

Product Note

HSBC Global Emerging Markets Fund

An open-ended fund of fund scheme investing in HSBC Global Investment Funds – Global Emerging Markets Equity Fund
March 2023

Fund Category	Fund Manager	Benchmark ¹	Inception Date	AUM
Fund of Funds (Domestic)	Sonal Gupta	MSCI Emerging Markets Index TRI	17 Mar 2008	Rs. 17.51 Cr
Risk Ratios ²		Load / Expenses		
Standard Deviation	19.27%	Entry Load		NA
Beta	0.98	Exit Load - 1% if redeemed / switched out within 1 year from date of allotment, else nil		
Sharpe Ratio ³	-0.03	Expense ratio (Other than Direct) ⁵		2.41%
R2	0.93	Expense ratio (Direct)		1.70%

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.

HGIF Global Emerging Markets Fund (HGFMF) Underlying fund strategy

Stock selection was negative for the month. Positive performance came from Communication Services and Energy, though this was offset by negative stock selection in Financials and Consumer Discretionary.

Taiwan Information Technology security, **WIWYNN** with total effect 0.3% was the top contributor. Additionally, Indonesian Financials security, **BANK RAKYAT INDONESIA PERSER** was the second largest contributor with total effect 0.15%. South African Communication Services security, **AIRTEL AFRICA PLC** also contributed with total effect 0.15%.

On the other side, detractors included South African Materials security **ANGLO AMERICAN PLC** with total effect -0.29%, Mainland China Consumer Discretionary holding **ALIBABA GROUP HOLDING** with total effect -0.29%, and Mainland China Information Technology holding **XINYI SOLAR HOLDINGS** with total effect -0.27%

During this period, positions were initiated in **CONTEMPORARY AMPEREX TECHN-A**. No positions were closed during the period.

Sector and country allocation effects are residual to stock selection. At the country level, effects were positive, given an overweight exposure to Kenya. At the sector level, effects were positive, given an underweight exposure to Consumer Discretionary.

Data as on 28 February 2023

¹ 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

² Statistical Ratios disclosed are as per monthly returns (Annualized) for the last 3 years.

³ Risk free rate: 6.70% (FIMMDA-NSE MIBOR) as on February 28, 2023

⁴ Continuing plans

Market Commentary

Global equity markets fell in February with Emerging Markets equities as the worst-performing asset class, declining 6%, almost reversing the gain in January.

- EM underperformance was primarily driven by China (-10.1%), Brazil (-9.3%) and India (-4.8%).
- At the regional level, EM Asia (-6.6%) performed the worst, EM LatAm (-6.4%) too declined sharply while EM EMEA (-4%) also posted a negative return.
- At the sector level, all the sector performances deteriorated with consumer discretionary being the worst performer (-11.4%) followed by healthcare (-8.8%) and utilities (-8.6%).
- EM currency weakness against the US dollar amplified the negative returns from the asset class in February. Oil prices marginally fell during the month, but precious and industrial metals declined steeply.

Performance Synopsis

The strategy underperformed vs the benchmark on a gross basis during the month – eroding the strong gains seen in January.

Detractors to relative performance included

➤ Anglo American (AGL:SJ)

- United Kingdom-based mining company (SA listed), aligns with our *climate change megatrend*.
- The mining industry has been struggling to hit production targets due to poor weather, infrastructure and political instabilities.
- Earnings were released mid-February, missing estimates.

➤ Xinyi Solar HLDS (968:HKG)

- Xinyi Solar Holdings Limited is an holding company predominantly engaged in the manufacturing and sale of solar glass. They align with our *climate change megatrend*.
- The share price sharply dropped on the news that their earnings had missed targets.
- Chinese Climate related stocks have been trending as a detractor from performance as a group.
- Supply bottlenecks in polysilicon continued to cause solar module price to remain high.

➤ Alibaba Group HO (9988:HK)

- Chinese technology infrastructure and marketing platforms provider which aligns with our *digital transformation megatrend*.
- After the changing policy from Zero-COVID to reopening rally, investors are turning their attention to the tensions of Beijing & Washington as well as the states control over private enterprise. More evidence perhaps of an economic recovery required.

Contributors included:

➤ WIWYNN Corp (6669:TAI)

- Taiwan-based company mainly engaged in the research, development, design, manufacture, testing and distribution of servers for cloud services and Hyperscale Data Centres. They align with our digital transformation megatrend.
- Positive growth outlook, research houses on the street have been revaluing the stock as we saw the price trending upwards during last month.

➤ JD.COM Inc. (9618:HKG)

- Holding company mainly engaged in e-commerce business, which aligns with our digital transformation megatrend.
- We were underweight JD.com's poor performance in February.
- Investors were worried of escalating competition alongside their \$1.4 billion subsidy campaign to lower prices and strengthen its standing as a low-cost e-commerce platform.

A recap of 2022:

Emerging markets fell ~20.0%, lagging developed markets by ~2.0% as the wider global equity markets struggled with inflation, weakness in China and the fallout of the crisis in Ukraine, nevertheless we did see some strength in the final quarter.

- Inflation rocketed past expected levels which, in turn, led many Central Banks to battle this by aggressively adjusting their policies. The US Federal Reserve (FED) consecutively hiked interest rates by 75bps before the last raise of 50bps in December.
- Strengthening USD_{\$} +8.23% (DXY), rising throughout most of the year, hampering constituents returns, peaking at the end of Q3 before curtailing.
- General weakening of fundamentals with rising costs of leverage impeding growth.
- Increased volatility with the choppy price action in the VIX index.

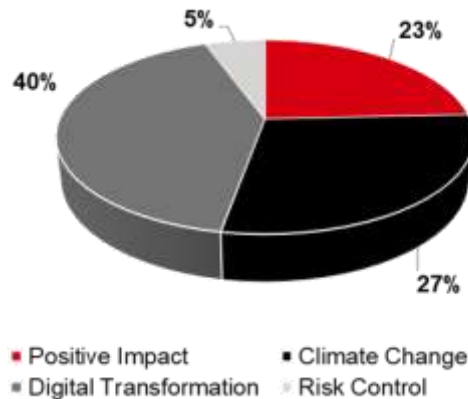
Strategy review of 2022

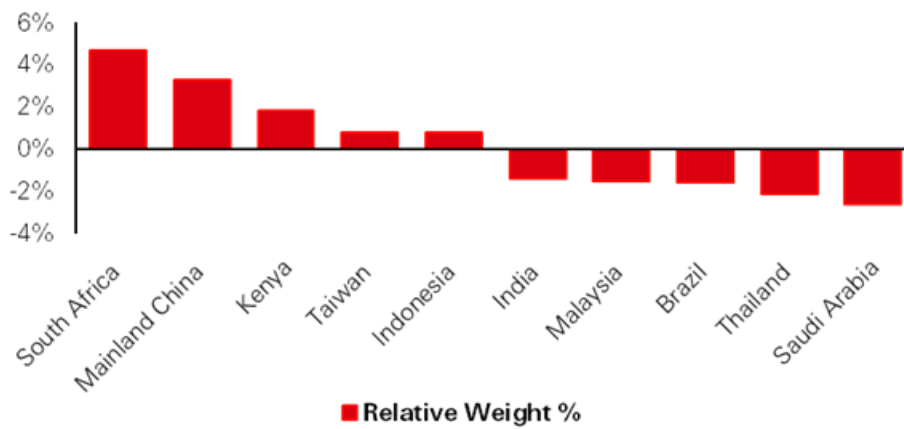
- The strategy benefited from zero exposure to Russia ahead of the conflict in Ukraine. Furthermore, the strategy also benefited from our style factor neutral approach amid the market rotation from growth to value.
- Most of the detraction came from companies that align to the Climate Change megatrend. Specifically, Chinese industrials which were hit by a combination of a "zero Covid policy", elevated energy prices and increased raw material prices – resulting in lower revenues and tighter margins.

APPROACH AND POSITIONING

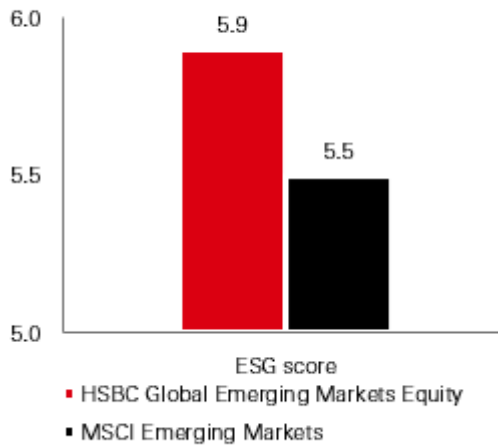
A unique element of our strategy is our focus on investment megatrends that are complimented by tactical allocations. The themes driving the portfolio exposure today are:

- EM Laggard Banks (Tactical theme)
- 5G / Cloud Migration, Metaverse (Digital Transformation Megatrend)
- Renewables (Climate Change Megatrend)
- Financial & Digital Inclusion and Affordable Health Care (Impact Investing Megatrend)

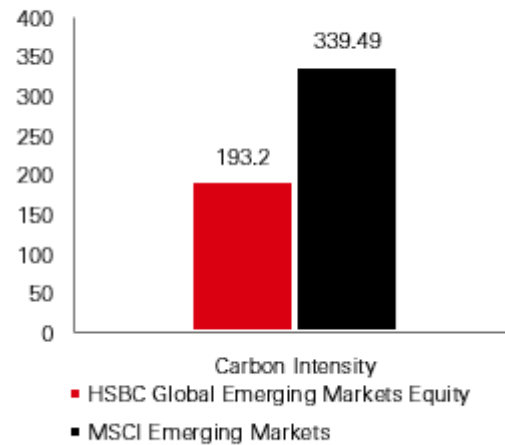




ESG score vs Benchmark



Carbon Intensity vs Benchmark



TURNOVER

There were no new or removed positions during the month. The portfolio remains concentrated with 40 holdings and an active share of ~75%.

OUTLOOK

- The February correction in EM equities is best viewed in the context of the sharp rally in Chinese and EM equities from the low point in October 2022 and the January rally in long duration tech stocks globally. Expectations of a recovery in growth (China reopening) and Fed rates peaking had buoyed investor sentiment towards risk assets and increased the potential for a near term pullback as the market waits for earnings upgrade to support the valuation re-rating. Nevertheless, there are a number of reasons to remain constructive on the asset class.
- China's policy pivot away from Zero-Covid and efforts to stabilise the property market should bode well for a much-needed recovery in 2023 GDP growth (we now expect 5.5% for 2023). February's strong PMI reading appears to support the recovery thesis. Also, in China, the rhetoric towards the large internet companies has improved at the margin, creating hopes that regulatory reset is now behind us. China's economic recovery should bode well for EM economic growth to outpace global growth this year.
- Valuations for the asset class remain near the bottom of its historic range and at a significant discount versus developed market equities.

The strategy invests in companies aligned with three investment mega trends: climate change and the energy transition, digital transformation and investing with positive impact. Such companies are likely to have a strong and visible earnings trajectory over the coming decade as these mega trends and their disruptive impact play out.

HGIF Global Emerging Markets- HEMF – Underlying Fund

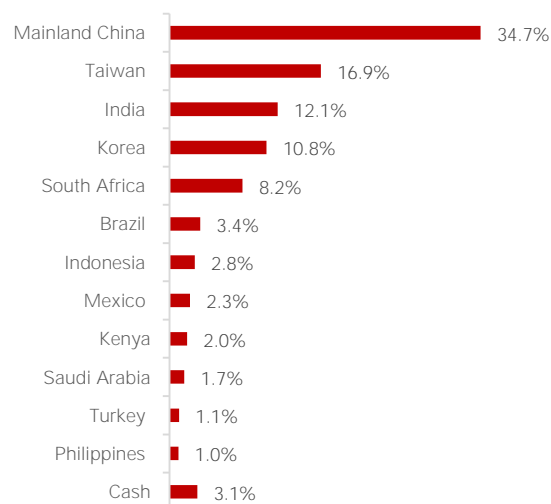
Portfolio

Instrument	Weight (%)
TAIWAN SEMICONDUCTOR CO LTD	8.8%
SAMSUNG ELECTRONICS CO LTD	6.0%
TENCENT HOLDINGS LTD	5.5%
ALIBABA GROUP HOLDING LTD	4.7%
RELIANCE INDUSTRIES LTD	4.4%
MTN GROUP LTD	3.2%
HON HAI PRECISION INDUSTRY	2.9%
HYUNDAI MOTOR CO	2.8%
BANK RAKYAT INDONESIA PERSER	2.8%
HINDUSTAN UNILEVER LTD	2.7%
NARI TECHNOLOGY CO LTD-A	2.4%
ANGLO AMERICAN PLC	2.4%
WEICHAJ POWER CO LTD-H	2.4%
GENTERA SAB DE CV	2.3%
XINYI SOLAR HOLDINGS LTD	2.2%
SHENZHEN MINDRAY BIO-MEDIC-A	2.2%
BANDHAN BANK LTD	2.2%
AIRTEL AFRICA PLC	2.2%
BAIDU INC-CLASS A	2.1%
CHROMA ATE INC	2.1%
CHINA LONGYUAN POWER GROUP-H	2.1%
CIMC ENRIC HOLDINGS LTD	2.0%
SK HYNIX INC	2.0%
SAFARICOM PLC	2.0%
BANCO BRADESCO S.A.	1.9%
SHRIRAM FINANCE LTD	1.8%
MEDIATEK INC	1.8%
SAUDI TADAWUL GROUP HOLDING	1.7%
WUXI BIOLOGICS CAYMAN INC	1.6%
XINJIANG GOLDWIND SCI&TEC-H	1.6%
CENTRAIS ELETRICAS BRASILIER	1.5%
PING AN INSURANCE GROUP CO-H	1.3%
WIWYNN CORP	1.3%
ESTUN AUTOMATION CO LTD-A	1.2%
CONTEMPORARY AMPEREX TECHN-A	1.2%
MEITUAN-CLASS B	1.1%
INFOSYS LTD	1.1%
TURKCELL ILETISIM HIZMET AS	1.1%
PLDT INC	1.0%
JD.COM INC - CL A	0.5%
NASPERS LTD-N SHS	0.4%
PDD HOLDINGS INC	0.4%
NIO INC - ADR	0.4%
Cash	3.1%
Total	100.00%

Sector Allocation (%)

Name	Weight
Information Technology	28.2%
Communication Services	17.0%
Financials	14.0%
Industrials	10.7%
Consumer Discretionary	10.4%
Energy	4.4%
Health Care	3.8%
Utilities	3.6%
Consumer Staples	2.7%
Materials	2.4%
Cash	3.1%

Country allocation



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

Portfolio

Issuer	Industries	% to Net Assets
Mutual Fund Units		
HSBC GIF GLOB EMERG MKTS EQ S1 DIS	Overseas Mutual Fund	96.67%
Cash Equivalent		
TREPS*		
Net Current Assets:		
Total Net Assets as on 28-February 2023		

Portfolio

Overseas Mutual Fund	96.67%
Reverse Repos/TREPS	3.68%
Net Current Assets	-0.35%
Total Net Assets as on 28-February-2023	100.00%

*TREPS : Tri-Party Repo, Data as on 28 February 2023

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		
 <p>RISKOMETER</p> <p>Investors understand that their principal will be at Very High risk</p>	<p>Fund of Funds (Overseas) - An Open-Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - (HGIF) Brazil Equity Fund.</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> To create wealth over long term Investment predominantly in units of HSBC Global Investment Funds - Global Emerging Markets Equity Fund 	<p>Benchmark: MSCI Emerging Markets Index TRI</p>  <p>RISKOMETER</p>
<p>* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>		

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Note on Risk-o-meters: 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. 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.

Past performance is not an indicator of future returns. Source: HSBC Asset Management India, data as at 28 Feb 2023

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