HSBC Asset Management

Invest for positive change that lasts for generations

HSBC Global Equity Climate Change Fund of Fund

An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

October 2022

Investment Objective

HSBC Global Equity Climate Change Fund of Fund's Investment Objective - To provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds – Global Equity Climate Change (HGECC). The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/ liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there is no assurance that the investment objective of the Scheme will be achieved.

Climate Change - The opportunities beckon

Renewable Energy

Sustainable transition away from fossil fuels will need to be USD110trn of investment in renewable energies cumulatively to 2050.[1]

Energy Efficiency

Globally enhanced energy efficiency investments could boost cumulative economic output by USD18tr to 2035, increasing growth by 0.25-1.1% per year.[2]

Clean Transport

Improved and digitalised planning in shipping could lead to fewer kilometers travelled, allowing for industry revenue benefits of USD1.5trn by 2025.[3]

Green Buildings

In emerging markets alone, Green Buildings are expected be a USD24.7 trillion investment opportunity by 2030.[a]

Sustainable Water & Wastewater Management

Water productivity improvements could cost USD60 billion annually over the next two decades. Many of these investments yield positive returns in just three years.[5]

Climate Change Adaptation

Research has shown that spending USD1.8trn on specific adaptation areas between 2020 and 2030 could generate USD7.1trn in total net benefits.9

Flood defences systems and related infrastructure information support systems, such as climate observation and early warning systems

Pollution & waste prevention and control

Air pollution kills 7 million people each year, costing USD5tn/year.'

Circular economy and resource efficiency

Switching to a circular economy could unlock an additional USD4.5trn of global GDP by 2030.8

Resource-efficient packaging and distribution
Industrial carbon capture and storage technology

Natural capital & ecosystems

Enhancing coastal wetlands could save the insurance industry USD52bn a year in reduced losses from storms and flood damage.9

Clean transport, clean energy, water management are some of the themes with great potential

HGIF Global Equity Climate Change (HGECC) – Monthly Commentary – August 31, 2022

- Contributors to relative performance included USA holding, FIRST SOLAR(Information Technology) with a total effect of 0.51%. Additionally, USA security, DEERE &(Industrials) was in the top two contributors with a total effect of 0.38%.
- Detractors included USA security, BALL (Materials) with a total effect of -0.51%, and Japanese holding SHIMADZU (Information Technology) with a total effect of -0.39%.
- During this period, positions were closed in OATLY GROUP AB and AZURE POWER GLOBAL.
- Sector and country allocation effects are residual to stock selection. At the country level, effects were negative, given an overweight exposure to Sweden. At the sector level, effects were negative, given an underweight exposure to Financials.

Data as on 30 September 2022,
Source: HSBC Global Asset Management, HGIF Global Equity Climate Change underlying fund commentary, Bloomberg
1. IRENA 2019, 2. New Climate Economy 2016, 3. Danfuss 2020, 4. FC 2019, 5. McKinsey 2019, 6. Global Commission on Adaptation 2019, 7. BAML 2020, citing UN 2019, 8. World Economic Forum, 9. Barbier et al 2019

Document date :15 October 2022

PUBLIC

Investment commentary

KEY TAKEAWAYS

- Market drivers: Rising interest rates adversely effected interest rate sensitive stocks and sectors the most namely real estate, IT, utilities and communication services.
- Sector impact on strategies: Climate Change strategies were slightly penalized by their underweighting in Healthcare, Consumer Staples, Finance and Energy.
- Climate bills and regulation: Companies offering different climate change solutions whether they be in clean energy or a more circular economy are benefitting from the renewed political support on the energy transition and government climate stimulus in the US and Europe
- HGIF Global Circular Economy fund starts off on a solid footing: The fund has outperformed the MSCI All Country World Index by 2.4% since launch on 17 June to end September, beating four of its six of peers over this time frame.

In a context of an energy crisis in Europe, a chip shortage and other supply bottlenecks, the scarcity of resources and products has increasingly coming into focus. As such, we believe that companies that integrate circular economy practices in their strategies are better able to cope and deliver on maintaining or even increasing their long term returns on capital.

MARKET COMMENTARY – GLOBAL EQUITIES

- Market: the MSCI World lost 9.30% in dollars, with the Euro and European indices giving up 8.78% and 8.74%, respectively. US long-term yields rose sharply, up to their 2010 levels of about 4%. German long-term yields followed the same trend, closing the month at their 2012 level of 2.10%.
  The European Central Bank accelerated its tightening, raising rates by 75 basis points (bp). The Federal Reserve made the same move a few days later, followed by the Bank of England, albeit to a lesser extent. The widespread rise in interest rates and the cost of capital in general is forcing investors to adjust equity valuations downward.
  In addition, the Ukraine conflict seems to be bogging down. Putin "officially" recognised the four regions of south-eastern Ukraine as part of Russia, repeating his threats to the West in the bargain.
  Consumer confidence and leading activity indicators are down.
  And a number of companies, particularly in manufacturing, have issued profit warnings, pointing at widespread cost increases and the sharp slowdown in activity in Europe.

  The end of the month brought the start of a crisis triggered by announcements from the new British prime minister. Announcing tax cuts, Liz Truss instilled doubt in investors as to the United Kingdom's ability to control its public spending.

  The falling pound, and soaring long-term rates in particular, have endangered the financial health of some pension funds, forcing the Bank of England to intervene. The pound reached a record low against the dollar at 1.05 and 10-year rates rose by more than 90bp, reaching levels not seen since 2008.

  Emerging markets retreated during the month with China suffering heavily. Economic data improved due to supportive policy measures, however, the country's approach to tackling Covid-19 and weakness in the property market remained a headwind too strong. Many investors believe the Chinese economy remains fragile with credit markets shying away despite facing little inflationary pressure. The Feds rate cycle continues to cause stress for many countries, however, slowing inflation potentially suggest there is light at the end of the tunnel.

- Currencies: The euro depreciated by 2% against the dollar to trade at 0.98 at month-end.

- Commodities: Brent dropped from $96.5 to $90 but natural gas dropped by 25% on high inventories for the winter. GSCI composite index fell by 8.75% in dollars, probably reflecting the slowdown in global demand.

- Global sectors: Healthcare was the top performer (-4%) along with Consumer Staples (-8%) and Finance (-8.4%). The worst were Real Estate (-13.2%), IT (-12%), Communication Services (-11.9%) and Utilities (-11.7%)
- Styles: Value outperformed (-8.5%) Growth (10.1%) and Small Caps (-10.3%)

Outlook

Markets

- The combination of higher-than-expected inflation and future monetary tightening remains a key issue for the financial markets in the medium term.
- Falling PMIs in the main economic regions point to a continued macroeconomic slowdown, which should impact the earnings of listed companies, in particular cyclical stocks.
- However, we would caution being overly pessimistic given the strong starting base of the US economy, the gradual economic recovery China, the prospects of a slowdown in inflation at the end of 2022 and the significant improvement in equity valuations.
- Markets will remain volatile given heightened geopolitical uncertainty and ongoing supply-side challenges.

Climate Change Theme

- Companies offering climate change solutions are facing growth tailwinds from numerous fronts.
- Europe is seeking to accelerate its transition to renewable energy given the region's current energy crisis.
- More recently, the US government's progress in passing through a climate bill is particularly exciting given the sizable and long-term support package across a broad range of technologies from solar and wind to hydrogen and carbon capture & storage.

Source - HSBC Asset Management, HGIF Global Equity Climate Change underlying fund commentary, Bloomberg, Data as on 30 September 2022

1. HGIF GLOBAL EQUITY CLIMATE CHANGE

(a) SEPTEMBER PERFORMANCE SYNOPSIS:

- Stock selection was positive and sector allocation negative.
- Negative sector allocation: The Fund's tilt to Industrials, IT and Utilities and Materials, which make up around 80% of the portfolio was a headwind with those sectors down more than the market. Defensive sectors like Healthcare and Consumer Staples declined by less than the broader market, which we did not benefit from due to the lack of thematic alignment. Financials, where the fund is relatively absent also performed relatively better against the backdrop of rising rates.

(b) TOP AND BOTTOM CONTRIBUTORS

Top contributors

	Contribution	Performance	Sub-theme
Top contributors			
1. First Solar	0.08	4%	Renewable Energy
2. Waste Management	-0.01	-1%	Pollution, Waste Prevention & Control
3. CIMC ENRIC	-0.02	0%	Renewable Energy
Top detractors			
1. EDPR	-0.61	-15%	Renewable Energy
2. Orsted	-0.54	-19%	Renewable Energy
3. Vestas	-0.48	-26%	Renewable Energy

Top contributors

First Solar, a solar module manufacturer, rose for the third consecutive month as positive sentiment on US domestic solar manufacturing drove momentum in the stock.

Waste Management, a waste services business, was among the top contributors as its negative performance contribution was relatively smaller than the rest of the fund given that the stock was added to the portfolio at the end of the month.

CIMC ENRIC, a gas equipment manufacturer, advanced as its strong quarterly earnings results last month drove positive earnings revisions and momentum in the stock.

Top detractors

The top three detractors (EDPR, a renewable energy producer, Orsted, an offshore wind developer and operator and Vestas, a wind turbine manufacturer) all fell due to negative investor sentiment towards European renewables sector due to uncertainty around government intervention in energy markets as well short-term limitations to renewables growth from permitting bottlenecks.

(c) TRANSACTIONS

We completed a number of trades in the portfolio, which had two overarching themes. 1) increasing exposure to the US relative to Europe, and 2) improving the quality of companies that we are invested in.

These decisions are driven by our incrementally negative economic outlook in Europe due to the persistent energy crisis and the more challenging backdrop for cyclical sectors like consumer discretionary and autos.

We initiated new positions in the US that have more defensive characteristics, strong balances sheets and differentiated climate change exposures – Waste Management (Pollution and Waste Management), Danaher (Sustainable Water and Wastewater Management), Agilent Technologies (Pollution and Waste Prevention and Control) and Hubbell Inc (Renewable Energy). We also trimmed exposure to companies that have performed relatively well (Deere and Prysmian).

(d) APPROACH AND POSITIONING

- The fund's returns may significantly deviate from a global equity reference index, such as the MSCI ACWI, in the short term. Its climate change investment universe is structurally overweight Industrials, IT, Materials and Utilities, whilst being underweight in Energy and defensive sectors such as Healthcare and Consumer Goods. The strategy has little to no direct fossil fuel exposure given the portfolio's objective to have a carbon intensity that is 50% lower than the MSCI ACWI.

Climate sub-theme	Weight %		Weight %
Renewable Energy	22,3	Pollution & Waste Prevention & Control	7,9
Energy Efficiency	20,5	Circular Economy and Resource Efficiency	7,0
Green Buildings	18,4	Climate Change Adaptation	3,5
Natural Capital & Ecosystems	8,2	Clean Transportation	1,9
Sustainable Water & Wastewater Mgt.	8,0		

Source - HSBC Asset Management, HGIF Global Equity Climate Change underlying fund commentary, Bloomberg, Data as on 30 September 2022

HGIF Global Equity Climate Change - HGECC – Underlying Fund

Portfolio

Instrument	Weight (%)
TRANE TECHNOLOGIES PLC	4.5%
DEERE & CO	4.4%
PRYSMIAN SPA	3.9%
ECOLAB INC	3.9%
NIBE INDUSTRIER AB-B SHS	3.8%
MICROSOFT CORP	3.8%
SCHNEIDER ELECTRIC SE	3.8%
ACCENTURE PLC-CL A	3.8%
EDP RENOVAVEIS SA	3.7%
VERISK ANALYTICS INC	3.6%
AUTODESK INC	3.6%
NESTE OYJ	2.8%
ENPHASE ENERGY INC	2.8%
INFINEON TECHNOLOGIES AG	2.8%
WATTS WATER TECHNOLOGIES-A	2.8%
SHIMADZU CORP	2.8%
CRODA INTERNATIONAL PLC	2.7%
ORSTED A/S	2.6%
FIRST SOLAR INC	2.5%
CAPGEMINI SE	2.5%
PROLOGIS INC	2.5%
SENSATA TECHNOLOGIES HOLDING	2.5%
DANAHER CORP	2.4%
BRENNTAG SE	2.4%
BALL CORP	2.1%
AZBIL CORP	2.0%
HUBBELL INC	2.0%
AGILENT TECHNOLOGIES INC	2.0%
VESTAS WIND SYSTEMS A/S	1.6%
SSE PLC	1.6%
OMRON CORP	1.5%
WASTE MANAGEMENT INC	1.5%
CIMC ENRIC HOLDINGS LTD	1.2%
SMURFIT KAPPA GROUP PLC	1.1%
KONINKLIJKE DSM NV	1.1%
TRIMBLE INC	1.0%
KINGSPAN GROUP PLC	1.0%
SOLAREDGE TECHNOLOGIES INC	1.0%
SUNGROW POWER SUPPLY CO LT-A	0.6%
NARI TECHNOLOGY CO LTD-A	0.5%
IMPAX ASSET MANAGEMENT GROUP	0.5%
ATRENEW INC	0.4%
Futures	0.3%
Cash	0.3%
Total	100.00%

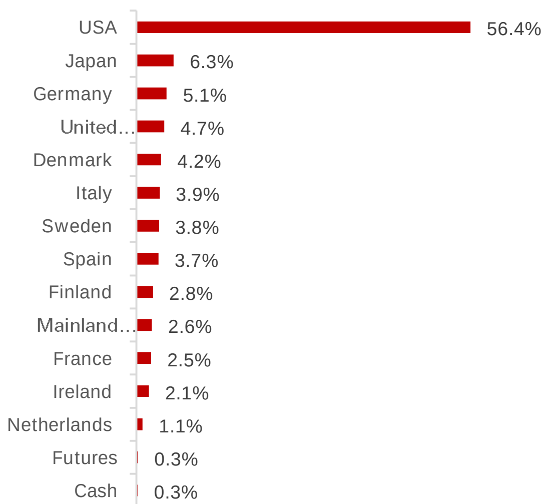
Sector Allocation (%)

Name	Weight
Industrials	40.0%
Information Technology	30.1%
Materials	10.9%
Utilities	7.9%
Health Care	4.4%
Energy	2.8%
Real Estate	2.5%
Financials	0.5%
Consumer Discretionary	0.4%
Futures	0.3%
Cash	0.3%

Portfolio – Top 10

Instrument	Weight (%)
TRANE TECHNOLOGIES PLC	4.5%
DEERE & CO	4.4%
PRYSMIAN SPA	3.9%
ECOLAB INC	3.9%
NIBE INDUSTRIER AB-B SHS	3.8%
MICROSOFT CORP	3.8%
SCHNEIDER ELECTRIC SE	3.8%
ACCENTURE PLC-CL A	3.8%
EDP RENOVAVEIS SA	3.7%
VERISK ANALYTICS INC	3.6%

Country allocation



Source: HSBC Asset Management., Investment Commentary - HGIF Global Equity Climate Change underlying fund commentary, Bloomberg, Data as on 30 September 2022
For illustration purpose only. The information provided is for informational purposes only and should not be construed as a recommendation or solicitation for any security in the sectors referenced.

HSBC Global Equity Climate Change Fund of Fund (HGECF)[1]

HSBC Global Equity Climate Change Fund of Fund[2] aims to provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds – Global Equity Climate Change (HGECC). The Underlying fund aims to provide long-term total return by investing primarily in companies, listed in either developed or developing countries, that are positioned to benefit from efforts to adapt to climate change.

Climate Change Theme (ESG approach)

ESG can lead to effective utilisation of resources, cost savings and reduction in various risks.

+

Global Diversification

Benefit from global diversification.

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HSBC Global Equity Climate Change Fund of Fund (HGECF)[1]

Climate Change theme with ESG approach of underlying fund (HGECC) has potential to deliver better risk adjusted performance over a long term.

HGECF provides potential benefit of opportunities arising from Climate Change theme supported by ESG investment approach and global diversification

[1] An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

[2] The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there is no assurance that the investment objective of the Scheme will be achieved.

HSBC Global Equity Climate Change Fund of Fund (HGECF) [Feeder Fund]

Investment Objective

To provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds – Global Equity Climate Change (HGECC). The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/ liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there is no assurance that the investment objective of the Scheme will be achieved

Benchmark

MSCI AC World TRI.[3]

Fund Managers

B. Aswinkumar

Where will the scheme invest?

The corpus of the Scheme will be predominantly invested in the units of HSBC Global Investment Funds - Global Equity Climate Change. The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/liquid mutual fund schemes, in order to meet liquidity requirements from time to time

[3] The Fund reserves the right to change the benchmark for evaluation of the performance of the Scheme from time to time, subject to SEBI (Mutual Funds) Regulations and other prevailing guidelines, if any. Note: For complete details on where scheme will invest, please refer to the Scheme Information Document of HSBC Global Equity Climate Change Fund of Fund.
MSCI ACWI TRI = MSCI All Country World Net Return Index (MSCI ACWI NR)

HSBC Global Equity Climate Change Fund of Fund

An open-ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

Portfolio

Issuer	Industries	% to Net Assets
EQUITY		98.84%
HSBC GIF-Global Equity Climate Change	Overseas Mutual Fund	98.84%
Cash Equivalent		1.16%
TREPS*		0.46%
Net Current Assets:		0.70%
Total Net Assets as on 30-September-2022		100.00%

*TREPS : Tri-Party Repo, Data as on 30 September 2022

Asset Allocation

Overseas Mutual Fund	98.84%
Net Current Assets	0.70%
Reverse Repos/TREPS	0.46%
Total Net Assets as on 30-September-2022	100.00%

Fund Details – Load

Exit Load

Any redemption / switch-out of units within 1 year from the date of allotment shall be subject to1%exit load.
(ii) No Exit Load will be charged, if units are redeemed / switched-out after 1 year from the date of allotment.
The exit loads set forth above is subject to change at the discretion of the AMC and such changes shall be implemented prospectively.

Fund Details – HSBC Global Equity Climate Change Fund of Fund

Fund Manager

B. Aswin Kumar (For Overseas Investments) (since 06 October 2021)
Kapil Punjabi (since 22 March 2021)

AUM (as on 30.09.22)

391.70 Cr

Minimum Investment

Lumpsum	Additional Purchase
. 5,000	. 1,000

Benchmark [3]

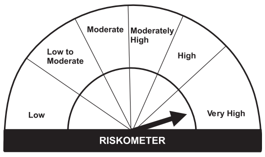
MSCI AC World TRI

Inception Date

22 March 2021

HSBC Global Equity Climate Change Fund of Fund Riskometer

HSBC Global Equity Climate Change Fund of 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 Equity Climate Change

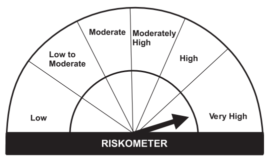
This product is suitable for investors who are seeking##:

- To create wealth over long term.
- Investment predominantly in companies positioned to benefit from climate change 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 World TRI



[3] 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. Source: HSBC Asset Management, India

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