

The DC Funds

Sterling Corporate Bonds - active as at 30 June 2023

Fund objective

To provide long-term capital growth by investing mainly in investment grade corporate bonds of UK companies. The fund aims to have less capital risk than an equities based fund. Over the long term the fund aims to outperform the benchmark and provide growth above inflation.

Fund description

The Fund actively invests in UK corporate bonds aiming to outperform its benchmark investment return over the long term but may deviate from it over shorter time periods. The investment manager has discretion over which bonds to hold and when to buy/sell them. ESG factors are considered within the investment process where relevant.

Fund Facts

Launch Date:
1/3/2018

Fund size:
£5.20m

Price Per Share:
196.8p

Base Currency:
GBP

Does this fund form part of an HSBC default strategy?
No

Charges:
Inv Mgmt Charges: 0.00%
Additional Charges: 0.01%

HSBC pays the investment management charges – not you. However, there may be costs within some of the funds and these will be reflected in the unit price. These nominal costs are variable and are likely to be between nil and 0.2% a year.

Current Underlying Fund(s):
100% M&G All Stocks Corporate Bond Fund

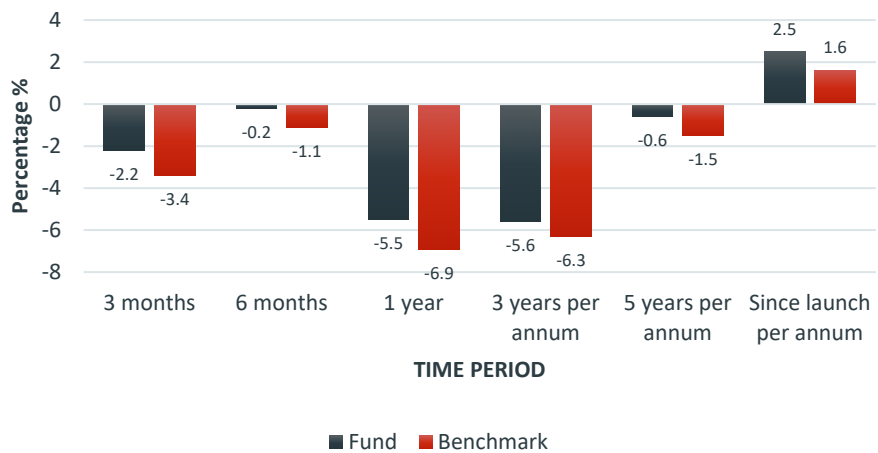
Current Benchmark:
iBoxx Sterling Non-Gilts index

Volatility (% per annum):

	3 Years	5 Years
Fund:	9.0	8.5
Benchmark:	8.6	8.0

Annualised volatility: a measure of how variable returns for a fund or comparative market index have been around their historical average (also known as "standard deviation"). Two funds may produce the same return over a period. The fund whose monthly returns have varied less have a lower annualised volatility and may be considered to have achieved its returns with less risk. The calculation is the standard deviation of monthly returns presented as an annualised number. Volatility for funds and indices are calculated independently of each other.

Fund Performance



Note

Past performance is not a guide to future performance. The figures are shown in Sterling and have been calculated using actual returns since the introduction of the current DC fund range. Source: FIL Life Insurance Ltd. Single priced, gross income reinvested and net of fees. Indicative prices have been used if a portfolio valuation fell on a non-trading day. The fund was launched on 1st March 2018, but links to an underlying fund which has been in existence for a number of years. Before 1st March 2018, performance is simulated based on data provided by M&G, the underlying fund provider. Thereafter, returns are produced by Fidelity on a monthly basis.

For members of the HSBC Bank (UK) Pension Scheme

Fund performance (continued)

	30 June 2022 - 30 June 2023	30 June 2021- 30 June 2022	30 June 2020 - 30 June 2021	30 June 2019 - 30 June 2020	30 June 2018 - 30 June 2019
	%	%	%	%	%
Fund	-5.5	-12.4	1.8	9.3	5.3
Benchmark	-6.9	-13.1	1.7	6.4	5.9
Relative Performance	1.4	0.7	0.1	2.9	-0.6

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Market Commentary

Fixed income markets posted mixed returns, with corporate bonds outperforming government bonds. Following the significant market turmoil in mid-March, the second quarter started on an uncertain note, with investors contemplating the health of the financial system. However, with the closure of First Republic Bank in May, the financial turmoil looked more contained, and volatility subsided significantly. Investors took comfort in slower inflation in the US and eurozone, while expecting a new stimulus package from China. However, sovereign bonds lost ground during the quarter as inflation remained sticky and global central banks retained an overwhelmingly hawkish stance. Despite an interest rate pause by the US Federal Reserve (Fed) in June for the first time in over a year, its unexpectedly hawkish dot plot caused markets to price in further interest rate increases before year-end. Consequently, US Treasury yield curves shifted upward across maturities, and the 2-year/10-year yield curve inverted further. UK sovereign bonds were the worst hit, falling to their lowest levels since the mini-budget turmoil last October, amid several upside inflation surprises and an unexpected 0.50 percentage point hike by the Bank of England in June. In the corporate bond space, credit spreads tightened as investors downgraded recession risks. Source: Fidelity. This is general market commentary and should not be considered as advice.

TOP 10 HOLDINGS		
1	Barclays 6.369% 31/01/2031	1.22%
2	ENEL 7.75% 14/10/2052	0.98%
3	EDF 6% 23/01/2114	0.94%
4	Lloyds 6% 08/02/2029	0.80%
5	JP Morgan 0.991% 28/04/2026	0.65%
6	Santander 2.421% 17/01/2029	0.56%
7	RLMI 4.875% 07/10/2049	0.55%
8	PBBGR 7.625% 08/12/2025	0.54%
9	HSBC 2.2565% 13/11/2026	0.53%
10	ABN AMRO 5.25% 26/05/2026	0.52%
	TOTAL	7.29%

CREDIT RATINGS BREAKDOWN		
1	AAA	4.02%
2	AA	21.35%
3	A	25.65%
4	BBB	41.41%
5	BB	3.30%
6	Below B	0.66%
7	Net Cash and Derivatives	3.61%
	TOTAL	100.00%

ASSET BREAKDOWN		
1	Financials	34.41%
2	Non-Financials	30.31%
3	Government	15.82%
4	Asset Backed Securities	6.65%
5	Mortgage Backed Securities	4.08%
6	Net Cash and Derivatives	3.61%
7	Supranationals & Agencies	3.59%
8	Covered Bonds	1.53%
	TOTAL	100.00%




YEARS TO MATURITY		
1	< 1	0.89%
2	1 - 5	38.49%
3	5 - 10	30.64%
4	10 - 15	7.79%
5	15 - 20	6.39%
6	20 - 25	4.26%
7	25 - 30	4.21%
8	30 - 35	0.64%
9	>35	3.08%
10	Net Cash and Derivatives	3.61%
	TOTAL	100.00%

For members of the HSBC Bank (UK) Pension Scheme

Risk rating

● Very low
 ● Low
 ● Low/medium
 ● Medium
 ● Medium/high
 ● High
 ● Very high

All investments carry a level of risk. You need to decide how much of each type of risk you're prepared to take. The table below gives an overview of some of the risks associated with this fund

Risk type	Description of risk	Level of risk for this fund
Capital Risk	This is the risk that the value of your investments will fall. Investors in higher capital risk funds should expect to see above average growth over the long term, but might see big falls in value in the short term. The younger you are, the less worried you might be about capital risk, because your investments have time to recover their value before you retire. Higher capital risk funds may be less suitable if you are close to retirement and want more certainty.	
Inflation Risk	This is the risk that the value of your investments will grow more slowly than prices rise. Inflation can be a problem for pension savings invested in cash or bond funds particularly if the interest you're earning is less than the rate of inflation and you are some way from retirement.	
Pension Conversion Risk	The price of an annuity changes on a regular basis. This means that the amount of income you can secure with the same amount of money will change. Pension conversion risk is the risk that the amount of income you can buy drops before you retire, because your money is invested differently to annuity funds. That's why, if you wish to buy an annuity to provide a regular income through retirement, putting more of your DC pension pot into bonds to try to match annuity prices as you get closer to retirement age can help protect against this risk. If you wish to continue investing your pension savings during retirement and access drawdown then this is less of a concern.	

About the factsheet

It is important to remember that the price of units can go down as well as up. There's no guarantee that you'll get back the amount that goes into your DC pension pot. Changes in rates of currency exchange, particularly where overseas securities are held, could also affect the value of your investment. Although the funds can typically be bought and sold on a daily basis, fund managers may need to delay when you can access your holdings in a fund(s) due to exceptional market circumstances. All funds are provided through FIL Life Insurance Ltd and may invest in securities issued by or hold deposits with HSBC Holdings plc and associated companies. The Trustee can change the underlying managers or funds within this fund, or decide to withdraw or replace the fund at any time, without member consent or prior notification. This factsheet should be read alongside the investment guide.

Making fund choices is an important decision that could have a significant effect on your benefits. This factsheet has been produced to provide you with fund information and is not designed to provide advice or a recommendation on the suitability of an investment for your personal financial circumstances. The Trustee cannot give you financial advice about your fund choices. Consider taking independent financial advice before making any investment decisions.

Valuation time: Business days at 5:00pm (UK time)

Dealing Process: The cut off time for switch instructions is 2:00pm each business day.

Contact us

You can find more Scheme information at: www.futurefocus.staff.hsbc.co.uk

If you are a Defined Contribution (DC) only member and have any questions, please contact the DC Scheme Administrator, Willis Towers Watson, at:

Email: HSBCpension@willistowerswatson.com; **Phone:** 01737 227 575

If you are a hybrid member and have any questions, please contact the Defined Benefit Scheme Administrator, Equiniti, at:

Email: HSBCHybridPensions@equiniti.com; **Phone:** 0371 384 2631

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