

Product Note

HSBC Global Equity Climate Change Fund of Fund (HGEF)




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

March 2023

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

 <p>Renewable Energy</p> <p>Sustainable transition away from fossil fuels will need to be USD110trn of investment in renewable energies cumulatively to 2050.¹</p>	 <p>Energy Efficiency</p> <p>Globally enhanced energy efficiency investments could boost cumulative economic output by USD18tr to 2035, increasing growth by 0.25-1.1% per year.²</p>	 <p>Clean Transport</p> <p>Improved and digitalised planning in shipping could lead to fewer kilometers travelled, allowing for industry revenue benefits of USD1.5trn by 2025.³</p>	 <p>Green Buildings</p> <p>In emerging markets alone, Green Buildings are expected to be a USD24.7 trillion investment opportunity by 2030.⁴</p>	 <p>Sustainable Water & Wastewater Management</p> <p>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</p>
 <p>Climate Change Adaptation</p> <p>Research has shown that spending USD1.8trn on specific adaptation areas between 2020 and 2030 could generate USD7.1trn in total net benefits.⁶</p> <p>Flood defences systems and related infrastructure information support systems, such as climate observation and early warning systems</p>	 <p>Pollution & waste prevention and control</p> <p>Air pollution kills 7 million people each year, costing USD5tn/year.⁷</p>	 <p>Circular economy and resource efficiency</p> <p>Switching to a circular economy could unlock an additional USD4.5trn of global GDP by 2030.⁸</p> <p>Resource-efficient packaging and distribution Industrial carbon capture and storage technology</p>	 <p>Natural capital & ecosystems</p> <p>Enhancing coastal wetlands could save the insurance industry USD52bn a year in reduced losses from storms and flood damage.⁹</p>	

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

HGIF Global Equity Climate Change (HGECC) – Monthly Commentary

Stock selection was negative for the month. Positive performance came from Materials and Industrials, though this was offset by negative stock selection in Information Technology and Health Care.

USA Industrials security, WATTS WATER TECHNOLOGIES-A with total effect 0.31% was the top contributor. Additionally, USA Industrials security, TRANE TECHNOLOGIES PLC was the second largest contributor with total effect 0.26%. USA Industrials security, HUBBELL also contributed with total effect 0.23%.

On the other side, detractors included USA Information Technology security APPLE with total effect -0.2%, USA Information Technology holding NVIDIA with total effect -0.18%, and USA Consumer Discretionary holding TESLA with total effect -0.17%

During this period, positions were initiated in ADVANCED DRAINAGE SYSTEMS IN.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 Denmark. At the sector level, effects were positive, given an overweight exposure to Industrials .

Data as on 28 Feb 2023,

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

FEBRUARY PERFORMANCE SYNOPSIS:

- Sector allocation / stock selection: Sector allocation was positive thanks to the overweighting in Industrials and the underweighting in Healthcare and Communication Services.
- Winning and losing themes: the winning eco sectors this month were adaptation solutions and IT and Communications technology. The client diversification bucket (outside of the eco-sectors) was the worst contributor.

TOP AND BOTTOM CONTRIBUTORS

	Avg. Weighting (%)	Contribution (%)	Return (%)	Sub-theme
Top contributors				
1. Watts Water	3,28	0,22	7,34	Adaptation
2. Hubbell	1,91	0,18	10,37	Renewable Energies
3. Trane Technologies	4,53	0,14	3,27	Green Buildings
Top detractors				
1. Autodesk	3,59	-0,27	-7,65	Green Buildings
2. Prysmian	4,05	-0,2	-5,03	Renewable Energies
3. Verisk Analytics	3,20	-0,19	-5,87	Diversification

Top contributors

- Watts Water, US-based manufacturer of water management products, rose after reporting continued strong pricing power in its Q4 2022 earnings results, which drove better-than-expected organic sales growth.
- Hubbell, US-based electrical equipment provider, also reported robust earnings results, with the market reacting positively to the company's guidance on incremental growth coming from the US Infrastructure Investment and Jobs Act.
- Trane Technologies, a US-based heating, ventilation and air conditioning company, rallied after providing earnings guidance above consensus, which was supported by the resilient demand for energy efficiency improvements in the non-residential market.

Top detractors

Autodesk, a US-based construction and industrial software company, fell after the company disappointed the market with weak guidance on earnings and free cash flow growth in 2023.

Prysmian, an Italy-based cable manufacturer, dropped as sentiment turned negative in the cable sector after a Danish competitor reported weak profit guidance for 2023 and a sell-side was published that highlighted potential delays and postponement of cable projects due to cost challenges.

Verisk Analytics, a US-based insurance data provider, had weak performance in the month, however there was no notable newsflow that underpinned this.

TRANSACTIONS

None

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 is structurally underweight fossil fuel energy. Exposure to the Energy sector is accessed via bio based, renewable fuels or equipment for the Energy transition.

	Average Weighting (%)	Returns (%)
Renewable Energies	26,51	-2,19
Industry - Energy Efficiency	22,05	-1,27
Green Buildings	18,14	-2,59
Info and Communication Technologies	9,95	-1,51
Circular Economy	9,27	-3,99
Adaptation	5,47	1,46
Organic Agriculture & Forests	5,33	-2,44
Diversification	3,25	-5,84
Transportation - Sustainable Mobility	0,00	
Total	100,0	-2,1

HGIF Global Equity Climate Change - HGECC – Underlying Fund

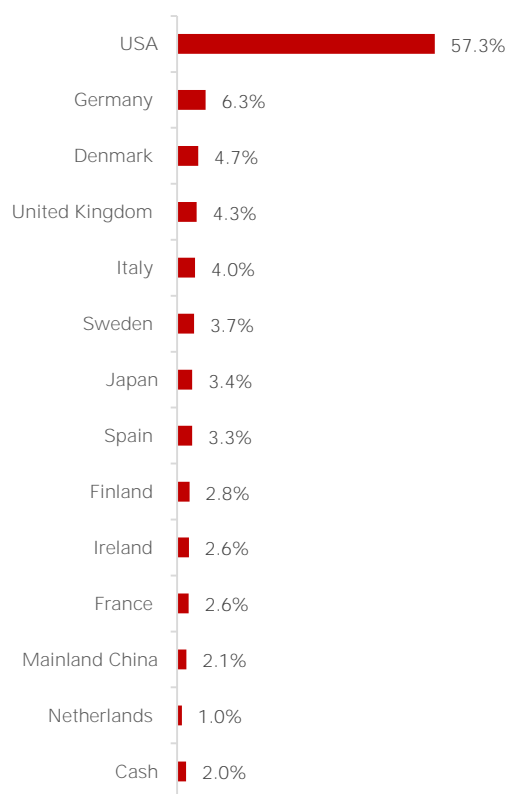
Portfolio

Instrument	Weight (%)
TRANE TECHNOLOGIES PLC	4.7%
DEERE & CO	4.5%
SCHNEIDER ELECTRIC SE	4.2%
PRYSMIAN SPA	4.0%
ECOLAB INC	3.9%
INFINEON TECHNOLOGIES AG	3.7%
NIBE INDUSTRIER AB-B SHS	3.7%
MICROSOFT CORP	3.6%
ACCENTURE PLC-CL A	3.4%
WATTS WATER TECHNOLOGIES-A	3.4%
AUTODESK INC	3.4%
EDP RENOVAVEIS SA	3.3%
VERISK ANALYTICS INC	3.2%
SENSATA TECHNOLOGIES HOLDING	3.0%
FIRST SOLAR INC	2.9%
NESTE OYJ	2.8%
PROLOGIS INC	2.7%
CRODA INTERNATIONAL PLC	2.6%
BRENTNAG SE	2.6%
CAPGEMINI SE	2.6%
ORSTED A/S	2.5%
BALL CORP	2.1%
VESTAS WIND SYSTEMS A/S	2.1%
DANAHER CORP 10127833	2.1%
AGILENT TECHNOLOGIES INC	2.0%
HUBBELL INC	2.0%
ENPHASE ENERGY INC	1.9%
AZBIL CORP	1.8%
SSE PLC	1.7%
OMRON CORP	1.6%
KINGSPAN GROUP PLC	1.3%
SMURFIT KAPPA GROUP PLC	1.3%
WASTE MANAGEMENT INC	1.2%
SOLAREEDGE TECHNOLOGIES INC	1.2%
ADVANCED DRAINAGE SYSTEMS IN	1.1%
KONINKLIJKE DSM NV	1.0%
CIMC ENRIC HOLDINGS LTD	1.0%
TRIMBLE INC	0.9%
SUNGROW POWER SUPPLY CO LT-A	0.6%
NARI TECHNOLOGY CO LTD-A	0.5%
Cash	2.0%
Total	100.00%

Sector Allocation (%)

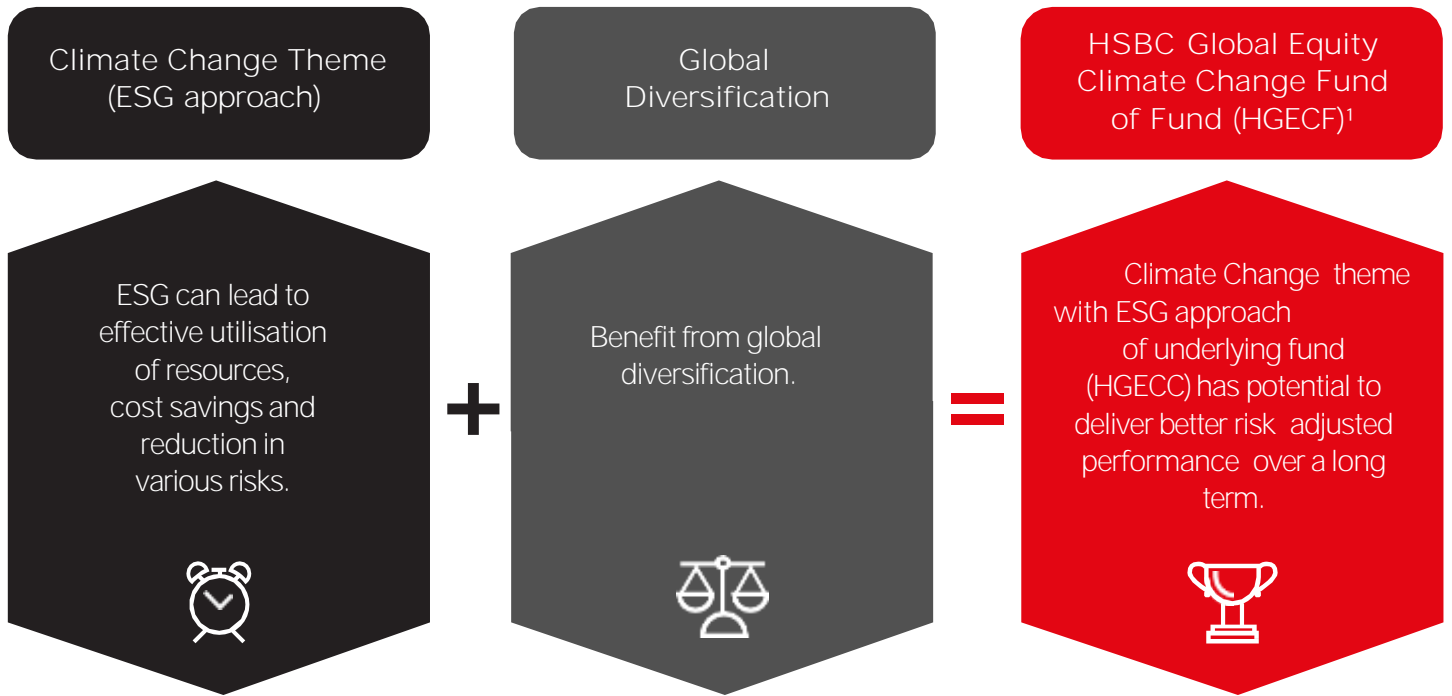
Name	Weight
Industrials	43.0%
Information Technology	26.9%
Materials	10.9%
Utilities	7.6%
Health Care	4.1%
Energy	2.8%
Real Estate	2.7%
Cash	2.0%

Country allocation



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

HSBC Global Equity Climate Change Fund of Fund² 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.



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

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

Benchmark

MSCI AC World TRI.³

Fund Managers

Sonal Gupta

³The 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

Fund Category	Fund Manager	Benchmark ¹	Inception Date	AUM
Fund of Funds (Overseas)	Sonal Gupta	MSCI AC World TRI	22 Mar 2021	Rs. 313.95 Cr
Load / Expenses				
Entry Load				NA
Exit Load - (i) 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. (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.				
Expense ratio (Other than Direct) ²				2.12%
Expense ratio (Direct)				1.33%

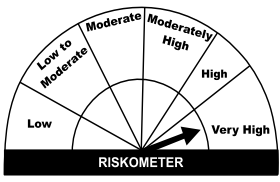
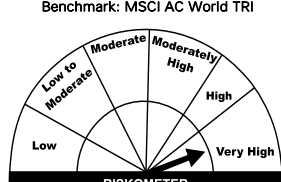
Portfolio

Issuer	Industries	% to Net Assets
Mutual Fund Units		98.41%
HSBC GIF GL EQ CLM CHG JCUSD	Overseas Mutual Fund	98.41%
Cash Equivalent		1.59%
TREPS*		2.14%
Net Current Assets:		-0.55%
Total Net Assets as on 28-February-2023		100.00%

Asset Allocation

Overseas Mutual Fund	98.41%
Reverse Repos/TREPS	2.14%
Net Current Asset	-0.55%
Total Net Assets as on 28-February-2023	100.00%

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

HSBC Global Equity Climate Change Fund of Fund		
 <p>Investors understand that their principal will be at Very High risk</p>	<p>Fund of Funds (Overseas) - An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change</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 companies positioned to benefit from climate change through fund of funds route 	<p>Benchmark: MSCI AC World TRI</p> 

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

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

²Continuing plans

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.

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