HSBC Asset Management

HSBC Global Emerging Markets Fund

An open-ended fund of fund scheme investing in HSBC Global Investment Funds – Global Emerging Markets Equity Fund

December 2021

Investment Objective:

HSBC Global Emerging Markets Fund (Fund of Fund)
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 - Global Emerging Markets Equity Fund. 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)
16.07 Cr

Minimum Investment

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

Benchmark[4]
MSCI Emerging Markets Index TRI

Inception Date
17 March 2008

Standard Deviation [1]	18.59%
Beta (Slope) [1]	1.00
Sharpe Ratio [2, 1]	0.56

Exit Load[3]
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.

HGIF Global Emerging Markets Fund Underlying fund strategy

- Developed economies have substantial investment capital but depend more on the global growth due to relatively lower internal consumption
- Emerging / developing economies are more dependent on external investments to support strong internal consumption
- Investors may access potential currency adjusted performance benefit through global investments
- The fund follows High conviction Thematic approach with integrated sustainability
- A thematic approach captures investment mega trends and tactical opportunities such as - Climate Change Mega Trend, Impact Investing Mega Trend, Digital Transformation Mega Trend and EM Laggard Banks.

HGIF Global Emerging Markets Fund Underlying fund - Why invest?

- The global backdrop is supportive of the asset class
- Unprecedented policy stimulus ("whatever it takes") to mitigate Covid-19 economic impact
- Global growth now on recovery path with China leading the way ("First in, first out")
- Buoyant liquidity conditions in Developed World and many Emerging Markets
- Corporate earnings have bottomed
- High Conviction, thematic approach can deliver superior investment returns in EM Equities

Data as on 30 November 2021
[1] Statistical Ratios disclosed are as per monthly returns (Annualized) for the last 3 years. [2] Risk free rate: 3.41% (FIMMDA-NSE MIBOR) as on November 30, 2021
[3] Effective from March 14, 2018 for prospective investments. HSBC Asset Management, Bloomberg, HGIF Global EM Fund – underlying funds investment commentary
[4] 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

HGIF Global Emerging Markets- HEMF – Underlying Fund – Investment Commentary

KEY TAKEAWAYS

- EM equities creeped higher in October, finishing the month up ~1.0%. The strategy marginally underperformed by 33bps.
- We continue to strengthen exposure to the existing portfolio themes and concentrate the portfolio in our highest conviction names.
- Key themes continue to drive portfolio allocation and returns, including; EM Laggard Banks, Digital Transformation, Climate Change, Impact Investing
- We have a tactical allocation to EM banks as we believe they are well poised to benefit from the post-pandemic reopening of economies.

MARKET REVIEW

- MSCI Emerging Markets posted slightly positive returns (+1%) in October but continued to underperform DM (+5.6%).
- MSCI EM Index started the month with a fairly strong rally touching the ~1300 mark, likely driven by positive earnings reporting and guidance by EM companies.
- China rebounded strongly on hopes of a resolution to the ongoing Evergrande issue thought this proved short lived.
- Towards the end of the month, EM equities gave back most of the gains following:
  - re-escalation in US - China geopolitical risk, as the world's two largest economies clashed over issues ranging from COVID-19 to cyber security and computer chips
  - further downgrades to China's economic growth outlook. In Latin America, currencies came under pressure from a strong US$ as well as rising inflationary pressure (energy, food prices) with Central Banks deemed behind the curve on rate tightening.
- Against this background, Brazil equities continued to sell off sharply.

HGIF GLOBAL EMERGING MARKETS PERFORMANCE SYNOPSIS:

- The main detractor was the position in Brazil payments processor PagSeguro, which fell ~30% on adverse regulatory change as well as being negatively impacted by rising local interest rates.
- Chinese stock selection also disappointed as financials and property stocks de-rated in response to the contagion risk from the Evergrande default.
- Partially offsetting this was the strong performance of a number of late cycle banks including; Sberbank; Commercial International Bank of Egypt and Bank Rakyat.
- Allocation effects, are residual to the stock selection process. At the country level, effects were positive given an overweight exposure to Egypt. At the sector level, effects were neutral as the positive effects from an underweight exposure to Healthcare was offset by an underweight exposure to Consumer Discretionary.

Data as at Oct 2021, HSBC Asset Management, Bloomberg, HGIF Global EM Fund – underlying funds investment commentary

OUR APPROACH AND POSITIONING

- It was a relatively active month for the strategy with a number of new positons initiated.
- A position was established in Pingan Insurance, which has seen its share price slide nearly 40% this year on asset impairment regarding Fortune Land, concerns over exposure to China Evergrande and other at risk property developers, as well as slowing new business growth. It appears that the worst is now behind us and the stock is attractively priced and 5% yield.
- PLDT, the largest telecommunication services provider in the Philippines was also added to the portfolio. The company operates mobile and fixed services, including a growing broadband and enterprise segment and we believe it's an attractive investment proposition considering:
  - Growth from fintech: a part-owned subsidiary, Voyager, recently secured a digital banking license (the 6th of maximum 7 in the Philippines). PLDT already offers a deep ecosystem that includes an e-wallet (PayMaya), a remittance network (Smart Padala) and a non-bank payments processing business. The new banking license ('Maya Bank') will allow expansion into financial services.
  - Secular demand for financial services from large unbanked population: growth potential from digital financial services in the Philippines is substantial as banking sector penetration remains among the lowest in Asia at 29% with some 50m Filipinos currently unbanked.
  - Attractive valuation: PLDT is trading at a discount and has a 5% dividend yield support. The implied valuation for the stake in Voyager is likely undervalued with potential value creation of spinoff (other investors in Voyager include KKR, Tencent and the IFC)
- Pagseguro was sold on the back of the regulatory backdrop for the payments processor, which has deteriorated with the potential imposition of a price cap on pre-paid interchange. This could potentially impact around 13% of earnings. Moreover, the company has disclosed sensitivity to rising interest rates as it will not be passing the rate hikes on to customers.
- Key themes driving Portfolio returns today are:
  - EM Laggard Banks (Tactical Covid-19 theme)
  - 5G / Cloud Migration (Digital Transformation Megatrend)
  - Renewables (Climate Change Megatrend)
  - Financial & Digital Inclusion and Affordable Health Care (Impact Investing Megatrend)
- The portfolio remains concentrated with 40 holdings and an active share of ~75%.

OUTLOOK

- Emerging Markets Equities continue to underperform versus their Developed Market counterparts. This can be attributed to i) rising global inflationary expectations and associated concerns over monetary tightening (FED taper and speculation over timing of rate rises), ii) Delta variant-driven economic growth deceleration, especially in Emerging Markets where vaccination rates remain low. However, the most significant driver of EM underperformance is iii) the China factor: slowing economic growth momentum with fading credit impulse, an ideological pivot to 'common prosperity' and related regulatory reset focused on the high growth, private sector darling technology and consumer companies, widespread power shortages. Property insolvencies (ignited by, but not limited to, Evergrande) continue to weigh on the market. Whether or not contagion can be avoided hinges critically on government policy towards the property sector – the current tight liquidity conditions ('three red lines') where designed to eliminate excessive leverage in the system. None of these risks are likely to disappear in the near term and we expect Emerging Markets Equities to remain volatile on the whole.

- Whilst not immune from the elevated volatility and challenging global backdrop, the strategy remains focused on investment mega trends such as climate change, digital transformation and investing with impact where the secular investment case is likely to play out over a multi-year period. We see many opportunities to invest in attractively valued companies that are driving the energy transition, digital transformation and financial inclusion across the Emerging World.

Data as at Oct 2021, HSBC Asset Management, Bloomberg, HGIF Global EM Fund – underlying funds investment commentary

HGIF Global Emerging Markets- HEMF – Underlying Fund

Portfolio

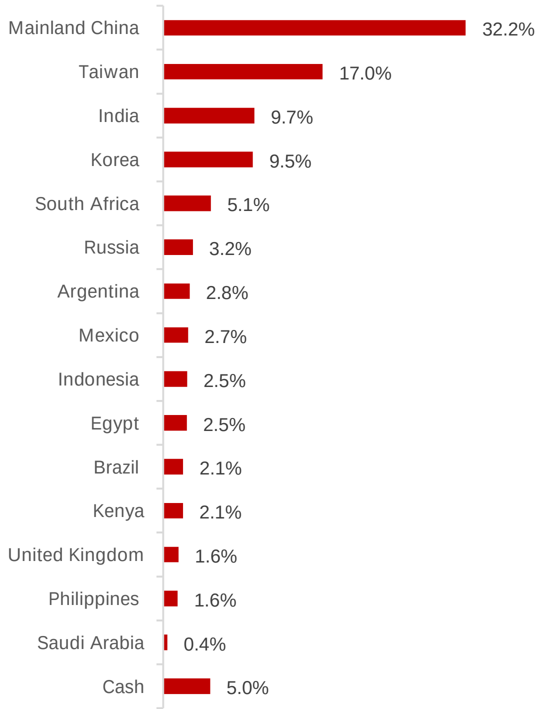
Instrument	Weight (%)
TAIWAN SEMICONDUCTOR CO LTD	9.4%
SAMSUNG ELECTRONICS CO LTD	5.4%
TENCENT HOLDINGS LTD	5.1%
RELIANCE INDUSTRIES LTD	4.6%
ALIBABA GROUP HOLDING LTD	4.2%
MTN GROUP LTD	3.4%
CHINA CONCH VENTURE HOLDINGS	3.2%
HON HAI PRECISION INDUSTRY	3.2%
BANK RAKYAT INDONESIA PERSER	2.5%
CIMC ENRIC HOLDINGS LTD	2.5%
XINJIANG GOLDWIND SCI&TEC-H	2.5%
COMMERCIAL INTERNATIONAL BAN	2.5%
XINYI SOLAR HOLDINGS LTD	2.4%
HYUNDAI MOTOR CO	2.4%
WIWYNN CORP	2.3%
WEICHAI POWER CO LTD-H	2.1%
BANCO BRADESCO S.A.	2.1%
SAFARICOM PLC	2.1%
BANDHAN BANK LTD	2.0%
MEDIATEK INC	2.0%
HINDUSTAN UNILEVER LTD	2.0%
WUXI BIOLOGICS CAYMAN INC	1.8%
SK HYNIX INC	1.8%
GENTERA SAB DE CV	1.7%
YANDEX NV-A	1.7%
ANGLO AMERICAN PLC	1.7%
GLOBANT SA	1.7%
BAIDU INC-CLASS A	1.7%
AIRTEL AFRICA PLC	1.6%
CHINA LONGYUAN POWER GROUP-H	1.6%
PLDT INC	1.6%
SHENZHEN MINDRAY BIO-MEDIC-A	1.5%
MEITUAN-CLASS B	1.5%
SBERBANK PJSC -SPONSORED ADR	1.4%
PING AN INSURANCE GROUP CO-H	1.4%
MERCADOLIBRE INC	1.1%
SHRIRAM TRANSPORT FINANCE	1.1%
GRUPO FINANCIERO BANORTE-O	0.9%
ATRENEW INC	0.5%
TADAWUL	0.4%
Others	0.4%
Cash	5.0%
Total	100.00%

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

Sector Allocation (%)

Name	End Weight
Information Technology	28.2%
Communication Services	17.2%
Financials	15.8%
Industrials	10.4%
Consumer Discretionary	9.7%
Energy	4.6%
Health Care	3.4%
Consumer Staples	2.0%
Materials	1.7%
Utilities	1.6%
Others	0.4%
Cash	5.0%

Weighting - Country



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Portfolio

Issuer	Industries	% to Net Assets
EQUITY		98.12%
HGIF - Global Emerging Markets Equity (Share Class S1D)	Overseas Mutual Fund	98.12%
Cash Equivalent		1.88%
TREPS*		1.23%
Reverse Repos		1.61%
Net Current Assets:		-0.96%
Total Net Assets as on 30-Nov-2021		100.00%

*TREPS : Tri-Party Repo, Data as on 30 November 2021

Asset Allocation

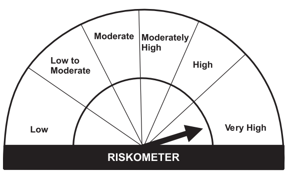
Overseas Mutual Fund	98.12%
Reverse Repos/TREPS	2.84%
Net Current Assets	-0.96%
Total Net Assets as on 30-Nov-2021	**100.00%**

Who Can Benefit From This Fund?

- Investor who wish to have geographical and sectorial diversification leading to risk reduction
- Investors may access potential currency adjusted performance benefit through global investments

HSBC Global Emerging Markets Fund Riskometer

HSBC Global Emerging Markets Fund



Investors understand that their principal Will be at Very High risk

Fund of Funds (Overseas) - An open ended fund of fund scheme investing in HSBC Global Investment Funds - Global Emerging Markets Equity Fund.

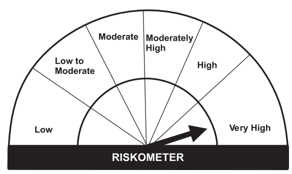
This product is suitable for investors who are seeking##:

- To create wealth over long term
- Investment predominantly in units of HSBC Global Investment Funds – Global Emerging Markets Equity Fund

##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 Emerging Markets Index TRI



Source: HSBC Asset Management, India

Disclaimer:

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