



# **ABF Hong Kong Bond Index Fund**

## **Interim Report 2014**

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# Investment Adviser's Report

## **Market review**

For the six months ending 31 January 2014, the Fund posted positive returns on the backdrop of US Federal Reserve reduced the pace of its asset purchases. Headline CPI for Hong Kong remained steady over the past 6 months with the January reading standing at 4.6% yoy after the same growth rate for 3 consecutive months. Retail sales growth stood at 5.7% yoy in December, the second lowest level in 2013. A potential risk of US tapering and tighter funding conditions in China may continue to affect liquidity in Hong Kong, causing interest rates to trend higher. We expect Hong Kong's economic growth to gather more momentum against the backdrop of recovering global demand led by developed markets. Better prospects in external demand should somewhat offset potential domestic headwinds, and help support growth in 2014.

## **HSBC Global Asset Management (Hong Kong) Limited**

31 January 2014

# Statement of Assets and Liabilities

## ABF Hong Kong Bond Index Fund

	31 January 2014 HKD	31 July 2013 HKD
<b>ASSETS</b>		
Investments	2,906,387,614	2,949,945,867
Accounts receivable	54,278,240	38,069,832
Cash at banks	8,477,667	4,403,054
<b>Total assets</b>	2,969,143,521	2,992,418,753
<b>LIABILITIES</b>		
Accounts payable	12,157,172	885,004
Distribution payable	27,320,321	29,347,081
<b>Total liabilities</b>	39,477,493	30,232,085
<b>TOTAL NET ASSETS</b>	2,929,666,028	2,962,186,668
<b>EQUITY</b>		
Capital attributable to unitholders	2,929,666,028	2,962,186,668
<b>TOTAL EQUITY</b>	2,929,666,028	2,962,186,668
<b>Number of units outstanding</b>	29,696,001	29,946,001
<b>Net asset value per unit</b>	98.66	98.92

# Portfolio Statement

## ABF Hong Kong Bond Index Fund

as at 31 January 2014

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
<b>Certificate of deposits</b>					HONG KONG (GOVT OF) 5.125% 23JUL2019		
					12,500,000	14,757,866	0.50
CHINA DEV BANK CORP/HK 1.4% CD 7MAR2014	1,000,000	1,000,400	0.03		HONG KONG (GOVT) 0.97% 20JUN2022		
CHINA DEV BK CORP/HK 2.1% CD 23JAN2017	30,000,000	29,754,000	1.02		4,000,000	3,685,733	0.13
CHINA DEV BK CORP/HK 2.95% CD 20MAR2017	5,000,000	5,074,500	0.17		HONG KONG (GOVT) 03GB1505 0.46% 11MAY15		
		<u>35,828,900</u>	<u>1.22</u>		152,000,000	152,273,600	5.20
					HONG KONG (GOVT) 05Y1803 0.53% 19MAR2018		
					85,000,000	83,158,330	2.84
					HONG KONG (GOVT) 05Y1703 0.55% 20MAR2017		
					22,000,000	21,875,333	0.75
					HONG KONG (GOVT) 05GB1802 0.61% 5FEB2018		
					87,000,000	84,935,203	2.90
					HONG KONG (GOVT) 05Y1609 0.79% 19SEP2016		
					55,000,000	55,313,500	1.89
					HONG KONG (GOVT) 15Y2708 0.8% 27AUG2027		
					15,000,000	12,194,705	0.42
					HONG KONG (GOVT) 05GB1612 0.97% 8DEC2016		
					149,500,000	150,347,172	5.13
					HONG KONG (GOVT) 10GB2301 1.1% 17JAN2023		
					33,000,000	29,038,901	0.99
					HONG KONG (GOVT) 15Y2702 1.51% 24FEB2027		
					5,000,000	4,504,666	0.15
					HONG KONG (GOVT) 05Y1512 1.52% 21DEC2015		
					9,000,000	9,197,400	0.31
					HONG KONG (GOVT) 05Y1606 1.57% 13JUN2016		
					95,200,000	97,605,390	3.33
					HONG KONG (GOVT) 10Y1812 1.61% 10DEC2018		
					59,300,000	60,211,245	2.06
					HONG KONG (GOVT) 05Y1603 1.91% 21MAR2016		
					40,000,000	41,258,668	1.41
					HONG KONG (GOVT) 10Y2106 2.31% 21JUN2021		
					53,500,000	55,247,668	1.89
					HONG KONG (GOVT) 10GB2108 2.46% 4AUG2021		
					119,000,000	120,947,637	4.13
					HONG KONG (GOVT) 05Y2808 2.49% 22AUG2028		
					10,000,000	10,013,000	0.34
					HONG KONG GOVT 10GB2001 2.93% 13JAN2020		
					221,500,000	235,199,775	8.03
					KOREA DEV BANK 1.4% 23NOV2015 GMTN		
					16,000,000	15,976,000	0.55
					KOREA LAND & HOUSING CORP 4.2% 18JAN2022		
					20,000,000	19,397,012	0.66
					KOREA NATIONAL OIL CORP 1.8% 22JAN2018		
					32,000,000	30,451,200	1.04

# Portfolio Statement

## ABF Hong Kong Bond Index Fund

as at 31 January 2014

	Holdings	Market value HKD	% of net asset value
MTR CORP (C.I.) LTD 2.25% 12OCT2022	30,000,000	27,331,236	0.93
MTR CORP (C.I.) 4.28% 6JUL2020 EMTN	7,500,000	8,234,638	0.28
MTR CORP (C.I.) 4.5% 11MAY2015	33,500,000	35,014,200	1.20
MTR CORP (C.I.) 4.75% 11MAY2020	83,000,000	93,578,981	3.19
MTR CORP (C.I.) 4.9% 25JUN2018	7,000,000	7,800,100	0.27
		<u>2,870,558,714</u>	<u>97.99</u>
<b>Total Investments</b>		2,906,387,614	99.21
<b>Other Net Assets</b>		<u>23,278,414</u>	<u>0.79</u>
<b>Total Net Assets</b>		<u>2,929,666,028</u>	<u>100.00</u>
<b>Total Cost of Investment</b>		<u>2,933,806,399</u>	

# Statement of Movements in Portfolio Holdings

ABF Hong Kong Bond Index Fund

	% of net asset value 31 January 2014	% of net asset value 31 July 2013
Certificate of Deposits	1.22	–
Debt Securities	97.99	99.59
	<hr/>	
Total Investments	99.21	99.59
Other Net Assets	0.79	0.41
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Total Net Assets	100.00	100.00
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# Performance Record

## ABF Hong Kong Bond Index Fund

	Net asset value per unit	
	Lowest HKD	Highest HKD
2012	102.13	105.54
2013	98.92	104.92
1 August 2013 to 31 January 2014	98.08	100.42
	<b>31 January 2014 HKD</b>	<b>31 July 2013 HKD</b>
<b>Total net asset value</b>	2,929,666,028	2,962,186,668
<b>Net asset value per unit</b>	98.66	98.92

In accordance with chapter 8.6(l) of the Code on Unit Trusts and Mutual Funds, the Trust is required to provide a comparison of the Trust performance and the actual index performance over the relevant period.

	<b>6 months ended 31 January 2014</b>	<b>12 months ended 31 July 2013</b>
ABF Hong Kong Bond Index Fund	0.66% <sup>(a)</sup>	(3.28)% <sup>(a)</sup>
Markit iBoxx ABF Hong Kong Index	0.81% <sup>(b)</sup>	(2.82)% <sup>(b)</sup>

(a) The Trust's returns are calculated on NAV-to-NAV basis, dividends reinvested.

(b) The benchmark returns are stated on a total return basis. Unlike the Trust, the benchmark returns do not include the impact of Trust expenses or Trust transaction costs.

Investor should note that investment involves risk and past performance may not be indicative of future performance. Investors should refer to the Trust's Prospectus before making any investment decision.



# Distribution Disclosure

## ABF Hong Kong Bond Index Fund

	<b>Date of Ex-distribution</b>	<b>Date of Payment</b>	<b>Distribution Per Unit HKD</b>	<b>Total Distribution HKD</b>
2014 Interim Distribution	29 January 2014	10 February 2014	0.92	27,320,321
2013 Final Distribution	30 July 2013	8 August 2013	0.98	29,347,081
2013 Interim Distribution	30 January 2013	8 February 2013	1.05	34,330,801

# Administration

## **Manager and listing agent**

HSBC Investment Funds (Hong Kong) Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

## **Directors of the Manager**

Stuart Glenn BERRY  
Patrice Pierre Henri CONXICOEUR  
Julie J KOO  
Po Yee LAM  
Guillermo Eduardo MALDONADO-CODINA  
Joanna Mary MUNRO  
Edgar Kai Man NG

## **Members of supervisory committee**

Stephen Y L Cheung  
Gillian HUI  
Andrew MALCOLM  
Anthony YUEN

## **Investment adviser**

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HSBC Main Building  
1 Queen's Road Central  
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## **Trustee, custodian, administrator, receiving agent and registrar**

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Issued by HSBC Global Asset Management (Hong Kong) Limited