

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)

April 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 (HGEC). 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 (HGEC) – Monthly Commentary

At sector level, stock selection was negative for the month. Positive performance came from Energy and Real Estate, though this was offset by negative stock selection in Health Care and Materials.

At country level, stock selection was positive for the month. Positive performance came from Spain and Sweden, though this was offset by negative stock selection in Denmark and Mainland China.

USA Information Technology security, FIRST SOLAR INC with total effect 0.73% is the top contributor. Additionally, German Information Technology security, INFINEON TECHNOLOGIES AG was the second largest contributor with total effect 0.44%. USA Industrials security, VERISK ANALYTICS INC also contributed with total effect 0.29%.

On the other side, detractors included USA Information Technology security APPLE INC with total effect -0.36%, USA Industrials holding, WATTS WATER TECHNOLOGIES-A with total effect -0.24%, and USA Communication Services holding, ALPHABET INC-CL A with total effect -0.22%.

During this period, no positions were opened.
No positions were closed.

Sector and Country allocation effects are residual to stock selection. At a country level, effects were negative, given an underweight exposure to Finland. At sector level, effects were positive, given an overweight exposure to Financials.

Data as on 31 March 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

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At sector level, stock selection was positive for the quarter. Positive performance came from Industrials and Energy, though this was offset by negative stock selection in Information Technology and Health Care.

At country level, stock selection was positive for the quarter. Positive performance came from USA and Germany, though this was offset by negative stock selection in Denmark and Spain.

USA Information Technology security, FIRST SOLAR INC with total effect 1.00% is the top contributor. Additionally, German Information Technology security, INFINEON TECHNOLOGIES AG was the second largest contributor with total effect 0.96%. Swedish Industrials security, NIBE INDUSTRIER AB-B SHS also contributed with total effect 0.52%.

On the other side, detractors included USA Information Technology security APPLE INC with total effect -0.74%, USA Information Technology holding, ENPHASE ENERGY INC with total effect -0.71%, and USA Information Technology holding, NVIDIA CORP with total effect -0.54%.

During this period, positions were initiated in ADVANCED DRAINAGE SYSTEMS IN. Positions were closed in SHIMADZU CORP.

Sector and Country allocation effects are residual to stock selection. At a country level, effects were positive, given an overweight exposure to Italy. At sector level, effects were positive, given an overweight exposure to Financials.

HGIF Global Equity Climate Change – Portfolio strategy Key Takeaways

- ❑ Market drivers: Global equities declined after a strong January and Fed and ECB talk suggesting that the pause in interest rate rises may be later than sooner.
- ❑ Sector impact on strategies: For both strategies sector allocation was positive due to overweighting in industrials and underweighting in Healthcare
- ❑ Thematic drivers: Within climate change themes the tops performers were sustainable transportation, Green Buildings, Adaptation solutions and Technology and Telecom

Global equity market commentary

- ❑ Market: MSCI ACWI Net returned -2.9% during the month of February. Europe (-0.7%), US (-2.4%) and EM (-6.5%).
- ❑ Currencies: USD appreciated against Euro (from \$1.09 to \$1.06).
- ❑ Commodities: Brent remained stable at \$84 while natural gas stabilised after dropping by 43% in February. The S & P Commodities Index composite dropped slightly.
- ❑ Global sectors: All Industry groups were negative but IT was the best (-0.5%) and Materials the worst (-5.9%)
- ❑ Styles: Growth slightly outperformed Value (-2.5% versus (-3.2%).

Outlook For Climate Theme

- ❑ Against a backdrop of scarce growth opportunities in a slowing global economy, companies with structural growth drivers, such as those offering climate change solutions, present an attractive investment option
- ❑ We have a positive medium-term outlook for solar and wind growth due to its growing cost competitiveness compared to fossil fuels and the materialisation of government incentives such as the \$369bn US Inflation Reduction Act (IRA) and €700bn EU Recovery and Resilience funding; EU funding has already started to trickle to companies and we expect the benefits of the US IRA to become more meaningful for corporates in 2H23
- ❑ Expect further policy support in Europe on clean energy this year, particularly around easing processes for renewable development and promoting local manufacturing and sourcing
- ❑ Construction and manufacturing end markets are seeing incremental slowdown in demand as rising interest rates begin to bite, however, secular drivers arising from the growing urgency to solve climate change continue to support long-term sustainable growth in these end markets. For example, in the European construction market, an extra €275bn of capital must be invested annually in building renovations to meet the EU's target of 55% emissions reduction by 2030 – this spending would triple the construction market growth rate over next 3-5 years compared to the historical long-term average
- ❑ Electric vehicle penetration has accelerated globally over the last 2 years and we expect this positive trajectory to be well supported going forward by government incentives e.g. US IRA, and the steady decline in battery costs – we think selectivity in the EV value chain is key given the varying competitive dynamics of each stage of supply chain

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.

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

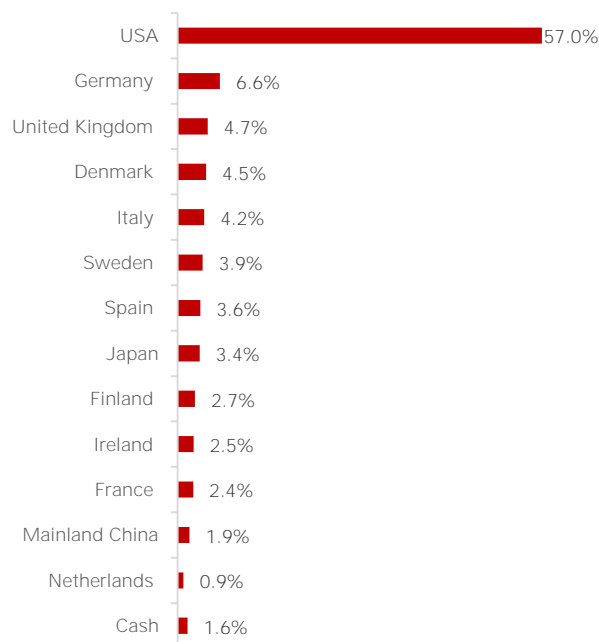
Portfolio

Instrument	Weight (%)
TRANE TECHNOLOGIES PLC	4.5%
DEERE & CO	4.2%
SCHNEIDER ELECTRIC SE	4.2%
PRYSMIAN SPA	4.2%
INFINEON TECHNOLOGIES AG	4.2%
MICROSOFT CORP	4.1%
NIBE INDUSTRIER AB-B SHS	3.9%
ECOLAB INC	3.9%
FIRST SOLAR INC	3.6%
ACCENTURE PLC-CL A	3.6%
EDP RENOVAVEIS SA	3.6%
VERISK ANALYTICS INC	3.5%
AUTODESK INC	3.4%
WATTS WATER TECHNOLOGIES-A	3.2%
SENSATA TECHNOLOGIES HOLDING	2.8%
NESTE OYJ	2.7%
PROLOGIS INC	2.6%
CRODA INTERNATIONAL PLC	2.6%
BRENNTAG SE	2.5%
CAPGEMINI SE	2.4%
ORSTED A/S	2.4%
HUBBELL INC	2.3%
SSE PLC	2.2%
VESTAS WIND SYSTEMS A/S	2.1%
DANAHER CORP	2.0%
BALL CORP	2.0%
AGILENT TECHNOLOGIES INC	1.9%
AZBIL CORP	1.8%
OMRON CORP	1.6%
KINGSPAN GROUP PLC	1.3%
WASTE MANAGEMENT INC	1.3%
SMURFIT KAPPA GROUP PLC	1.2%
SOLAREEDGE TECHNOLOGIES INC	1.1%
ADVANCED DRAINAGE SYSTEMS IN	1.0%
ENPHASE ENERGY INC	1.0%
KONINKLIJKE DSM NV	0.9%
CIMC ENRIC HOLDINGS LTD	0.9%
TRIMBLE INC	0.9%
SUNGROW POWER SUPPLY CO LT-A	0.5%
NARI TECHNOLOGY CO LTD-A 10140086	0.5%
Cash	1.6%
Total	100.00%

Sector Allocation (%)

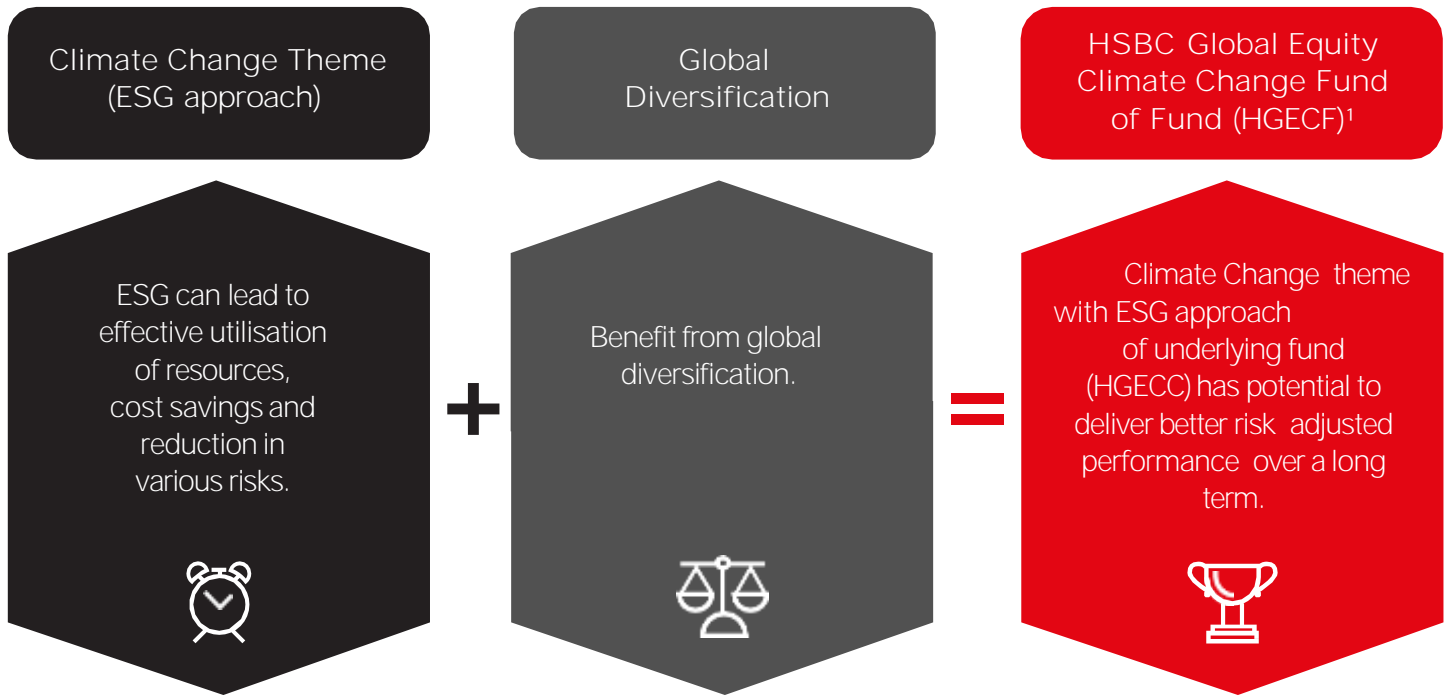
Name	Weight
Industrials	42.9%
Information Technology	27.6%
Materials	10.6%
Utilities	8.1%
Health Care	4.0%
Energy	2.7%
Real Estate	2.6%
Cash	1.6%

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. 301.84 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%

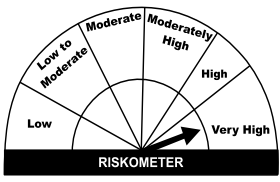
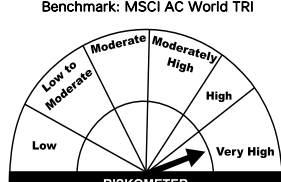
Portfolio

Issuer	Industries	% to Net Assets
Mutual Fund Units		96.23%
HSBC GIF GL EQ CLM CHG JCUSD	Overseas Mutual Fund	96.23%
Cash Equivalent		3.77%
TREPS*		4.74%
Net Current Assets:		-0.97%
Total Net Assets as on 31-March-2023		100.00%

Asset Allocation

Overseas Mutual Fund	96.23%
Reverse Repos/TREPS	4.74%
Net Current Asset	-0.97%
Total Net Assets as on 31-March-2023	100.00%

*TREPS : Tri-Party Repo, Data as on 31 March 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 31 March 2023

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

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