



# **ABF Hong Kong Bond Index Fund**

## **Interim Report 2018**

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# Investment Adviser's Report

## Market review

The Trust continues to hold high-quality issues such as bonds issued by the Hong Kong SAR Government and solid quasi-government and supranational entities. This reflects the characteristics of the Trust of being a conservative investment which aims to achieve investment return and distribute potential income. The Trust followed the direction of the market and posted a negative return for the reporting period. Both US treasury yields and Hong Kong sovereign yields increased broadly during the period. US treasury yield curve bear flattened, as shorter-dated US treasury yields went up with improved economic growth and labour market while the rise in longer-dated US treasury yields was relatively capped by overall soft inflation. Despite the decline in August amid escalation of geopolitical tensions, the benchmark 10 year US treasury yield subsequently rose with the nomination of the new Fed Chair and successful legislative passage of landmark tax reform bill in December. During the reporting period, the Hong Kong sovereign yields largely tracked the movement in US treasury yields and ended higher across the curve. Going forward, we expect the Hong Kong dollar bond curve to remain correlated with the US interest rates and hence, expect the Hong Kong dollar bond yields to follow similar movements in US treasury yields. Although US treasuries may remain volatile in the short term, over the medium to long term, we believe that US treasuries will continue to trade in a range bound manner while remaining sensitive to economic data. At the same time, investors could take some comfort from the fact that both the BoJ and the ECB will likely keep their accommodative stance for most of 2018. Meanwhile, the monetary policy normalization in the US has also been well telegraphed and is expected to be delicately conducted in a gradual manner over several years. These should help keep the potential rise in yields a gradual one.

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

31 January 2018

# Statement of Financial Position

## ABF Hong Kong Bond Index Fund

	31 January 2018 HKD	31 July 2017 HKD
<b>ASSETS</b>		
Investments	2,767,231,728	2,706,328,401
Accounts receivable	36,605,262	33,523,285
Cash at banks	11,463,884	5,162,235
<b>Total assets</b>	<b>2,815,300,874</b>	<b>2,745,013,921</b>
<b>LIABILITIES</b>		
Accounts payable	14,822,349	820,360
Distribution payable	16,328,221	20,310,041
<b>Total liabilities</b>	<b>31,150,570</b>	<b>21,130,401</b>
<b>TOTAL NET ASSETS</b>	<b>2,784,150,304</b>	<b>2,723,883,520</b>
<b>EQUITY</b>		
Capital attributable to unitholders	2,784,150,304	2,723,883,520
<b>TOTAL EQUITY</b>	<b>2,784,150,304</b>	<b>2,723,883,520</b>
<b>Number of units outstanding</b>	<b>28,646,001</b>	<b>27,446,001</b>
<b>Net asset value per unit</b>	<b>97.19</b>	<b>99.25</b>

# Portfolio Statement

## ABF Hong Kong Bond Index Fund

as at 31 January 2018

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
<b>Debt securities</b>				HONG KONG (GOVT OF) 2.24%			
				27AUG2029	37,000,000	37,717,711	1.35
<b>Listed investments</b>				HONG KONG (GOVT OF) 2.48%			
				28FEB2029	33,000,000	34,479,380	1.24
HK GOVERNMENT BOND 2.39%				HONG KONG (GOVT OF) 2.53%			
20AUG2025	25,600,000	26,516,498	0.95	22JUN2020	20,000,000	20,535,500	0.74
HK GOVT BOND PROGRAMME 1.25%				HONG KONG (GOVT OF) 2.6%			
29JUN2027	45,000,000	42,135,791	1.51	20AUG2024	26,000,000	27,229,532	0.98
HK GOVT BOND PROGRAMME 1.89%				HONG KONG (GOVT OF) 2.64%			
02MAR2032	25,500,000	24,548,417	0.88	10JUN2019	21,100,000	21,550,569	0.77
HK GOVT BOND PROGRAMME 2.13%				HONG KONG (GOVT OF) 2.93%			
16JUL2030	85,000,000	85,071,579	3.06	13JAN2020	180,500,000	186,130,716	6.69
HONG KONG (GOVT OF) 0.8%				HONG KONG (GOVT OF) 2.95%			
27AUG2027	8,500,000	7,644,918	0.27	24FEB2025	25,700,000	27,540,996	0.99
HONG KONG (GOVT OF) 0.91%				HONG KONG (GOVT OF) 3.32%			
5NOV2020	107,050,000	105,377,333	3.79	25FEB2026	17,000,000	18,799,714	0.68
HONG KONG (GOVT OF) 1.16%				HONG KONG (GOVT OF) 5.125%			
18MAY2022	73,000,000	71,395,526	2.56	23JUL2019	12,500,000	13,152,635	0.47
HONG KONG (GOVT OF) 1.32%				HONG KONG (GOVT) 0.97%			
23DEC2019	33,000,000	33,032,234	1.19	20JUN2022	45,000,000	43,702,393	1.57
HONG KONG (GOVT OF) 1.34%				HONG KONG (GOVT) 05Y1812 1.17%			
24JUN2019	12,300,000	12,347,258	0.44	19DEC2018	13,000,000	13,028,730	0.47
HONG KONG (GOVT OF) 1.35%				HONG KONG (GOVT) 1.06% 5FEB2020	191,800,000	190,794,546	6.85
25MAR2019	22,450,000	22,549,943	0.81	HONG KONG (GOVT) 1.1% 17JAN2023	137,400,000	132,973,700	4.78
HONG KONG (GOVT OF) 1.47%				HONG KONG (GOVT) 1.19% 06DEC2021	25,850,000	25,465,673	0.91
20FEB2019	317,800,000	319,595,220	11.48	HONG KONG (GOVT) 1.49% 30SEP2019	27,600,000	27,743,575	1.00
HONG KONG (GOVT OF) 1.49%				HONG KONG (GOVT) 1.51% 24FEB2027	47,000,000	45,319,332	1.63
22FEB2028	30,000,000	28,680,834	1.03	HONG KONG (GOVT) 10GB2108 2.46%			
HONG KONG (GOVT OF) 1.61%				4AUG2021	93,500,000	96,229,200	3.46
10DEC2018	19,700,000	19,817,018	0.71	HONG KONG GOVERNMENT 0.55%			
HONG KONG (GOVT OF) 1.68%				21NOV2018	750,000	747,930	0.03
21JAN2026	77,950,000	76,416,770	2.74	HONG KONG GOVERNMENT 0.77%			
HONG KONG (GOVT OF) 1.73%				21AUG2019	107,000,000	106,415,149	3.82
20FEB2024	34,000,000	33,868,294	1.22	HONG KONG GOVERNMENT 1.04%			
HONG KONG (GOVT OF) 1.96%				20NOV2019	45,000,000	44,848,224	1.61
3JUN2024	22,800,000	22,994,935	0.83	HONG KONG GOVERNMENT BOND			
HONG KONG (GOVT OF) 10Y2106				1.52% 25SEP2018	13,450,000	13,507,028	0.49
2.31% 21JUN2021	46,000,000	47,165,585	1.69	HONG KONG GOVERNMENT BOND			
HONG KONG (GOVT OF) 15Y2608				2.49% 22AUG2028	21,000,000	21,975,494	0.79
2.07% 26AUG2026	13,000,000	13,152,959	0.47	HONG KONG GOVERNMENT BOND			
HONG KONG (GOVT OF) 2.16%				3.27% 28AUG2023	4,200,000	4,533,039	0.16
9DEC2019	23,000,000	23,380,696	0.84			2,469,228,149	88.69
HONG KONG (GOVT OF) 2.22%							
07AUG2024	120,000,000	122,524,704	4.40				

# Portfolio Statement

## ABF Hong Kong Bond Index Fund

as at 31 January 2018

	Holdings	Market value HKD	% of net asset value
<i>Unlisted but quoted investments</i>			
CORP ANDINA DE FOMENTO 1.81% 02AUG2021	120,000,000	115,556,772	4.15
EXPORT-IMPORT BANK OF MALAYSIA 2.95% 12MAR2023	61,000,000	61,034,099	2.19
KOREA DEVELOPMENT BANK 3.2% 03OCT2021	11,000,000	11,137,675	0.40
KOREA LAND & HOUSING CORP 4.2% 18JAN2022	20,000,000	20,845,138	0.75
MTR CORP (C.I.) 4.28% 6JUL2020 EMTN	7,500,000	7,889,250	0.28
MTR CORP (C.I.) 4.75% 11MAY2020	89,000,000	94,322,200	3.39
MTR CORP (C.I.) 4.9% 25JUN2018	7,000,000	7,091,700	0.26
MTR CORP (C.I.) LTD 2.25% 12OCT2022	30,000,000	29,778,000	1.07
MTR CORP CI LTD SER EMTN (BR) (REG S) 2.25% 28DEC2024	22,000,000	21,520,400	0.77
MTR CORP CI LTD SER EMTN (BR) (REG S) 2.46% 20SEP2032	60,000,000	55,403,598	1.99
URBAN RENEWAL AUTHORITY 1.64% 11MAY2020	2,000,000	1,977,800	0.07
URBAN RENEWAL AUTHORITY 1.65% 17JAN2020	3,000,000	2,975,721	0.11
URBAN RENEWAL AUTHORITY 1.75% 2AUG2019	16,000,000	15,962,097	0.57
URBAN RENEWAL AUTHORITY 2.15% 10MAY2023	30,000,000	29,100,000	1.05
<b>Total Investments</b>		2,767,231,728	99.39
<b>Other Net Assets</b>		16,918,576	0.61
<b>Total Net Assets</b>		2,784,150,304	100.00
<b>Total Cost of Investment</b>		2,842,214,633	

# Statement of Movements in Portfolio Holdings

## ABF Hong Kong Bond Index Fund

	<b>% of net asset value 31 January 2018</b>	<b>% of net asset value 31 July 2017</b>
<b>Debt securities</b>		
Listed investments	88.69	81.19
Unlisted but quoted investments	10.70	18.17
	<hr/>	<hr/>
<b>Debt securities (Total)</b>	99.39	99.36
	<hr/>	<hr/>
<b>Total investments</b>	99.39	99.36
<b>Other net assets</b>	0.61	0.64
	<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 2017 to 31 January 2018	97.10	100.02
2017	97.28	101.52
2016	98.44	102.30
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

	31 January 2018 HKD	31 July 2017 HKD	31 July 2016 HKD
<b>Total net asset value</b>	2,784,150,304	2,723,883,520	4,096,710,942
<b>Net asset value per unit</b>	97.19	99.25	101.29

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

	6 months ended 31 January 2018	12 months ended 31 July 2017
ABF Hong Kong Bond Index Fund	(1.49)% <sup>(a)</sup>	(0.70)% <sup>(a)</sup>
Markit iBoxx ABF Hong Kong Index	(1.30)% <sup>(b)</sup>	(0.30)% <sup>(b)</sup>

- (a) Performance is calculated in base currency with Unit-price to Unit price, dividend (if any) 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.
- (c) The trust performance and the actual index performance are being calculated up to the last business day of the relevant periods.

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>
2018 Interim Distribution	30 January 2018	8 February 2018	0.57	16,328,221
2017 Final Distribution	28 July 2017	8 August 2017	0.74	20,310,041
2017 Interim Distribution	25 January 2017	9 February 2017	0.57	18,921,721

# Underlying Index Constituent Stocks Disclosure

## **As at 31 January 2018**

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 2018.

During the period from 1 August 2017 to 31 January 2018, the Markit iBoxx ABF Hong Kong Index decreased by 1.31% while the net asset value per unit of the ABF Hong Kong Bond Index (dividends reinvested) decreased by 2.11%.

# Administration

## **Manager and listing agent**

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## **Directors of the Manager**

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Pedro Augusto BOTELHO BASTOS  
Guillermo Eduardo MALDONADO-CODINA  
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Ka Yin Joanne LAU

## **Members of supervisory committee**

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## **Investment adviser**

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