mean that principal is repaid over lifetime of maturity.                             | <b>Fixed maturity dates</b> mean that principal is received upon maturity date.            |
| Credit rating depends on <b>level of credit enhancement</b> , used to protect against losses.                         | Credit rating depends on <b>issuers ability to repay</b> the bond.                         |
| <b>Cash flow generated from underlying collateral</b> such as mortgage repayments.                                    | <b>Cash flow generated from issuer's underlying business activity.</b>                     |

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# HSBC Securitised Credit Strategies

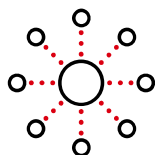
## Strategy Overview

### Why consider investing in Securitised Credit?



#### Yield pick up

Offers a pickup in yield to similarly rated corporate bonds, mainly due to its complexity premium. Can enhance portfolio yield without increasing credit risk or duration.



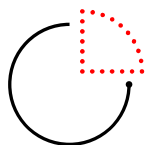
#### Diversification

Low correlation to traditional Fixed Income can add value through diversification when replacing or adding to a traditional Fixed Income portfolio. There is opportunity to reduce portfolio duration, potentially enhancing returns, whilst maintaining a desired level of credit quality.



#### Potential for spread compression

Securitised Credit is a credit product. With credit spreads in the asset class remaining wide, there is a potential for spread tightening and capital appreciation as the global economy begins to slow.



#### Diversified access

Enables investors to gain exposure to diversified, illiquid asset classes that are difficult for investors to access directly, such as residential mortgages, which are originated by banks.



#### Risk and reward preference

Senior tranches expose investors to lower risk, thus lower returns, as they receive interest and principal payments from the collateral first. Investors in the subordinate tranches are exposed to more risk, but are rewarded greater returns, as the tranches effectively provide 'leveraged' exposure to the collateral.



#### Highly experienced team

Our team at HSBC holds an average of 18 years of experience. Each sector within Securitised Credit (e.g., CMBS, RMBS, CLOs) has a dedicated Portfolio Manager and Analyst, allowing a global value approach to be taken in unlocking the potential within Securitised Credit.

Diversification does not ensure a profit or protect against loss.

# HSBC Securitised Credit Strategies

## Strategy overview

### HSBC Securitised Credit Strategies

|                             | Investment Grade                                                                                                                                                                                                                                                  | Flexible                                                                                                                                                                                        | High Yield                                                                                                                                                                                              |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment Universe         | AAA to A rated<br>Global Securitised Credit                                                                                                                                                                                                                       | Invest across the full<br>spectrum of rating,<br>region and sectors                                                                                                                             | Predominantly<br>non-investment Grade<br>Global Securitised Credit                                                                                                                                      |
| Fund AUM (USD)              | 1,960m                                                                                                                                                                                                                                                            | 79m                                                                                                                                                                                             | 76m                                                                                                                                                                                                     |
| Strategy AUM (USD)          | 1,960m                                                                                                                                                                                                                                                            | 526m                                                                                                                                                                                            | 76m                                                                                                                                                                                                     |
| Average credit quality      | AA                                                                                                                                                                                                                                                                | BBB                                                                                                                                                                                             | BB+                                                                                                                                                                                                     |
| Duration                    | 0.5 year                                                                                                                                                                                                                                                          | 0.4 year                                                                                                                                                                                        | 0.4 year                                                                                                                                                                                                |
| Spread duration             | 2.3 years                                                                                                                                                                                                                                                         | 2.8 years                                                                                                                                                                                       | 3.2 years                                                                                                                                                                                               |
| Yield to maturity           | 6.4%                                                                                                                                                                                                                                                              | 8.9%                                                                                                                                                                                            | 10.2%                                                                                                                                                                                                   |
| Investment Format           | Pooled Fund<br>/ Segregated Mandates                                                                                                                                                                                                                              | Pooled Fund<br>/ Segregated Mandates                                                                                                                                                            | Pooled Fund<br>/ Segregated Mandates                                                                                                                                                                    |
| Fund Liquidity              | Daily                                                                                                                                                                                                                                                             | Weekly (3 business days<br>notice for redemptions)                                                                                                                                              | Weekly (5 business days<br>notice for redemptions)                                                                                                                                                      |
| Fund Ongoing Charges        | 0.60% (X share class)<br>Management: 0.45%,<br>Expenses: 0.15%                                                                                                                                                                                                    | 0.75% (X share class)<br>Management: 0.60%,<br>Expenses: 0.15%                                                                                                                                  | 0.85% (X share class)<br>Management: 0.70%,<br>Expenses: 0.15%                                                                                                                                          |
| Rating Distribution (%)     | <div><div>AAA</div><div>AA</div><div>A</div><div>Cash</div><div>45</div><div>35</div><div>18</div><div>2</div></div>                                                                                                                                              | <div><div>AAA</div><div>AA</div><div>A</div><div>BBB</div><div>BB</div><div>B</div><div>Cash</div><div>1</div><div>9</div><div>20</div><div>43</div><div>16</div><div>6</div><div>5</div></div> | <div><div>AAA</div><div>AA</div><div>A</div><div>BBB</div><div>BB</div><div>B</div><div>Cash</div><div>1</div><div>4</div><div>3</div><div>38</div><div>41</div><div>9</div><div>5</div></div>          |
| Geographic Distribution (%) | <div><div>USA</div><div>UK</div><div>EU ex. UK</div><div>Australia</div><div>54</div><div>14</div><div>26</div><div>6</div></div>                                                                                                                                 | <div><div>USA</div><div>UK</div><div>EU ex. UK</div><div>Australia</div><div>70</div><div>15</div><div>13</div><div>1</div></div>                                                               | <div><div>USA</div><div>UK</div><div>EU ex. UK</div><div>Australia</div><div>74</div><div>11</div><div>14</div><div>1</div></div>                                                                       |
| Sector Distribution (%)     | <div><div>CLO</div><div>CMBS</div><div>RMBS</div><div>Student Loan ABS</div><div>Whole Business ABS</div><div>Autos</div><div>Other</div><div>Cash</div><div>43</div><div>27</div><div>22</div><div>2</div><div>3</div><div>0</div><div>1</div><div>2</div></div> | <div><div>CLO</div><div>CMBS</div><div>RMBS</div><div>Whole Business ABS</div><div>Cash</div><div>40</div><div>34</div><div>19</div><div>3</div><div>5</div></div>                              | <div><div>CLO</div><div>CMBS</div><div>RMBS</div><div>Whole Business ABS</div><div>Consumer Loans</div><div>Cash</div><div>40</div><div>34</div><div>16</div><div>4</div><div>1</div><div>5</div></div> |

**Past performance does not predict future returns. The level of yield is not guaranteed and may rise or fall in the future.**  
Source: HSBC Asset Management as of 31 December 2023. This information shouldn't be considered as a recommendation to invest in the specific country/sector mentioned. Ratings are an average of S&P, Moody's, Fitch, DBRS and Kroll. Cash includes actual cash, liquidity fund investments and contributions to NAV from FX forwards. Totals may not add up to 100% due to rounding.

# HSBC Securitised Credit Strategies

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## Key risks

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested.

- ◆ **Interest Rate Risk:** As interest rates rise debt securities will fall in value. The value of debt is inversely proportional to interest rate movements.
- ◆ **Counterparty Risk:** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.
- ◆ **Credit Risk:** Issuers of debt securities may fail to meet their regular interest and/or capital repayment obligation. All credit instruments therefore have the potential for default. Higher yielding securities are more likely to default.
- ◆ **Default Risk:** The issuers of certain bonds could become unwilling or unable to make payments on their bonds.
- ◆ **Emerging Markets Risk:** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- ◆ **Exchange Rate Risk:** Investing in assets denominated in a currency other than that of the investor's own currency perspective exposes the value of the investment to exchange rate fluctuations.
- ◆ **Investment Leverage Risk:** 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.
- ◆ **Asset Backed Securities (ABS) Risk:** ABS are typically constructed from pools of assets (e.g. mortgages) that individually have an option for early settlement or extension, and have potential for default. Cash flow terms of the ABS may change and significantly impact both the value and liquidity of the contract.
- ◆ **Derivatives Risk:** The value of derivative contracts is dependent upon the performance of an underlying asset. A small movement in the value of the underlying can cause a large movement in the value of the derivative. Unlike exchange traded derivatives, over-the-counter (OTC) derivatives have credit risk associated with the counterparty or institution facilitating the trade.
- ◆ **High Yield Risk:** Higher yielding debt securities characteristically bear greater credit risk than investment grade and/or government securities.
- ◆ **Liquidity Risk:** Liquidity is a measure of how easily an investment can be converted to cash without a loss of capital and/or income in the process. The value of assets may be significantly impacted by liquidity risk during adverse markets conditions.
- ◆ **Operational Risk:** The main risks are related to systems and process failures. Investment processes are overseen by independent risk functions which are subject to independent audit and supervised by regulators.

Further information on the potential risks can be found in the Key Investor Information Document (KIID) and/ or the Prospectus or Offering Memorandum.

# HSBC Securitised Credit Strategies

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