

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

**The EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

## Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<div><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b></div>	<div><input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b></div>
<div><input type="checkbox"/> It made <b>sustainable investments with an environmental objective: _%</b></div> <div><div><input type="checkbox"/></div>in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div> <div><div><input type="checkbox"/></div>in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div> <div><input type="checkbox"/> It made <b>sustainable investments with a social objective: _%</b></div>	<div><div><input checked="" type="checkbox"/></div>It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of 1.43% of sustainable investments</div> <div><div><input type="checkbox"/></div>with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div> <div><div><input checked="" type="checkbox"/></div>with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div> <div><div><input type="checkbox"/></div>with a social objective</div> <div><input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b></div>



### To what extent were the environmental and/or social characteristics promoted by this financial product met?

- The characteristics promoted by this sub-fund were:
1. The sub-fund identified and analysed all companies or issuers for environmental characteristics including, but not limited to, physical risks of climate change and human capital management. Screening has been conducted for the underlying E, S (which reflect the individual items of the environmental and/or social characteristics promoted by the sub-fund) and G pillars (corporate governance practices that protect minority investor interests and promote long term sustainable value creation, compared to the reference benchmark selected by the sub-fund).
  2. The sub-fund considered responsible business practices in accordance with UN Global Compact and OECD Principles for businesses.
  3. The sub-fund excluded business activities that were deemed harmful to the environment.
  4. The sub-fund actively considered environmental and social issues by engagement completed by our Engagement and Stewardship teams, which included proxy voting.
  5. The sub-fund excluded investments involved in controversial weapons.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The ESG and sustainability indicator scores are calculated as per HSBC Asset Management's proprietary methodology and third party ESG data providers. Consideration of individual PAIs (indicated in the table below by their preceding number) can be identified from the sub-fund having a lower score than the Reference Benchmark. The data used in the calculation of PAI values are sourced from data vendors. They can be based on company disclosures, or estimated by the data vendors in the absence of company reports. Please note that it is not always possible to guarantee the accuracy, timeliness or completeness of data provided by third-party vendors.

The sub-fund was actively managed and was not constrained by a benchmark. There was no reference benchmark for this sub-fund market and one was not designated for the purpose of attaining the environmental or social characteristics promoted by the sub-fund.

The performance of the sustainability indicators the sub-fund used to measure the attainment of the environmental or social characteristics that it promoted can be seen in the table below. The sub-fund's ESG score has been managed to be greater than the reference benchmark selected by the sub-fund (with a higher score than the benchmark representing stronger ESG credentials).

● ***How did the sustainability indicators perform?***

Indicator	Sub-Fund
ESG Score	7.10
E Pillar	6.48
S Pillar	5.01
G Pillar	5.55
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00%

The data in this SFDR Periodic Report are as at 31 March 2023

● ***...and compared to previous periods?***

This is the first SFDR Periodic report and as such there is no comparison.

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

The sustainable investments made by the sub-fund contributed to environmental and social objectives which included, among others.

1. The reduction of greenhouse gas (GHG) emissions and carbon footprint;
2. The transition to or use of renewable energy;
3. The promotion of human rights

The sub-fund included the identification and analysis of an issuers' ESG credentials ("ESG Credentials") as an integral part of the investment decision making process to reduce risk and enhance returns, through portfolio construction.

● ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

We can confirm that the do no significant harm analysis was completed as part of HSBC Asset Management's (HSBC) standard investment process for sustainable assets, which included the consideration of Principal Adverse Impacts.

*How were the indicators for adverse impacts on sustainability factors taken into account?*

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

HSBC's Responsible Investment Policy set out the approach taken to identify and respond to principal adverse sustainability impacts and how HSBC considered ESG sustainability risks as these could adversely impact the securities the sub-funds invested in. HSBC used third party screening providers to identify companies and governments with a poor track record in managing ESG risks and, where any such material risks were identified, HSBC also carried out further due diligence. Sustainability impacts identified by screening were a key consideration in the investment decision making process.

The approach taken, as set out above, meant that among other things the following points were scrutinised:

- companies' commitment to lower carbon transition, adoption of sound human rights principles and employees' fair treatment, implementation of rigorous supply chain management practices aimed, among other things, at alleviating child and forced labour. HSBC also paid great attention to the robustness of corporate governance and political structures which included the level of board independence, respect of shareholders' rights, existence and implementation of rigorous anti-corruption and bribery policies as well as audit trails; and
- governments' commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance.

The specific Principal Adverse Impacts for this sub-fund were as set out above.

HSBC's Responsible Investment Policy is available on the website at: [www.assetmanagement/hsbc/about-us/responsible-investing/policies](http://www.assetmanagement/hsbc/about-us/responsible-investing/policies)

*Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

HSBC was committed to the application and promotion of global standards. Key areas of focus for HSBC's Responsible Investment Policy were the ten principles of the United Nations Global Compact (UNGC). These principles included non-financial risks such as human rights, labour, environment and anti-corruption. HSBC was also a signatory of the UN Principles of Responsible Investment. This provided the framework used in HSBC's approach to investment by identifying and managing sustainability risks. Companies having clearly violated one, or with at least two presumed violations, of the ten principles of the UNGC were systematically excluded. Companies were also evaluated in accordance with international standards like the OECD Guidelines.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## How did this financial product consider principal adverse impacts on sustainability factors?

The approach taken to consider Principal Adverse Impacts meant that, among other things, HSBC scrutinised companies' commitment to lower-carbon transition, adoption of sound human rights principles and employees' fair treatment, and implementation of rigorous supply chain management practices such as those aiming to alleviate child and forced labour. HSBC also paid attention to the robustness of corporate governance and political structures which included the level of board independence, respect of shareholders' rights, existence and implementation of rigorous anti-corruption and bribery policies, as well as audit trails. Governments' commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance were also taken into account. As a result of such screening, HSBC did not invest in certain companies and issuers.



## What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31/03/2023

Large Investments	Sector	% Assets	Country
ELMP 1X CRR 10871305	Other	3.10%	Ireland
PLRS 2021-1 C 11381576	Other	2.84%	United Kingdom of Great Britain and Northern Ireland
PIPK 2023-12A E 11380675	Other	2.35%	Jersey
STACR 2021-DNA2 M2 11098729	Other	2.34%	United States of America
CIFC 2018-3A E 10905847	Other	2.26%	Cayman Islands
MDPK 2015-17A ER 10120182	Other	2.19%	Cayman Islands
Bamll Commercial Mortgage Securities Trust 2015-200p 3.716% 15-apr-2033	Financials	2.03%	United States of America
CCMF 2020-1 C 10589989	Financials	1.91%	United Kingdom of Great Britain and Northern Ireland
Taurus 2021-1 Uk Dac Frn 17-may-2031	Other	1.86%	Ireland
APID 2017-27A D 11367593	Other	1.79%	Cayman Islands
DBGS 2018-BIOD F 10305395	Other	1.66%	United States of America
Hudson Yards 2019-30hy Mortgage Trust 3.558% 12-jul-2039	Other	1.58%	United States of America
INVSC 1X DR 10823047	Financials	1.55%	Ireland
KNDL 2019-KNSQ E 10665183	Other	1.55%	United States of America
Contego Clo Vi Dac @na 15-apr-2034	Financials	1.54%	Ireland

Cash and derivatives were excluded

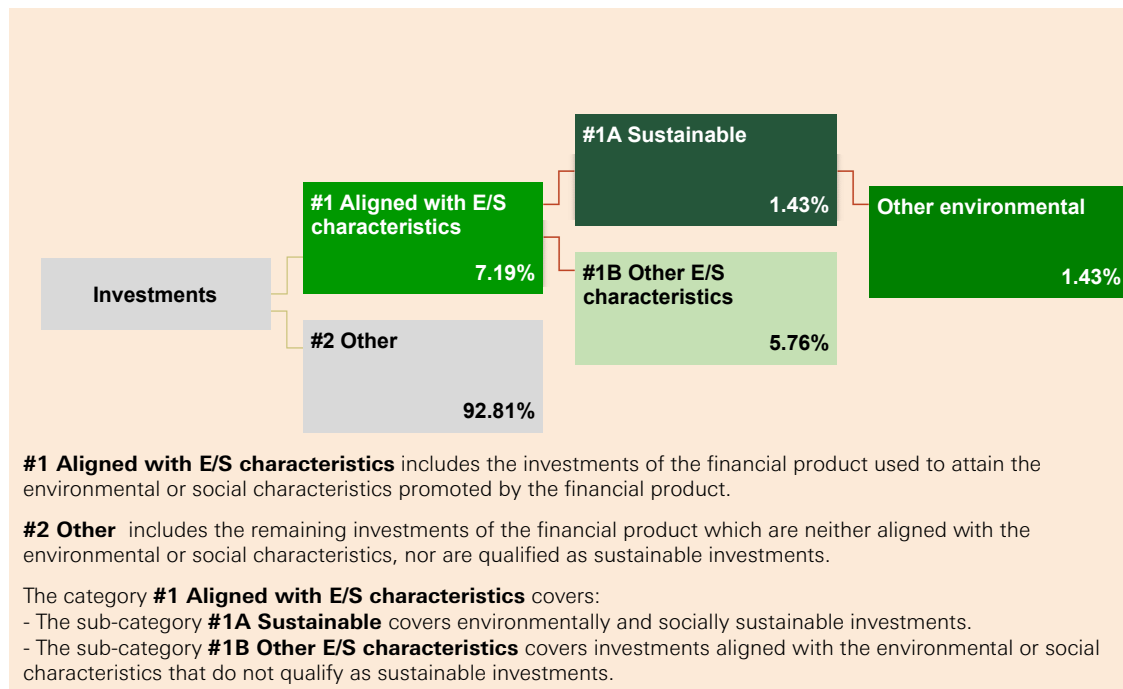


## What was the proportion of sustainability-related investments?

1.43% of the portfolio was invested in sustainable assets.

**Asset allocation** describes the share of investments in specific assets.

## What was the asset allocation?



## In which economic sectors were the investments made?

Sector	% Assets
Other	80.39%
Financials	17.11%
Consumer Staples	2.04%
Real Estate	0.45%
Total	100.00%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.



## To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A - the sub-fund did not make sustainable investments aligned with the EU Taxonomy.

## Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the "greenness" of investee companies today.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.


*The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*

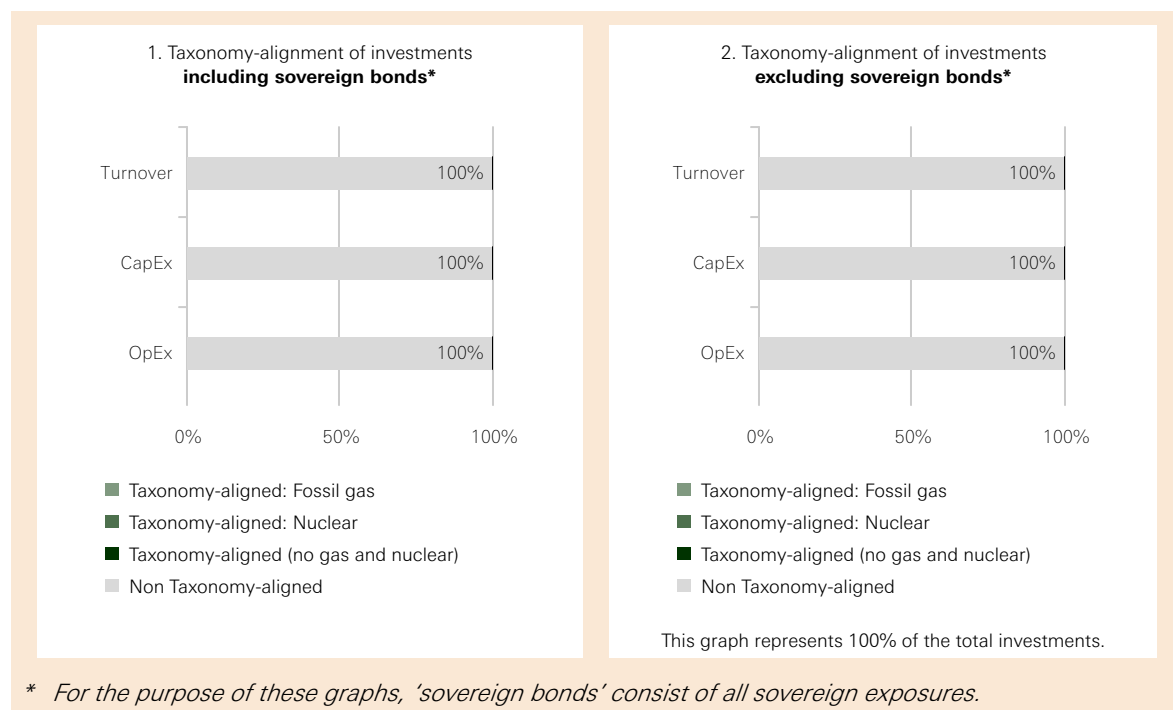
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.

- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



● **What was the share of investments made in transitional and enabling activities?**

N/A - the sub-fund is not investing in transitional or enabling activities.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

As this was the first reporting period for the sub-fund, no comparison is required.

 **What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

1.43%

 **What was the share of socially sustainable investments?**

N/A. The sub-fund did not invest in socially sustainable investments.

 **What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

The sub-fund may have held cash and cash equivalents and financial derivative instruments for the purposes of efficient portfolio management. The sub-fund may have held investments that were not aligned for other reasons such as corporate actions and non-availability of data.



**What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The sub-fund aimed to provide long term total return by investing in a portfolio of high yield securitised credit ("Securitised Credit"), while promoting ESG characteristics within the meaning of Article 8 of SFDR.



The sub-fund may have also invested in other fixed income instruments issued globally denominated in a range of currencies, included but not limited to, corporate bonds, securities issued or guaranteed by governments, government agencies and supranational bodies, and cash. Issuers of these securities might be located in any country.

The sub-fund included the identification and analysis of an issuers' ESG credentials, as described below, as an integral part of the investment decision making process with the aim of reducing sustainability risk and enhancing returns.

The sub-fund targeted investment in securities with a low and medium, HSBC proprietary, Securitised Credit ESG risk assessment rating ("ESG Risk Assessment Rating"). A lower ESG Risk Assessment Rating signifies lower ESG driven investment risk. It was determined through a combination of ESG Credentials as mentioned below, ESG factors most relevant to each Securitised Credit subsector and structural features of the specific security.

The sub-fund was actively managed and was not constrained by a benchmark.



### **How did this financial product perform compared to the reference benchmark?**

N/A

- ***How does the reference benchmark differ from a broad market index?***

N/A

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

N/A

- ***How did this financial product perform compared with the reference benchmark?***

N/A

- ***How did this financial product perform compared with the broad market index?***

N/A

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.