

Product Note

HSBC Asia Pacific (Ex Japan) Dividend Yield Fund

An Open Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - Asia Pacific Ex Japan Equity High Dividend Fund.

April 2023

Fund Category	Fund Manager	Benchmark ¹	Inception Date	AUM
Fund of Funds (Overseas)	Sonal Gupta	MSCI AC Asia Pacific ex Japan TRI	24 Feb 2014	Rs. 8.54 Cr

Investment Objective

HSBC Asia Pacific (Ex Japan) Dividend Yield Fund (Fund of Fund) To provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds (HGIF) Asia Pacific Ex Japan Equity High Dividend Fund (HAHDF). 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.

Risk Ratios ²	
Standard Deviation	17.08%
Beta	0.86
Sharpe Ratio ³	0.24
R2	0.85

HAHDF - Underlying fund strategy

- Dividends remain a key driver of long-term total return in Asia
- Investing in high dividend stocks is a good long term strategy
- Aims to invest in companies with quality management and strong cash flows
- Focus on quality businesses offering attractive dividend yields
- Follows environmental, social and governance principles
- Combination of defensive, cyclical and growth companies to generate income and total returns
- Structured investment process – seeking to identify mispriced stocks at attractive valuations.
- Key focus on stock selection, while managing sector exposures
- A focus on total return while managing portfolio risk

Who can benefit from this fund?

- Investor who wish to have geographical and sectorial diversification leading to risk reduction

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. ⁴	
Expense ratio (Other than Direct) ⁵	2.06%
Expense ratio (Direct)	1.29%

Product Note

Data as on 31 March 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: 7.79% (FIMMDA-NSE MIBOR) as on March 31, 2023

⁴ Continuing plans

Document date :21 April 2023

The fund has undergone merger/consolidation along with changes to its fundamental attributes as per the notice published on 14 Nov '22. For more details visit our website page - <https://www.assetmanagement.hsbc.co.in/en/mutual-funds/acquisition-public-fund>.

HGIF Global Asia Pacific ex Japan Equity High Dividend Underlying Fund

Market Commentary

- **MSCI Asia ex Japan (MXASJ)** saw a pullback with a -6.8% decline in February as market is once again pricing in a 'higher for longer' rate scenario.
- **India relatively outperformed (-4.8%)** with further declines in the Adani group stocks offset by better performance in financials and staples.
- **Indonesia (-0.7%)** and **Taiwan (-1.1%)** were the best performing markets during the month with a continuation of the technology sector recovery.
- **Hong Kong underperformed (HSI -7.9%)** and **China was the worst performing market (MSCI China -10.4%)** although **A shares (CSI 300 -4.7%)** relatively outperformed after the sharp rally in January as geopolitical uncertainty arises again.
- By sector **information technology** and **consumer staples** are the best performing sectors while **utilities** is the worst performing sector.

ASIA PACIFIC EX JAPAN EQUITY - HIGH DIVIDEND

(a) FEBRUARY DECEMBER PERFORMANCE SYNOPSIS:

- The strategy had a strong outperformance vs the benchmark for February and a positive YTD outperformance.
- Korean holdings hurt performance as the Korean president asked banks and telecom companies to help consumer lending to 10-15% fall in the single stocks we own in each of these sectors. This has resulted in financials being the largest detractor for the strategy. However, we do not expect any material impact on earnings, and the fall in stock prices has enhanced the dividend yield of these 2 stocks (around 7% based on consensus numbers for 2023). Korean banks' renewed focus on capital return and shareholder return, and have conducted buybacks which could be powerful considering they are trading below book value.
- Indonesian conglomerate, United Tractors, is a good example of a leading cyclical company we have invested in. The company surprised the market with a massive final dividend representing 25% of market cap. Along with a recently concluded buyback and interim dividend the capital return is around 35%, the benefits of investing in a leading cyclical with positive free cash flow generation and a cash rich balance sheet. We have been engaging with the company on capital allocation and its plans to diversify away from thermal coal.

HGIF Global Asia Pacific ex Japan Equity High Dividend Underlying Fund

(b) PORTFOLIO POSITIONING AND APPROACH

- This strategy targets high dividend yield with growth optionality. We focus on companies with competitive business models resulting in strong balance sheets and the ability to generate free cash flow to reward shareholders through capital management (buybacks and/or dividends).
- The strategy is concentrated but maintains diversification through exposure to 3 buckets: (i) leading cyclical/value companies with scale/low-cost advantage, (ii) defensive companies preferably with catalysts, and (iii) net cash positive growth companies
- Our 5.1% portfolio yield* (February; Source: Bloomberg PORT), 1.7% premium to the market benchmark yield, provides steady income amidst market volatility.

Country Positioning:

- Hong Kong is the largest country relative overweight but mainly due to some regional plays that are listed on the Hong Kong Exchange. This partly helps buffer our underweight in China given the relative absence of competitive companies with strong balance sheets.
- Indonesia is also a significant overweight thanks to the conglomerate we mentioned above plus exposure to a leading telecom operator (defensive company with some catalysts to unlock value).

Sector Positioning:

- Sectorally communication services is the biggest overweight in the portfolio given that it provides exposure to two of our buckets – defensiveness from telecoms and growth from internet platforms with strong balance sheets and capital management initiatives (dividend/buybacks).
- Our largest sector underweight is consumer discretionary given the absence of attractively valued companies that meet our criteria as we stay disciplined. However, we are partly bridging this gap by our neutral weight on consumer staples.

* Dividend yield: Bloomberg PORT is used as a source, gross, adjusted to include zero yield names back into the weighted average calculation and cap yield of outlier names to 15% to present a fairer presentation of the dividend yield

HGIF Global Asia Pacific ex Japan Equity High Dividend Underlying Fund

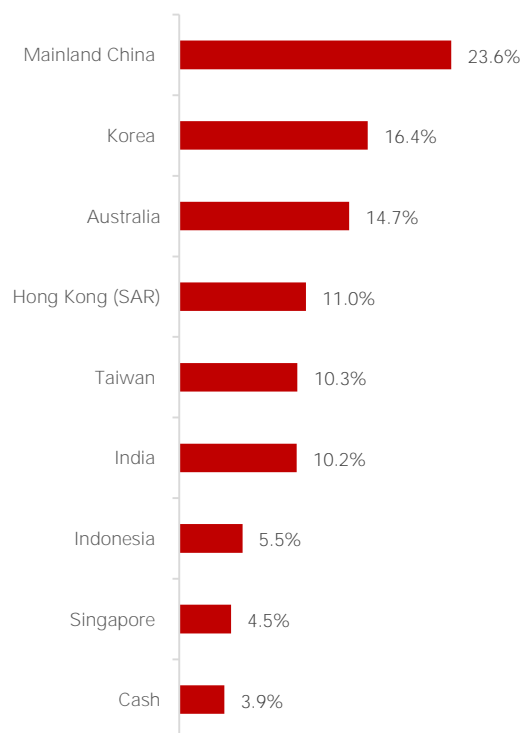
Portfolio

Instrument	Weight (%)
TAIWAN SEMICONDUCTOR CO LTD	7.2%
SAMSUNG ELECTRONICS CO LTD	5.1%
AIA GROUP LTD	4.9%
KB FINANCIAL GROUP INC	4.8%
DBS GROUP HOLDINGS LTD	4.5%
SK TELECOM	4.2%
TELKOM INDONESIA PERSERO TBK	4.1%
BAIDU INC-CLASS A	4.0%
PING AN INSURANCE GROUP CO-H	3.9%
CHINA CONSTRUCTION BANK-H	3.8%
HONG KONG EXCHANGES & CLEAR	3.8%
SANTOS LTD	3.3%
TINGYI (CAYMAN ISLN) HLDG CO	3.3%
CHINA STATE CONSTRUCTION INT	3.2%
MEDIATEK INC	3.1%
TELSTRA CORP LTD	3.0%
BHP GROUP LTD	2.9%
NATIONAL AUSTRALIA BANK LTD	2.7%
SOUTH32 LTD	2.5%
SK SQUARE CO LTD	2.4%
INDUS TOWERS LTD	2.3%
L'OCCITANE INTERNATIONAL SA	2.3%
HCL TECHNOLOGIES LTD	2.3%
ALIBABA GROUP HOLDING LTD	2.2%
POWER GRID CORP OF INDIA LTD	2.0%
IND & COMM BK OF CHINA-H	1.5%
UNITED TRACTORS TBK PT	1.3%
MINDSPACE BUSINESS PARKS REI	1.3%
INFOSYS LTD	1.3%
INDIA GRID TRUST	1.0%
PROSUS NV	0.6%
SHIMAO GROUP HOLDINGS LTD	0.5%
CHINA RESOURCES CEMENT	0.4%
COMMONWEALTH BANK OF AUSTRAL	0.3%
TENCENT HOLDINGS LTD	0.3%
Cash	3.9%
Total	100.00%

Sector Allocation (%)

Name	End Weight
Financials	30.1%
Information Technology	21.2%
Communication Services	17.9%
Materials	5.8%
Consumer Staples	5.6%
Energy	4.7%
Industrials	3.2%
Utilities	3.0%
Consumer Discretionary	2.8%
Real Estate	1.8%
Cash	3.9%

Weighting - Country



HSBC Asia Pacific (Ex Japan) Dividend Fund of Fund

An Open Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - Asia Pacific Ex Japan Equity High Dividend Fund.

Portfolio

Issuer	Industries	% to Net Assets
Mutual Fund Units		97.29%
HSBC GIFAsia Pacific Fund	Overseas Mutual Fund	97.29%
Cash Equivalent		2.71%
TREPS*		3.21%
Net Current Assets:		-0.50%
Total Net Assets as on 31-March-2023		100.00%

Asset Allocation

Overseas Mutual Fund	97.29%
Reverse Repos/TREPS	3.21%
Net Current Assets	-0.50%
Total Net Assets as on 31-March-2023	100.00%

*TREPS : Tri-Party Repo Data as on 31 March '23

HSBC Asia Pacific (Ex Japan) Dividend Yield Fund		
<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) Asia Pacific Ex Japan Equity High Dividend 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 in equity and equity related securities of Asia Pacific countries (excluding Japan) through fund of funds route 	<p>Benchmark Index: MSCI AC Asia Pacific ex Japan TRI</p>

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

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.