



# ABF Hong Kong Bond Index Fund

## Interim Report 2016

# Contents

	Page
Investment Adviser's Report	1
Statement of Assets and Liabilities	2
Portfolio Statement	3
Statement of Movements in Portfolio Holdings	5
Performance Record	6
Distribution Disclosure	7
Underlying Index Constituent Stocks Disclosure	8
Administration	9

# Investment Adviser's Report

## **Market review**

The Fund's investment holdings continue to be composed of high-quality issuers, including bonds issued by the Hong Kong SAR Government, quasi-government entities in Hong Kong and Korea. This reflects the characteristics of the Fund of being a conservative investment which aims to achieve investment return and distribute potential income. For the six months ended 31 January 2016, the Fund delivered a positive return from interest accruals and capital gains. Largely tracking the US treasury yields, Hong Kong government bond yield curve shifted down across the board until September 2015. From October 2015, amid stronger expectation of a US rate hike in the December 2015 FOMC meeting, we began to see a broad increase in Hong Kong government bond yields. After the December US rate hike, Hong Kong sovereign bond yields rose along the curve in January 2016 due to tightened liquidity conditions and higher money market rates in general. Overall, similar with the US Treasury yield curve, Hong Kong government bond yield curve ended the review period with the yields at the long end shifting lower and the yields at the short end shifting higher. Over the near term, we expect Hong Kong dollar bonds to remain sensitive to the movements in the US interest rates and the US dollar against the Hong Kong dollar. Over a longer term, we may see further upward pressure on Hong Kong dollar bond yields if the US Federal Reserve keeps up with their rate normalization plan.

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

31 January 2016

# Statement of Assets and Liabilities

## ABF Hong Kong Bond Index Fund

	31 January 2016 HKD	31 July 2015 HKD
<b>ASSETS</b>		
Investments	2,802,386,312	2,979,798,786
Accounts receivable	174,325,077	45,074,706
Cash at banks	5,980,552	6,326,746
<b>Total assets</b>	<b>2,982,691,941</b>	<b>3,031,200,238</b>
<b>LIABILITIES</b>		
Accounts payable	152,507,053	10,876,248
Distribution payable	24,104,641	26,874,441
<b>Total liabilities</b>	<b>176,611,694</b>	<b>37,750,689</b>
<b>TOTAL NET ASSETS</b>	<b>2,806,080,247</b>	<b>2,993,449,549</b>
<b>EQUITY</b>		
Capital attributable to unitholders	2,806,080,247	2,993,449,549
<b>TOTAL EQUITY</b>	<b>2,806,080,247</b>	<b>2,993,449,549</b>
<b>Number of units outstanding</b>	<b>28,446,001</b>	<b>30,196,001</b>
<b>Net asset value per unit</b>	<b>98.65</b>	<b>99.13</b>

# Portfolio Statement

## ABF Hong Kong Bond Index Fund

as at 31 January 2016

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
<b>Debt securities</b>					HONG KONG (GOVT OF) 2.53%		
					22JUN2020	20,000,000	21,136,100
					HONG KONG (GOVT OF) 2.6%		
					20AUG2024	36,000,000	39,006,454
					HONG KONG (GOVT OF) 2.71%		
					20FEB2023	62,000,000	67,213,803
					HONG KONG (GOVT OF) 2.93%		
					13JAN2020	221,500,000	236,739,200
					HONG KONG (GOVT OF) 2.95%		
					24FEB2025	25,700,000	28,639,723
					HONG KONG (GOVT OF) 3.52%		
					5DEC2017	74,500,000	78,074,756
					HONG KONG (GOVT OF) 4.65%		
					29AUG2022	50,000,000	60,148,470
					HONG KONG (GOVT OF) 4.85%		
					27JUN2017	13,000,000	13,745,372
					HONG KONG (GOVT OF) 5.125%		
					23JUL2019	12,500,000	14,140,000
					HONG KONG (GOVT) 0.97%		
					20JUN2022	4,000,000	3,898,332
					HONG KONG (GOVT) 05Y1812 1.17%		
					19DEC2018	53,000,000	53,165,026
					HONG KONG (GOVT) 1.06% 5FEB2020	30,200,000	30,030,780
					HONG KONG (GOVT) 1.1% 17JAN2023	100,000,000	97,280,990
					HONG KONG (GOVT) 1.49% 30SEP2019	57,600,000	58,299,206
					HONG KONG (GOVT) 1.51% 24FEB2027	5,000,000	4,888,766
					HONG KONG (GOVT) 1.84% 9DEC2024	57,000,000	58,245,450
					HONG KONG (GOVT) 10GB2108 2.46%		
					4AUG2021	158,000,000	166,378,155
					HONG KONG (GOVT) 10Y1806 3.56%		
					25JUN2018	25,000,000	26,514,190
					HONG KONG (GOVT) 10Y2012 2.44%		
					7DEC2020	25,000,000	26,410,250
					HONG KONG GOVERNMENT 0.25%		
					18SEP2017	113,800,000	112,772,818
					HONG KONG GOVERNMENT 0.27%		
					18DEC2017	43,000,000	42,498,599
					HONG KONG GOVERNMENT 0.53%		
					19MAR2018	35,000,000	34,684,220
					HONG KONG GOVERNMENT 1.52%		
					25SEP2018	25,000,000	25,319,725
					HONG KONG GOVERNMENT 2.49%		
					22AUG2028	65,000,000	69,688,717
							<u>2,573,064,358</u>
							<u>91.70</u>

# Portfolio Statement

## ABF Hong Kong Bond Index Fund

as at 31 January 2016

	Holdings	Market value HKD	% of net asset value
<i>Unlisted but quoted investments</i>			
CHINA DEV BK CORP/HK 2.1% CD 23JAN2017	30,000,000	30,084,000	1.07
CHINA DEV BK CORP/HK 2.95% CD 20MAR2017	5,000,000	5,058,500	0.18
KOREA GAS CORP 2.6% 20JUN2017	1,500,000	1,511,700	0.05
KOREA LAND & HOUSING CORP 4.2% 18JAN2022	20,000,000	21,554,000	0.77
KOREA NATIONAL OIL CORP 1.8% 22JAN2018	32,000,000	31,731,200	1.13
MTR CORP (C.I.) 4.28% 6JUL2020 EMTN	7,500,000	8,198,303	0.29
MTR CORP (C.I.) 4.75% 11MAY2020	83,000,000	92,121,700	3.28
MTR CORP (C.I.) 4.9% 25JUN2018	7,000,000	7,517,790	0.27
MTR CORP (C.I.) LTD 2.25% 12OCT2022	30,000,000	29,558,661	1.05
URBAN RENEWAL AUTHORITY 1.65% 17JAN2020	1,000,000	988,800	0.04
URBAN RENEWAL AUTHORITY 1.75% 2AUG2019	1,000,000	997,300	0.04
		<u>229,321,954</u>	<u>8.17</u>
<b>Total Investments</b>		2,802,386,312	99.87
<b>Other Net Assets</b>		<u>3,693,935</u>	<u>0.13</u>
<b>Total Net Assets</b>		<u>2,806,080,247</u>	<u>100.00</u>
<b>Total Cost of Investment</b>		<u>2,804,005,039</u>	

# Statement of Movements in Portfolio Holdings

## ABF Hong Kong Bond Index Fund

	<b>% of net asset value 31 January 2016</b>	<b>% of net asset value 31 July 2015</b>
<b>Debt securities</b>		
Listed investments	91.70	91.34
Unlisted but quoted investments	8.17	8.20
	<hr/>	<hr/>
<b>Debt securities (Total)</b>	99.87	99.54
	<hr/>	<hr/>
<b>Total investments</b>	99.87	99.54
	<hr/>	<hr/>
<b>Other net assets</b>	0.13	0.46
	<hr/>	<hr/>
<b>Total net assets</b>	100.00	100.00
	<hr/>	<hr/>

# Performance Record

## ABF Hong Kong Bond Index Fund

	Net asset value per unit		
	Lowest HKD	Highest HKD	
1 August 2015 to 31 January 2016	98.64	100.88	
2015	98.64	101.48	
2014	98.08	100.42	
2013	98.92	104.92	
2012	102.13	105.54	
2011	99.53	103.72	
2010	101.39	104.67	
2009	99.69	108.45	
2008	96.32	105.99	
2007	96.10	100.69	
2006	95.52	100.33	
	<b>31 January 2016 HKD</b>	<b>31 July 2015 HKD</b>	<b>31 July 2014 HKD</b>
<b>Total net asset value</b>	2,806,080,247	2,993,449,549	2,938,046,621
<b>Net asset value per unit</b>	98.65	99.13	98.94

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.

	6 months ended 31 January 2016	12 months ended 31 July 2015
ABF Hong Kong Bond Index Fund	0.34% <sup>(a)</sup>	2.07% <sup>(a)</sup>
Markit iBoxx ABF Hong Kong Index	0.44% <sup>(b)</sup>	2.45% <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>
2016 Interim Distribution	28 January 2016	11 February 2016	0.84	24,104,641
2015 Final Distribution	30 July 2015	10 August 2015	0.89	26,874,441
2015 Interim Distribution	29 January 2015	9 February 2015	0.97	29,047,621

# Underlying Index Constituent Stocks Disclosure

## **As at 31 January 2016**

The underline index of ABF Hong Kong Bond Index Fund namely Markit iBoxx ABF Hong Kong Index, did not have any constituent stock that accounted for more than 10% of the index as at 31 January 2016.

During the period from 1 August 2015 to 31 January 2016, the Markit iBoxx ABF Hong Kong Index increased by 0.44% while the net asset value per unit of the ABF Hong Kong Bond Index (dividends reinvested) increased by 0.34%.

# 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  
Pedro Augusto BOTELHO BASTOS  
Patrice Pierre Henri CONXICOEUR  
(resigned on 27 November 2015)  
Guillermo Eduardo MALDONADO-CODINA  
Chun Pong Stephen TAM  
Ka Yin Joanne LAU

## **Members of supervisory committee**

Stephen Y L CHEUNG  
Gillian HUI  
Andrew MALCOLM  
Anthony YUEN

## **Investment adviser**

HSBC Global Asset Management (Hong Kong)  
Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

## **Trustee, custodian, administrator, receiving agent and registrar**

HSBC Institutional Trust Services (Asia) Limited  
HSBC Main Building  
1 Queen's Road Central  
Hong Kong

## **Processing agent**

HK Conversion Agency Services Limited  
2/F Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

## **Legal adviser**

Clifford Chance  
29th Floor, Jardine House  
One Connaught Place Central  
Hong Kong

## **Auditor**

KPMG  
8th Floor, Prince's Building  
10 Chater Road Central  
Hong Kong

Issued by HSBC Global Asset Management (Hong Kong) Limited