



# HSBC Asia Pacific (Ex Japan) Dividend Yield Fund

An Open Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - Asia Pacific Ex Japan Equity High Dividend Fund.

December 2021

## Investment Objective:

HSBC Asia Pacific (Ex Japan) Dividend Yield Fund (Fund of Fund)

To provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds (HGIF) Asia Pacific Ex Japan Equity High Dividend Fund (HAHDF). The Scheme may also invest a certain proportion of its corpus in money market instruments and / or units of liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

## Fund Details



### Fund Manager

B. Aswin Kumar (since 07 November 2021)



### AUM (as on 30.11.21)

9.92 Cr



### Minimum Investment

Lumpsum	SIP	Additional Purchase
Rs. 5,000	Rs. 500	Rs. 1,000



Standard Deviation <sup>1</sup>	15.24%
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Beta (Slope) <sup>1</sup>	0.85
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Sharpe Ratio <sup>2,1</sup>	0.59
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### Benchmark

MSCI AC Asia Pacific ex Japan TRI<sup>4</sup>



### Inception Date

24 February 2014



### Exit Load<sup>3</sup>

In respect of each purchase /switch-in of Units, an Exit Load of 1% is payable if Units are redeemed / switched-out within 1 year from the date of allotment.

No Exit Load will be charged if Units are redeemed/ switched - out after 1 year from the date of allotment.

## HAHDF - Underlying fund strategy

- Dividends remain a key driver of long-term total return in Asia
- Investing in high dividend stocks is a good long term strategy
- Aims to invest in companies with quality management and strong cash flows
- Focus on quality businesses offering attractive dividend yields
- Follows environmental, social and governance principles
- Combination of defensive, cyclical and growth companies to generate income and total returns
- Structured investment process – seeking to identify mispriced stocks at attractive valuations.
- Key focus on stock selection, while managing sector exposures
- A focus on total return while managing portfolio risk

## Who can benefit from this fund?

- Investor who wish to have geographical and sectorial diversification leading to risk reduction

Data as on 30 November 2021

<sup>1</sup> Statistical Ratios disclosed are as per monthly returns (Annualized) for the last 3 years.

<sup>2</sup> Risk free rate: 3.41% (FIMMDA-NSE MIBOR) as on November 30, 2021

<sup>3</sup> Effective from March 14, 2018 for prospective investments.

Investment Commentary - Data as on 30 November 2021, HSBC Asset Management, Bloomberg, HGIF Asia Pac Ex Japan Equity High Dividend Fund – underlying funds investment commentary

<sup>4</sup> SEBI vide its circular no. SEBI/HO/IMD/IMD-II DF3/P/CIR/2021/652 dated October 27, 2021, on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' has introduced two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark. Furthermore, the same is effective from 01 December 2021

# HSBC Global Investment Funds (HGIF) Asia Pacific Ex Japan Equity High Dividend Fund (HAHDF)

## MARKET COMMENTARY - ASIAN EQUITIES

- MSCI Asia Pacific ex Japan (MXAPJ) declined 4.4% in November, underperforming MSCI AC World Index (MXWD) by 2.3% on the back of deteriorating sentiment with potential Fed tightening, and the new Omicron COVID-19 variant.
- Taiwan was the best performing market up 2.2% and is one of the only markets along with the Philippines which in the positive return territory in November. Taiwan's outperformance was driven by the strength in the information technology space especially in semiconductor given they are beneficiaries of the metaverse and 5G trend.
- China declined 6.0% in November and is amongst the worst performing markets in November given renewed regulatory actions in Chinese internet aiming at car hailing platforms and restrictions over advertising on certain sector such as healthcare. The Macau gaming space also slumped on the back of media sources that chairman of a junket group had been detained.
- India fell 3.1% but performed slightly better than the regional markets with large caps outperforming small caps largely due to the increasing inflationary pressures and along with the rest of the world from COVID-19 variant (Omicron concerns).
- By sector within Asia Pacific ex Japan information technology is the best performing sector in November, whereas consumer discretionary is the worst performing sector.

## 2. ASIA PACIFIC EX JAPAN EQUITY - HIGH DIVIDEND

### (a) NOVEMBER PERFORMANCE SYNOPSIS:

- By country favourable allocation and stock selection effect in Taiwan is the top contributor to performance in November. On the other hand, unfavourable allocation and stock selection effect in Hong Kong detracted the overall performance.
- Sectorally favourable stock selection effect in communication services contributed most to fund performance this month. On the other hand the unfavourable stock selection effect in financials detracted from overall performance.
- Mediatek is the top stock contributor to performance. The chipset designer unveiled its flagship next generation flagship SoCs and is well positioned to further gain market share, and has seen strong traction from Chinese brands with design-wins secured.
- On the other hold, Shimao Group, Chinese property developer, continued to detract performance in November. We believe that the property tax pilot program should have minimal impact of property prices whilst the central government continues to emphasize the healthy development of the property market.

### (b) OUR APPROACH AND POSITIONING

- Our 5.2% / 5.3% trailing / forward portfolio yield (October), 2.7% / 2.7% premium to the market benchmark yield, provides steady income in the lower for longer rate environment. Returns over the last 5 years have averaged 10%pa with roughly 40% comes from dividend and 60% from capital gain, providing investors attractive income with growth optionality.
- Our high dividend strategy invests in three types of companies: (i) leading cyclical/value companies with scale/low-cost advantage, (ii) defensive companies preferably with catalysts, and (iii) net cash positive growth companies, which we find in emerging Asian markets such as India, Indonesia, Korea and Taiwan.
- Taiwan (+3.8%) continues to be our top overweight by country. We further toned down our overweight to Indonesia (+3.6%) and Hong Kong has replaced Indonesia to be the second largest active weight by country (+3.7%). Mainland China continues to be our biggest underweight. Sectorally information technology (+8.6% active weight) overtook communication services (+5.6% active weight) to be the biggest active sector weight in the portfolio.

## OUTLOOK

- In 2021, Asian equity markets have seen the highest dispersion of returns in a decade. This has created a fertile playing field for active managers who are searching for alpha. This dispersion theme would continue to be dominant from an earnings growth perspective in 2022.
- Chinese policy heading towards 2022 is a lot less hawkish than other parts of industrial Asia (e.g. Korea or Singapore) given the increasing uncertainty in growth. Additionally, many emerging market / Asian economies are still lagging with relatively favourable growth-inflation mix over the next 6-12 months.
- We still think Asian equities offer attractive risk-reward returns with good growth and earnings and liquidity support.
  1. Macro: Although China might see more moderate growth ahead, India / ASEAN could see stronger growth, provided COVID is brought under control and vaccines are rolled out.
  2. Earnings: expected to maintain double digit growth in 2022 with India and parts of South East Asia leading the growth.
  3. Valuation: MSCI Asia ex Japan is trading at 14.2x forward P/E as of end November (vs 14.6x in October and more than 30% discount to the US)
- Sectorally we hold a medium to long term investment horizon and believe that investing more in leaders within the space they operate will help mitigate short term impact from market volatility. Below are a few themes we favour within Asian equities:
  1. Technology enablers: Structurally - Asia is riding a wave of innovation and technology and digital adoption: Asia plays a key role in the global technology supply chain, whilst many Asian economies focus on innovation as a key driver. We have positions in semiconductor leaders whose products and designs are indispensable in all walks of life.
  2. Metaverse / Digital Economies: We would continue to focus on the thematic appeal of the Indian and ASEAN digital economies which have added value to our strategies in 2021, but with the scope to add more in 2022 and beyond.

# HGIF Global Asia Pacific ex Japan Equity High Dividend Underlying Fund

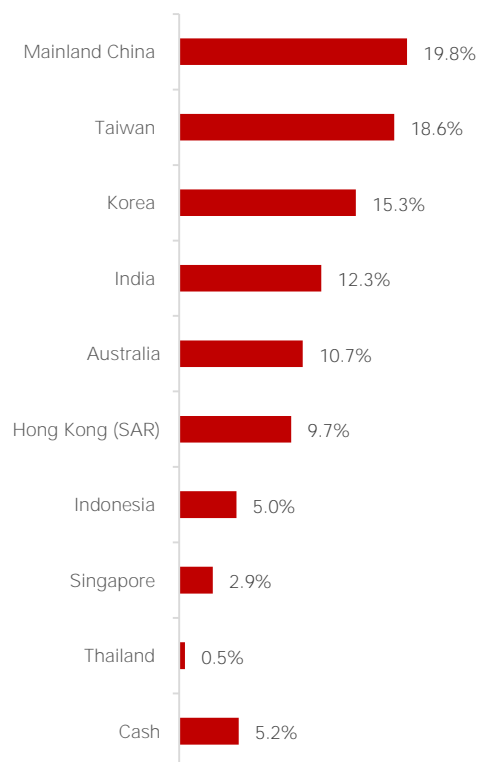
## Portfolio

Instrument	Weight (%)
TAIWAN SEMICONDUCTOR CO LTD	8.4%
SAMSUNG ELECTRONICS CO LTD	7.2%
MEDIATEK INC	4.1%
KB FINANCIAL GROUP INC	4.1%
HONG KONG EXCHANGES & CLEAR	3.8%
ITC LTD	3.8%
BHP GROUP LTD	3.5%
AIA GROUP LTD	3.5%
TELSTRA CORP LTD	3.3%
INDUS TOWERS LTD	3.3%
TELKOM INDONESIA PERSERO TBK	2.9%
DBS GROUP HOLDINGS LTD	2.9%
CHINA CONSTRUCTION BANK-H	2.8%
IND & COMM BK OF CHINA-H	2.6%
WIWYNN CORP	2.6%
HCL TECHNOLOGIES LTD	2.5%
FORTESCUE METALS GROUP LTD	2.4%
NEW WORLD DEVELOPMENT	2.4%
NOVATEK MICROELECTRONICS COR	2.4%
SK TELECOM	2.2%
SHIMAO GROUP HOLDINGS LTD	2.2%
CHINA STATE CONSTRUCTION INT	2.1%
UNITED TRACTORS TBK PT	2.0%
PING AN INSURANCE GROUP CO-H	2.0%
TENCENT HOLDINGS LTD	1.9%
CHINA RESOURCES CEMENT	1.9%
SK SQUARE CO LTD	1.8%
BAIDU INC-CLASS A	1.6%
MINDSPACE BUSINESS PARKS REI	1.5%
COMMONWEALTH BANK OF AUSTRAL	1.4%
INDIA GRID TRUST	1.3%
CHINA LIFE INSURANCE CO-H	1.3%
LARGAN PRECISION CO LTD	1.2%
ALIBABA GROUP HOLDING LTD	1.0%
OSOTSPA PCL	0.5%
GUANGDONG INVESTMENT LTD	0.2%
Cash	5.2%
<b>Total</b>	<b>100.00%</b>

## Sector Allocation (%)

Name	End Weight
Information Technology	30.2%
Financials	24.5%
Communication Services	15.3%
Materials	7.8%
Real Estate	6.0%
Consumer Staples	4.3%
Industrials	3.4%
Energy	2.0%
Consumer Discretionary	1.0%
Utilities	0.2%
Cash	5.2%

## Weighting - Country



Data as on 30 November 2021, Source – HSBC Asset Management

# HSBC Asia Pacific (Ex Japan) Dividend Fund of Fund

An Open Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - Asia Pacific Ex Japan Equity High Dividend Fund.

## Portfolio

Issuer	Industries	% to Net Assets
<b>EQUITY</b>		<b>98.55%</b>
HGIF - Asia Pacific ex Japan Equity High Dividend (Share Class S9D)	Overseas Mutual Fund	98.55%
<b>Cash Equivalent</b>		<b>1.45%</b>
<b>TREPS*</b>		<b>1.06%</b>
<b>Reverse Repos</b>		<b>1.39%</b>
<b>Net Current Assets:</b>		<b>-1.00%</b>
<b>Total Net Assets as on 30-Nov-2021</b>		<b>100.00%</b>

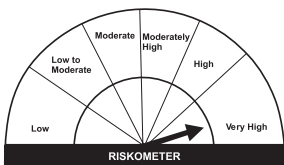
## Asset Allocation

Overseas Mutual Fund	98.55%
Reverse Repos/TREPS	2.45%
Net Current Assets	-1.00%
<b>Total Net Assets as on 30-Nov-2021</b>	<b>100.00%</b>

\*TREPS : Tri-Party Repo Data as on 30 November '21

### HSBC Asia Pacific (Ex Japan) Dividend Yield Fund Riskometer

#### HSBC Asia Pacific (Ex Japan) Dividend Yield Fund



Investors understand that their principal will be at Very High risk

**Fund of Funds (Overseas)** – An Open Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - (HGIF) Asia Pacific Ex Japan Equity High Dividend Fund

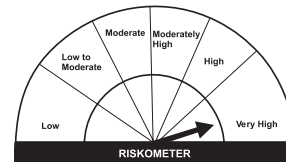
**This product is suitable for investors who are seeking\*\*:**

- To create wealth over long term
- Investment in equity and equity related securities of Asia Pacific countries (excluding Japan) through fund of funds route

**\*\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.**

Please note that the above risk-o-meter is as per the product labelling of the scheme available as on the date of this communication/ disclosure. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Benchmark: MSCI AC Asia Pacific ex Japan TRI



Source: HSBC Asset Management, India

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Mutual fund investments are subject to market risks, read all scheme related documents carefully.