



# HSBC Brazil Fund

An Open-Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - Brazil Equity Fund.

December 2021

## Investment Objective:

The primary investment objective of the Scheme is to provide long term capital appreciation by investing predominantly in units/shares of HSBC Global Investment Funds (HGIF) Brazil Equity Fund. The Scheme may, at the discretion of the Investment Manager, also invest in the units of other similar overseas mutual fund schemes, which may constitute a significant part of its corpus. 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 October 2021)



### AUM (as on 30.11.21)

24.21 Cr



### Minimum Investment

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



Standard Deviation <sup>1</sup>	36.25%
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Beta (Slope) <sup>1</sup>	0.96
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Sharpe Ratio <sup>2, 1</sup>	-0.26
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### Benchmark<sup>4</sup>

MSCI Brazil 10/40 Index TRI



### Inception Date

06 May 2011



### 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.

## Brazil Market Update

EPS growth should be the main driver of stock performance.

We believe EPS growth can be supported by:

- Continued economic recovery albeit at slower pace than expected
- Operational leverage thanks to low capacity utilisation and cost cutting efforts

## Portfolio theme

### HSBC Brazil Equity - Underlying Fund

Long-term drivers of EPS remain in place:

- Brazil EPS growth story is delayed but not derailed
- Stabilisation plan remains the primary underpinning to macro policy
- Low growth, but even lower rates
- Government and Central Bank supporting activity without compromising fiscal austerity. Adjustment via FX

Attractive Valuations:

- Volatility has created an attractive entry point in our view
- Structural change in allocation towards equities, but at a slower pace

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.

<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

## MARKET COMMENTARY

Contributors to relative performance included NATURA COSMETICOS(Consumer Staples) with a total effect of 0.33%. Additionally, GRUPO SBF (Consumer Discretionary) was in the top two contributors with a total effect of 0.27%.

Detractors included RAIZEN SA - PREFERENCE (Energy) with a total effect of -0.46% and MERCADOLIBRE (Consumer Discretionary) with a total effect of -0.43%.

During this period, positions were initiated in SUL AMERICA SA - UNITS, XP INC - CLASS A, GERDAU SA-PREF, HAPVIDA PARTICIPACOES E INVE, and RAIA DROGASIL whilst positions were closed in PAGSEGURO DIGITAL LTD-CL, NATURA COSMETICOS, and SEQUOIA LOGISTICA E TRANSPOR.

Sector allocation effects are residual to stock selection. At the sector level, effects were negative, given an underweight exposure to Communication Services.

## OUTLOOK

- After a difficult start of the year, we saw a more benign scenario for Brazilian equities in 2Q21 thanks to (i) an advancing vaccination campaign that should allow a return to economic normality by the end of the year (ii) stronger than expected economic activity and positive GDP revisions for 2020, (iii) another push, both from the executive and congress, on the reforms side and (iv) still some time before “campaign” mode starts with a view to October 2022 elections. That optimism was reflected in the good performance of Brazilian equities during the 2Q21.
- Nevertheless, the 3Q21 brought a few negative surprises to the recovery scenario with increased political noise, higher than expected inflation (exacerbated by a severe drought pressuring energy prices), higher interest rates (425bps increase so far this year to 6.25%) and, as a consequence, weaker growth expectations for 2022. This negative combination has continued into 4Q21.
- Under this more downbeat scenario we expect volatility to remain high and to increase as we approach 2022's elections. Likewise we don't see any room for materials reforms in the short term.
- Nevertheless, the recent noise and correction has left the MSCI Brazil trading still below pre-pandemic levels and at attractive multiples relative to history. The MSCI Brazil also trades at a considerable discount to its EM peers in spite of companies' good results and the continued positive earnings revisions.
- We see an interesting opportunity for Brazilian equities to catch up with the rest of global equity markets and close the valuation gap its EM peers.

### Risks

- Inflation may be persistently high and monetary policy mistakes related with the speed and magnitude of rates increases can negatively affect the economic recovery.
- Government miss-steps and poor coordination with congress on its reforms efforts as we approach 2022 which is an election year.
- There is still some degree of uncertainty regarding the new covid variants and its potential impact on the reopening and on the economic recovery.
- General risk-off mode globally affecting risky assets.

# HGIF Global Brazil- HBF – Underlying Fund

## Portfolio

Instrument	Weight (%)
PETROBRAS - PETROLEO BRAS	9.6%
BANCO BRADESCO S.A.	9.5%
ITAU UNIBANCO HOLDING S-PREF	9.3%
VALE SA	8.4%
SUZANO PAPEL E CELULO-PREF A	4.4%
LOCALIZA RENT A CAR	4.2%
B3 SA-BRASIL BOLSA BALCAO	4.1%
NOTRE DAME INTERMED PAR SA	4.1%
AMBEV SA	3.6%
VIBRA ENERGIA SA	3.4%
CENTRAIS ELETRICAS BRASILIER	2.8%
WEG SA	2.7%
REDE D'OR SAO LUIZ SA	2.4%
iShares MSCI Brazil ETF (DE)	2.3%
USINAS SIDER MINAS GER-PF A	2.3%
GRUPO SBF SA	2.3%
ENERGISA SA-UNITS	2.2%
SENDAS DISTRIBUIDORA SA	2.2%
RAIZEN SA - PREFERENCE	2.2%
ITAUSA SA	2.0%
MERCADOLIBRE INC	1.8%
MARFRIG GLOBAL FOODS SA	1.5%
BANCO INTER SA-UNITS	1.5%
LOCAWEB SERVICOS DE INTERNET	1.2%
SLC AGRICOLA SA	1.2%
BANCO BTG PACTUAL SA-UNIT	1.0%
SUL AMERICA SA - UNITS	0.9%
XP INC - CLASS A	0.9%
3R PETROLEUM OLEO E GAS SA	0.9%
JBS SA	0.7%
GERDAU SA-PREF	0.5%
LOJAS RENNER S.A.	0.5%
HAPVIDA PARTICIPACOES E INVE	0.4%
MAGAZINE LUIZA SA	0.3%
RAIA DROGASIL SA	0.3%
Other	2.3%
Cash	2.4%
<b>Total</b>	<b>100.00%</b>

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

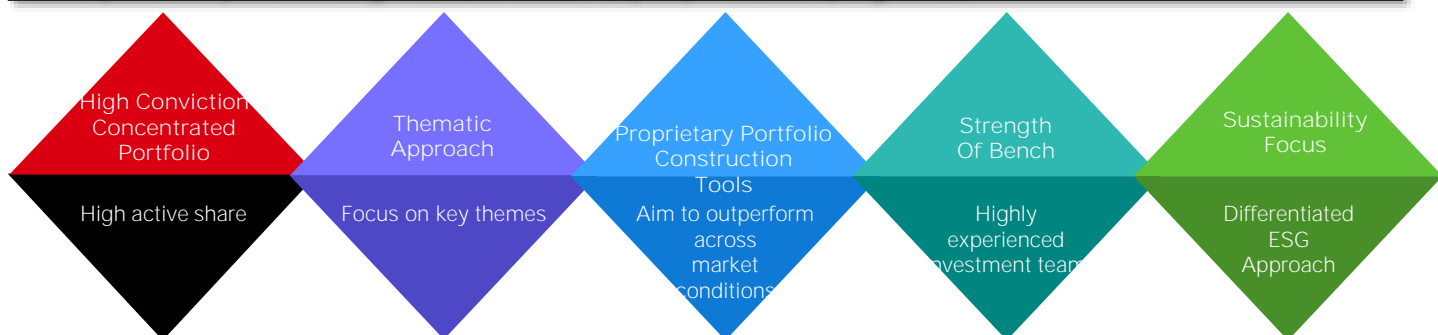
## Sector Allocation (%)

Name	End Weight
Financials	29.1%
Materials	15.6%
Energy	12.6%
Consumer Staples	9.5%
Consumer Discretionary	8.3%
Industrials	6.9%
Health Care	6.9%
Utilities	5.0%
Others	2.3%
Information Technology	1.2%
Cash	2.4%

## Who Can Benefit From This Fund?

- Investor who wish to have geographical and sectorial diversification leading to risk reduction
- It can helps in diversifying a predominantly domestic portfolio
- Different geographical economies may deliver varying and contrasting risk adjusted performance in various economic & investment cycles
- Provides opportunities to invest in various themes

## Competitive positioning - HSBC Brazil Equity - Underlying Fund



# HSBC Brazil Fund

An Open-Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - Brazil Equity Fund.

## Fund of Funds - Portfolio

Issuer	Industries	% to Net Assets
<b>EQUITY</b>		<b>97.35%</b>
HGIF - Brazil Equity (Share Class S3D)	Overseas Mutual Fund	97.35%
Cash Equivalent		2.65%
TREPS*		2.02%
Reverse Repos		2.64%
Net Current Assets:		-2.01%
Total Net Assets as on 30-Nov-2021		100.00%

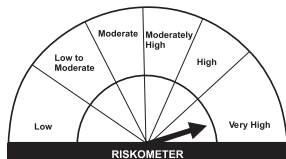
## Asset Allocation – Fund of Fund

Overseas Mutual Fund	97.35%
Reverse Repos/TREPS	4.66%
Net Current Assets	-2.01%
Total Net Assets as on 30-Nov- 2021	100.00%

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

### HSBC Brazil Equity Fund Riskometer

#### HSBC Brazil Equity 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) Brazil Equity Fund.

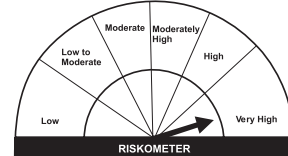
**This product is suitable for investors who are seeking\*\*:**

- To create wealth over long term
- Invests in equity and equity related securities through feeder route in Brazilian markets

**\*\*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 Brazil 10/40 Index TRI**



Source: HSBC Asset Management, India

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