

HSBC Global Emerging Markets Fund [^]

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

A High Conviction Approach

September 2020



HSBC
Global Asset
Management

PUBLIC

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Investment Objective

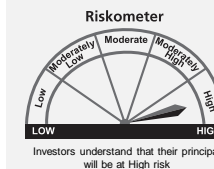
The primary investment objective of the Scheme is to provide long term capital appreciation by investing predominantly in units/shares of HSBC Global Investment Funds - Global Emerging Markets Equity Fund. The Scheme may also invest a certain proportion of its corpus in money market instruments and / 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.

Underlying fund - HSBC GIF Global Emerging Markets Equity (Share class S1D)

Scheme Category - Fund of Funds (Overseas)

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

HSBC Global Emerging Markets Fund



This product is suitable for investors who are seeking*:

- To create wealth over long term
- Investment predominantly in units of HSBC Global Investment Funds – Global Emerging Markets Equity Fund

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

^ Former name of the scheme, scheme name, category name, type of some select funds has been changed with effect from 14 March 2018

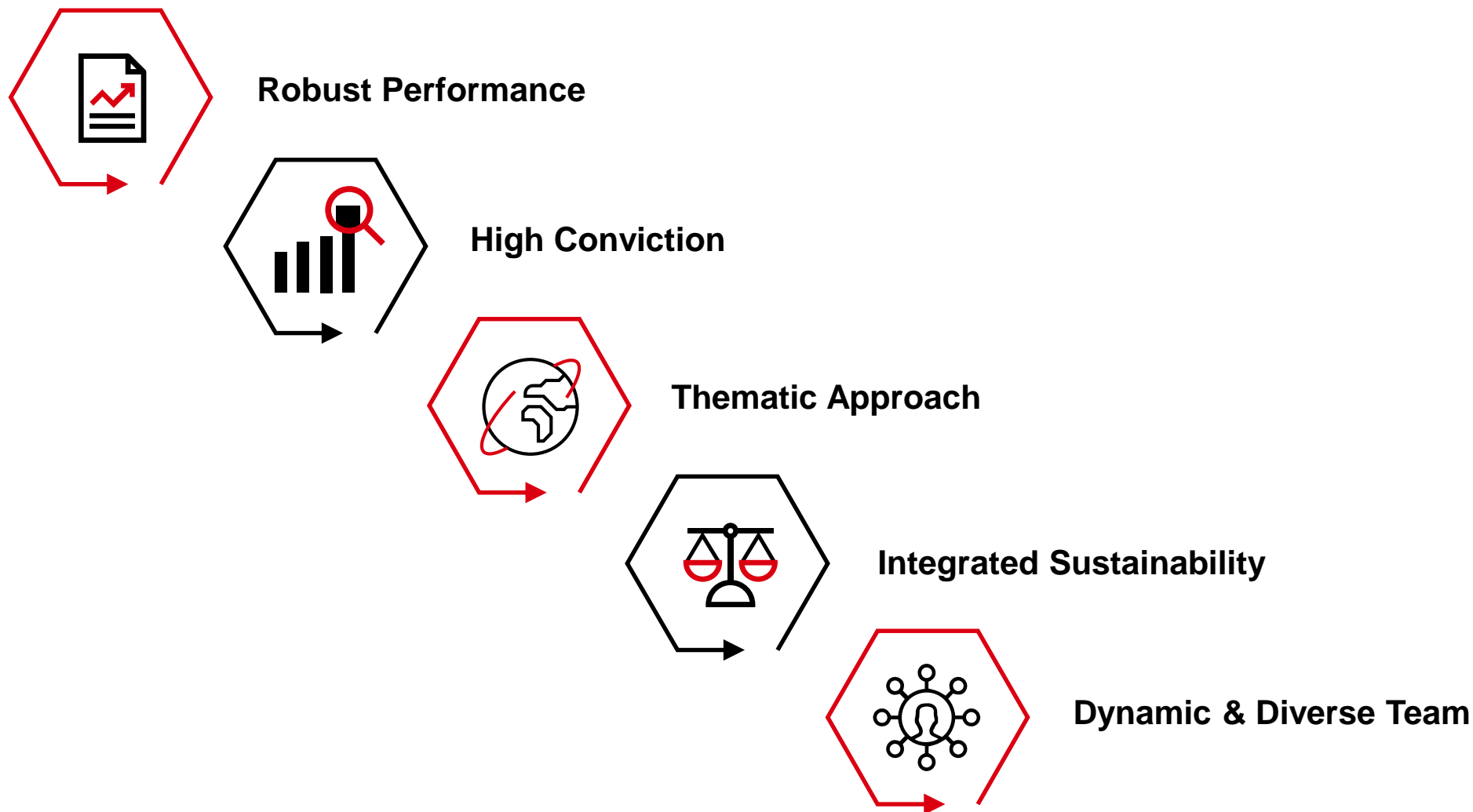
HSBC Global Emerging Markets Fund

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

Underlying Fund - HSBC Global Investment Funds - Global Emerging Markets Equity

HSBC GIF Global Emerging Markets Equity

Investment excellence in Emerging Market (EM) equities



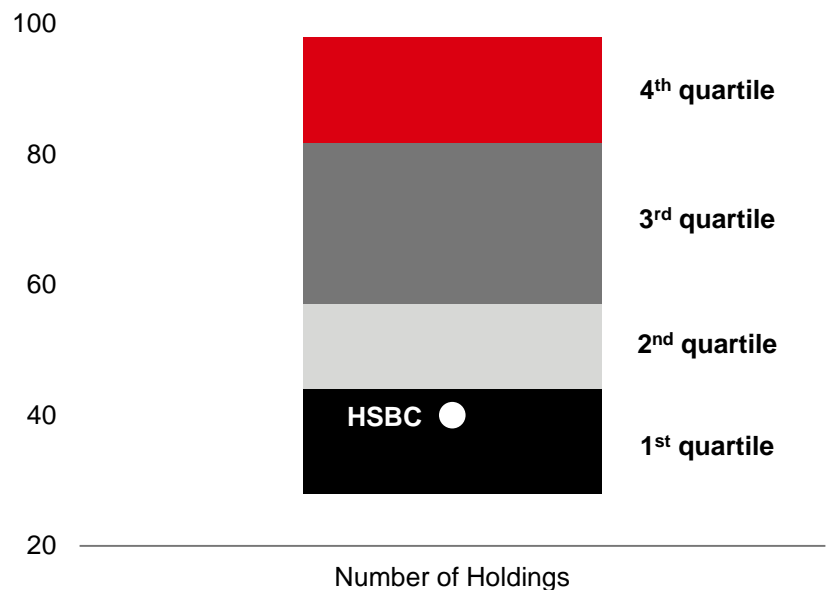
Past performance should not be seen as an indication of future returns.
Sources: HSBC Global Asset Management, as of September 2020. For illustrative purposes only.

HSBC GIF Global Emerging Markets Equity

What does a High Conviction portfolio look like?

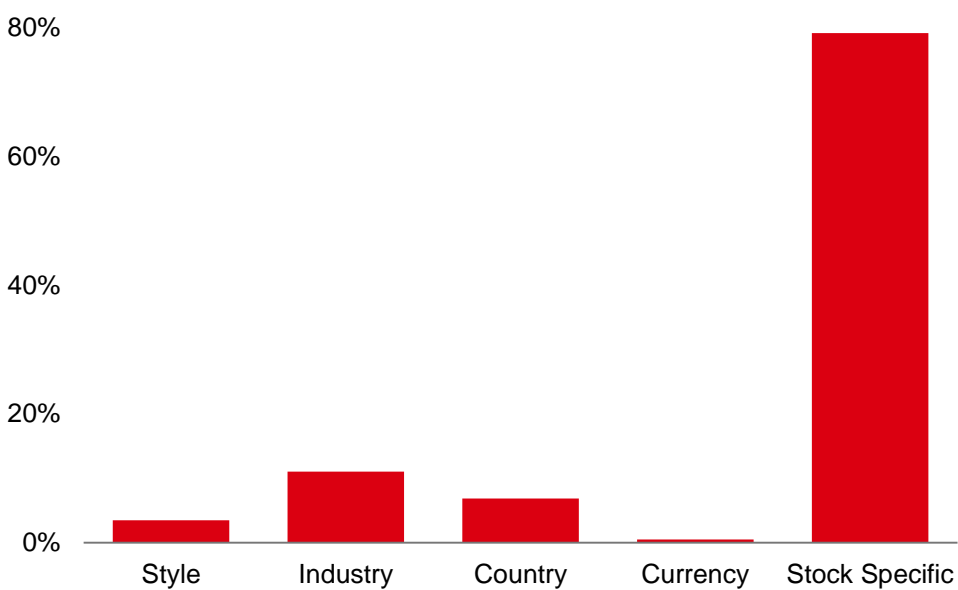
Concentrated with high active share

- ◆ Amongst the lowest number of portfolio holdings relative to institutional peers
- ◆ High active share of 75%



80% of portfolio risk is driven by stock selection

- ◆ Risk budget is allocated to maximise returns from stock picking

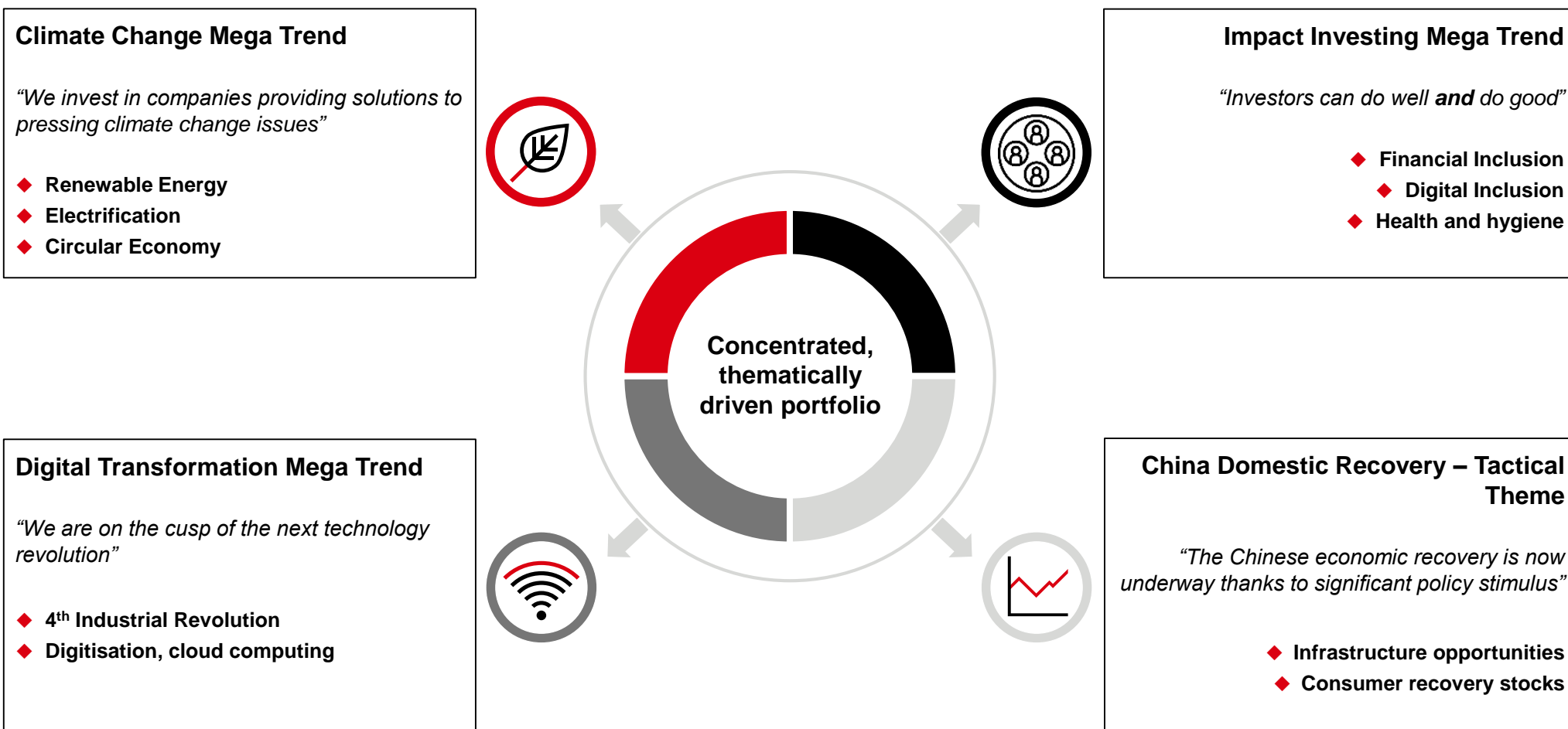


Past performance should not be seen as an indication of future returns.

Source: HSBC Global Asset Management, Morningstar, as of 31 July 2020. For illustrative purposes only and does not constitute any investment recommendation in the above mentioned companies.

HSBC GIF Global Emerging Markets Equity

A thematic approach captures investment mega trends and tactical opportunities



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Source: HSBC Global Asset Management as of September 2020. For illustrative purposes only. Any views expressed were held at the time of preparation and are subject to change without notice.

Climate Change Mega Trend: Affordable and Clean energy

High Conviction Stock Example – Xinyi Solar (China)

Investment case

- ◆ A leading renewable energy player who produces photovoltaic glass and invests in solar farms
- ◆ Well placed to capitalise on growing demand for clean technologies
- ◆ Global policy commitment to increase renewable contribution to energy mix

Idea generation

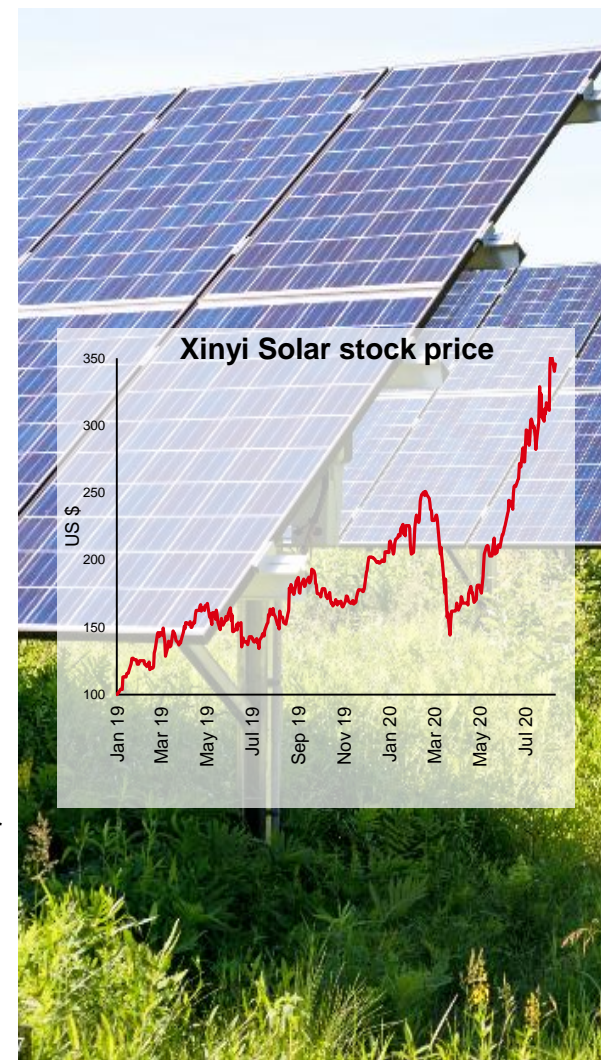
- ◆ Alignment with United Nations Sustainable Development Goals
- ◆ Attractive valuation – growth and favourable policy regime not yet discounted
- ◆ Regular engagement with management helped build confidence in technology leadership

Investment Theme: Climate Change (Megatrend)

“We seek to invest in companies that provide solutions to global climate change challenges. Such companies are poised to enjoy significant policy tailwinds and deliver strong growth”

Sustainability Focus

- ◆ MSCI rating downgrade due to alleged risk of related party transactions
- ◆ Environmental, Social and Governance (ESG) improver on material environmental issues
- ◆ Positive Impact: aligned with UN SDG 7.3, SDG 7.2



Past performance should not be seen as an indication of future returns.

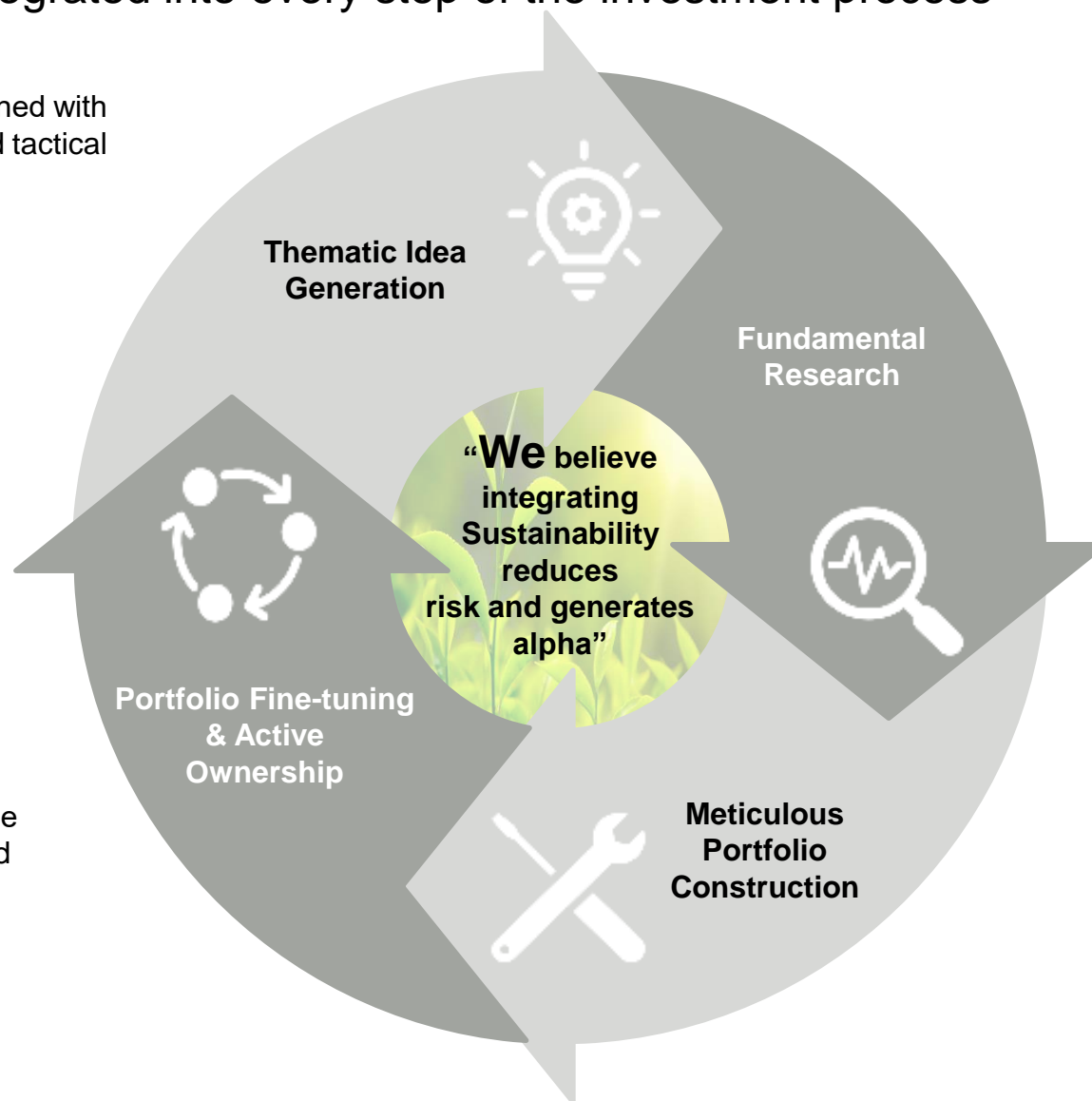
Source: Bloomberg, as at 31 July 2020. For illustrative purposes only and does not constitute any investment recommendation in the above mentioned companies. This example is historic, contains information that is not current and should not be construed as an offer to sell or a solicitation of an offer to purchase or subscribe to any investment.

HSBC GIF Global Emerging Markets Equity

Sustainability is integrated into every step of the investment process

“We look for companies aligned with investment mega trends and tactical investment themes”

“Our fundamental research balances financial and sustainability factors. ESG can provide alpha opportunities”



Source: HSBC Global Asset Management. Representative overview of the investment process, which may differ by product, client mandate or market conditions. For illustrative purposes only

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Dynamic & diverse team

- ◆ Dynamic London based team combines complimentary skillsets
- ◆ Diversity of background fosters rigorous debate and innovative thinking



Summary

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Investment excellence in Emerging Market equities

1 High Conviction, thematic approach can deliver superior investment returns in EM Equities

2 Sustainability sits at the core of our investment process

3 EM Equities – an unloved and under owned asset class

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Appendix: Why EM Equities? Why now?

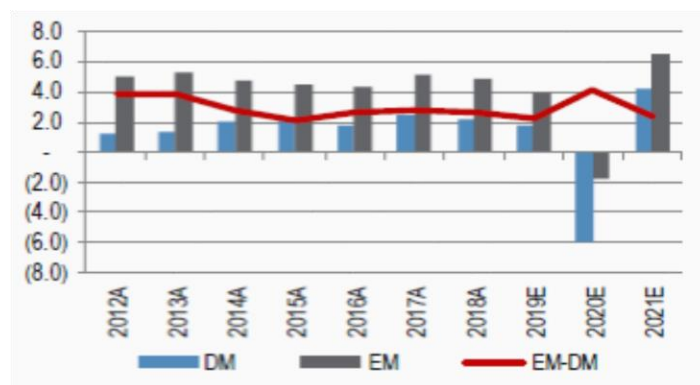
HSBC GIF Global Emerging Markets Equity

Why EM equities? Why now?

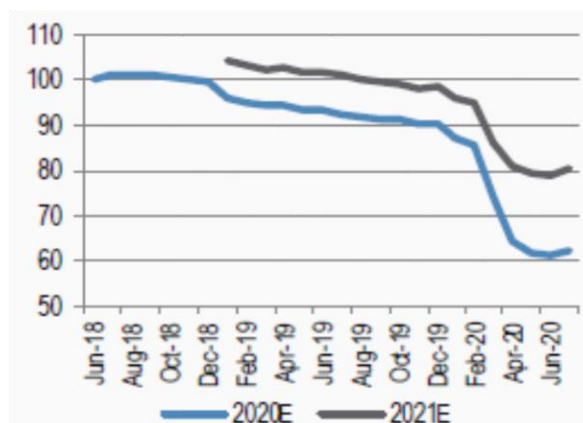
The global backdrop is supportive of the asset class

- ◆ Unprecedented policy stimulus (“whatever it takes”) to mitigate Covid-19 economic impact
- ◆ Global growth now on recovery path with China leading the way (“First in, first out”)
- ◆ Buoyant liquidity conditions in Developed World and many Emerging Markets
- ◆ Corporate earnings have bottomed

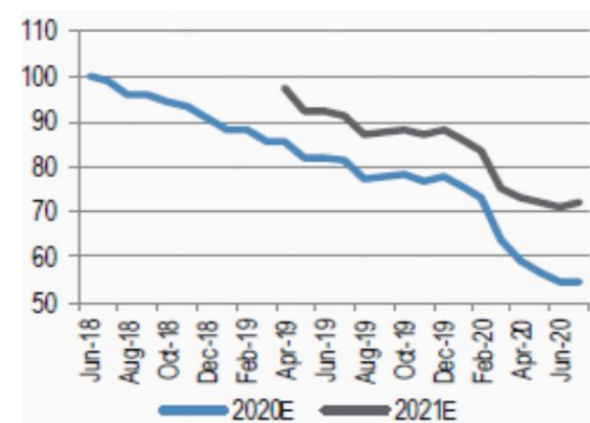
EM and Developed Markets (DM) GDP Growth Forecasts (%)



MSCI World Consensus EPS Integer



MSCI EM Consensus EPS Integer



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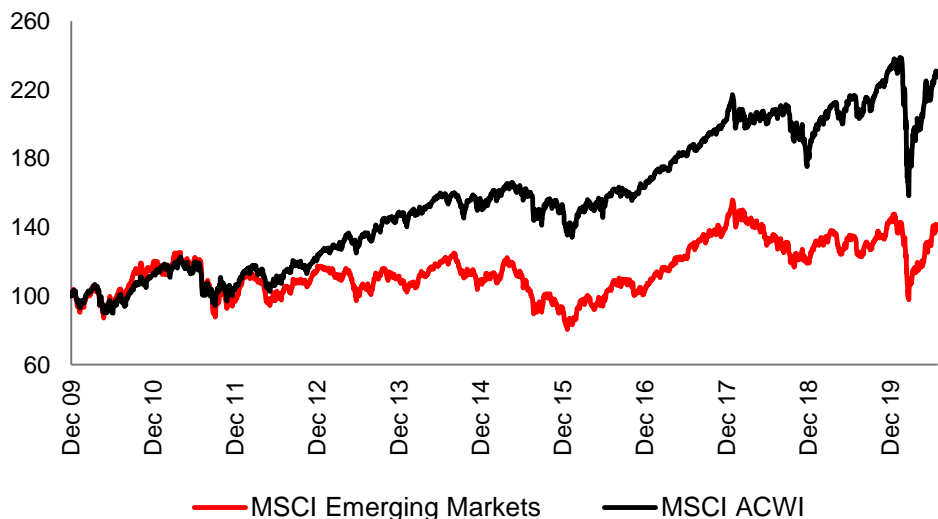
Source: JP Morgan as at 29 July 2020. For illustrative purposes only.

HSBC GIF Global Emerging Markets Equity

Why EM equities? Why now?

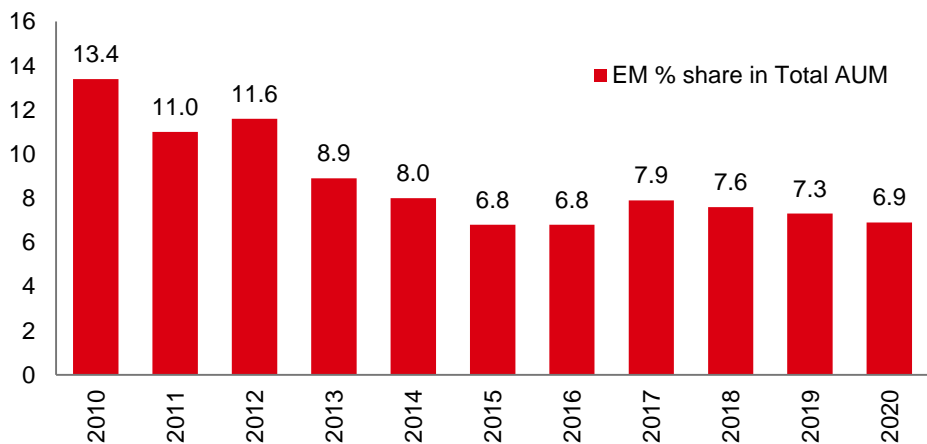
Unloved

A lost decade for Global Emerging Markets (GEM) equities
(↓100% vs DM)



Under owned

Ownership near record lows (%)



Under owned

Outflows at record highs (USD bn)



Past performance should not be seen as an indication of future returns.

Source: Bloomberg, JP Morgan as at 30 July 2020, EPFR as at 30 June 2020. For illustrative purposes only.

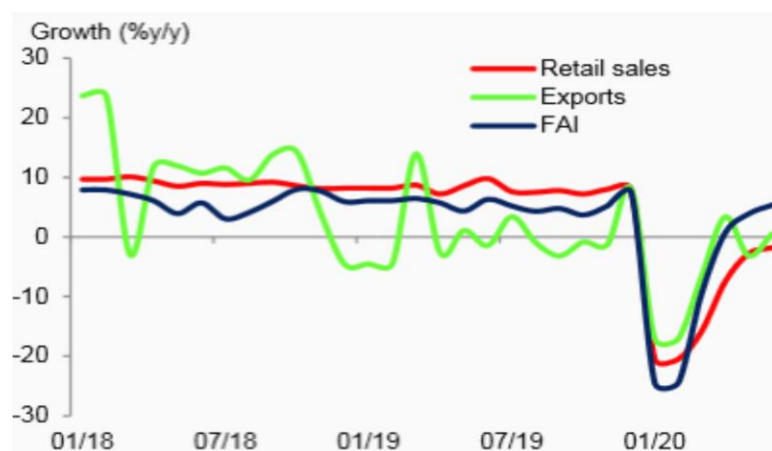
HSBC GIF Global Emerging Markets Equity

Why EM equities? Why now?

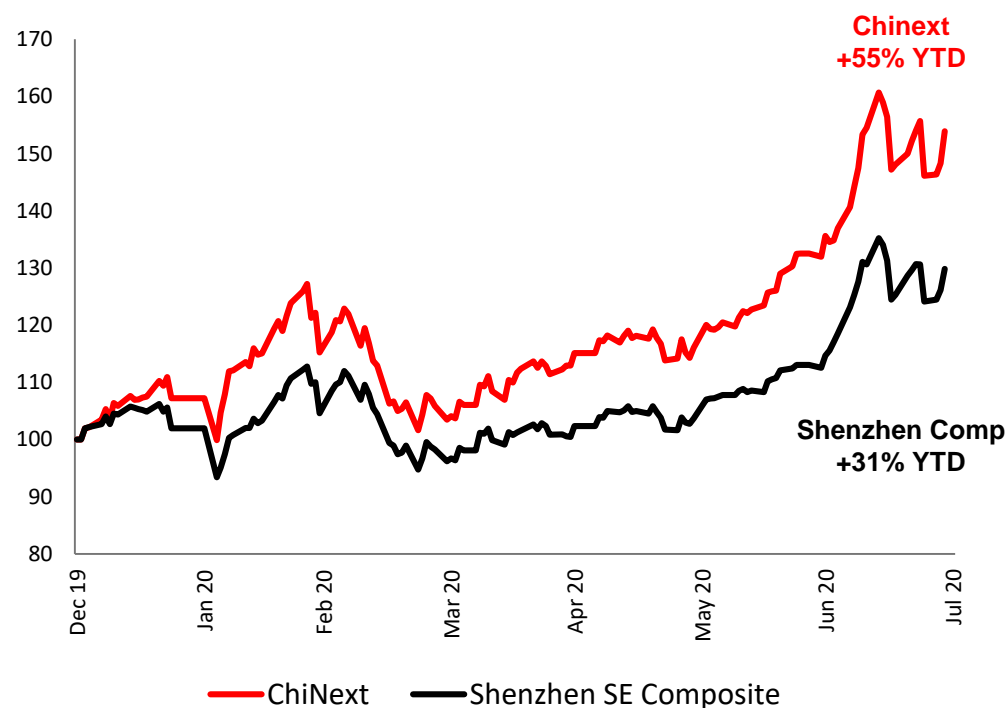
China – “first in, first out”

- ◆ Post-Covid-19 economic recovery well underway thanks to comprehensive fiscal, monetary and regulatory stimulus
- ◆ Corporate earnings have troughed and on track for strong recovery in 2H20 and 2021
- ◆ Abundant liquidity buoying asset prices – A-shares now in bubble territory?

China economic rebound since 2Q20



A-share bubble?



Past performance should not be seen as an indication of future returns.

Source: CBC, UBS estimates, Bloomberg, as at 30 July 2020. For illustrative purposes only.

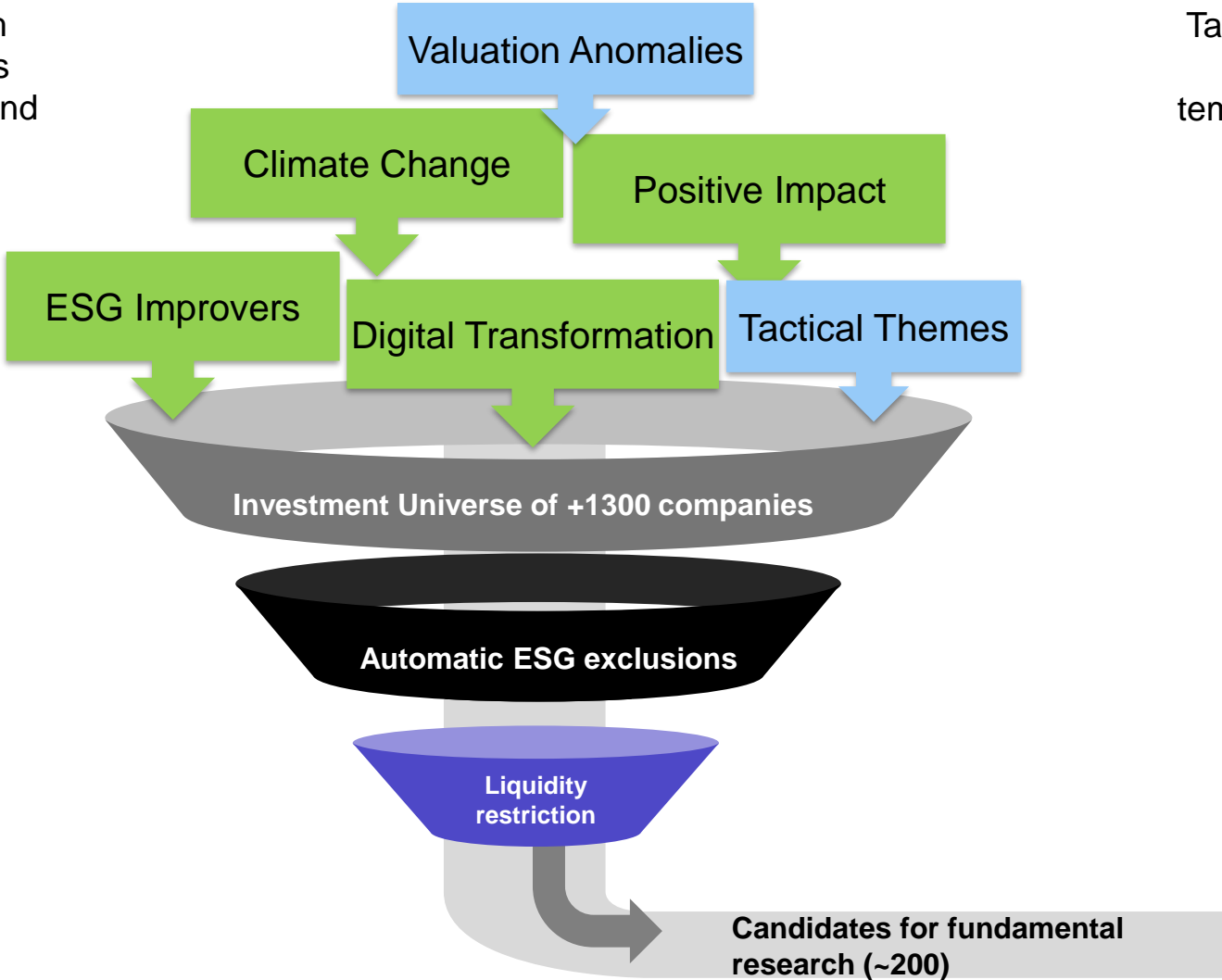
Appendix: Investment Process

HSBC GIF Global Emerging Markets Equity

Thematic idea generation

Companies aligned with investment mega trends enjoy superior growth and valuation re-rating

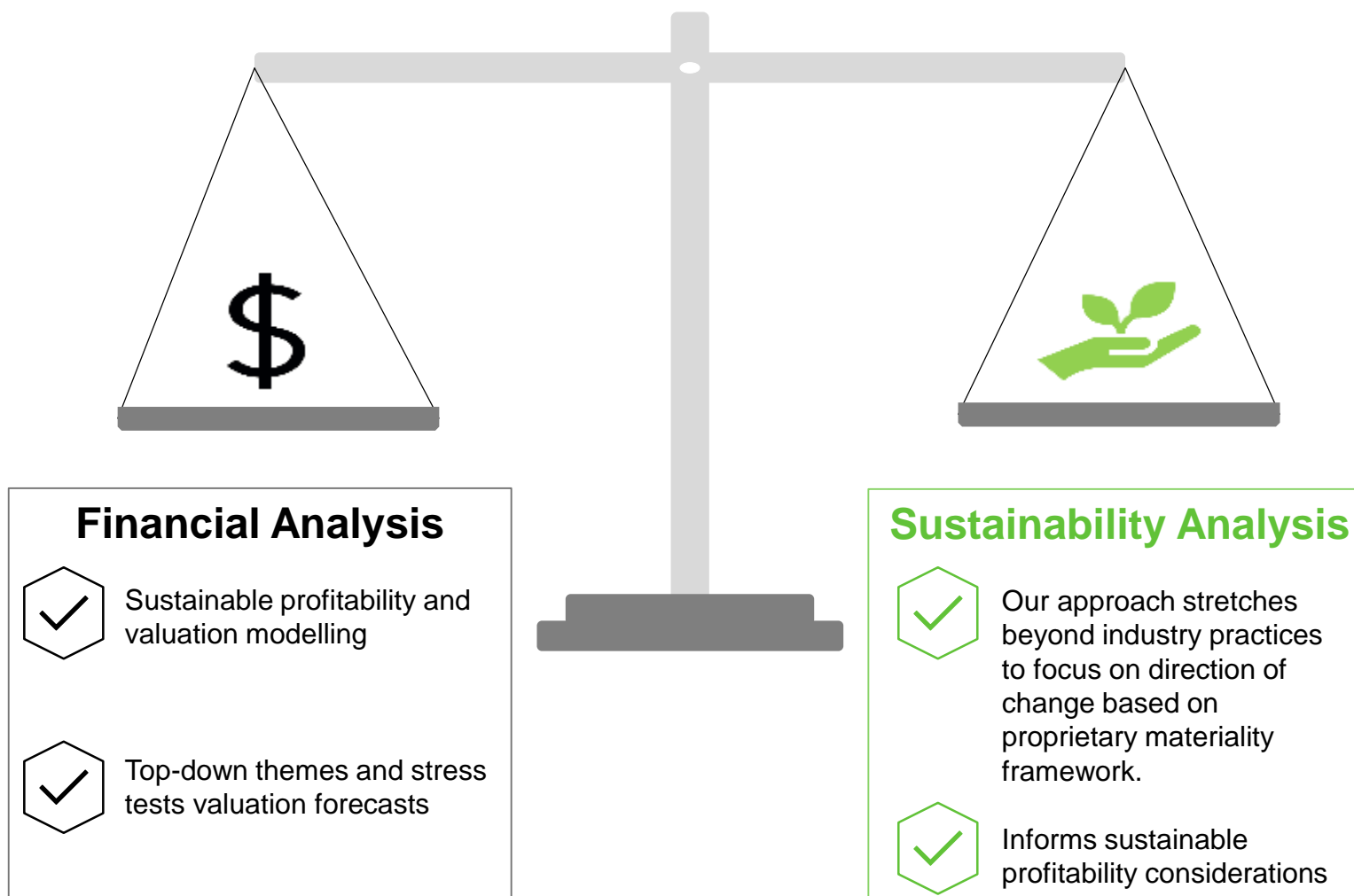
Tactical Investment themes exploit temporary valuation anomalies



Source: HSBC Global Asset Management. Representative overview of the investment process, which may differ by product, client mandate or market conditions. For illustrative purposes only

HSBC GIF Global Emerging Markets Equity

Fundamental Research – balancing financial and sustainability factors



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HSBC GIF Global Emerging Markets Equity

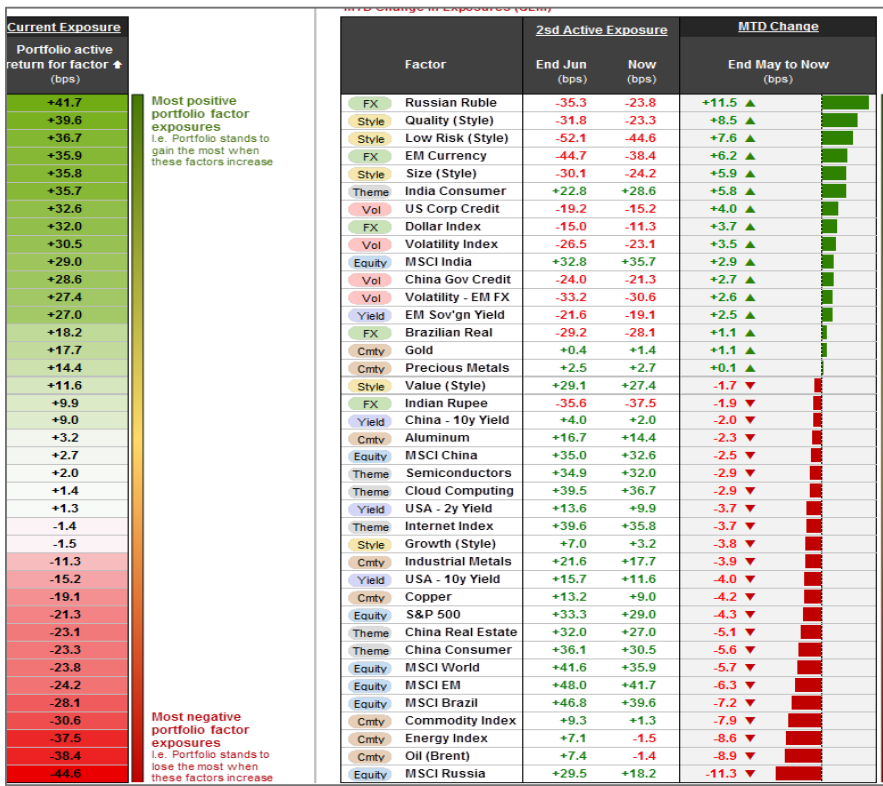
Meticulous portfolio construction

- ◆ A high conviction approach requires careful position sizing
- ◆ Proprietary risk modelling tools used to identify and manage risk exposures
- ◆ Tactical risk control positions reduce volatility of investment returns

The Macro Sensitivity Tool instantly computes portfolio and stock exposures to key market factors



The Macro sensitivity heatmap highlights risk exposures



HSBC GIF Global Emerging Markets Equity

Understanding portfolio exposures

- ◆ Proprietary on-desk tools allow detailed analysis and decomposition of stock level and portfolio exposures to macroeconomic, style, credit and thematic factors relative to the benchmark
- ◆ Highly customisable framework allows bespoke modelling of multi-factor scenarios and factor shocks

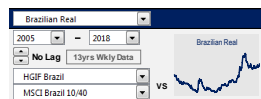
Portfolio
Aggregate
Exposure

Trade
Simulation
Analysis

EM Funds
Sensitivity
Heatmap

Summary	Weighted Beta	T-Stat
Portfolio	+3.03	39.1
Benchmark	+2.81	39.3
Difference	+0.22	
The portfolio will outperform the benchmark by +22bps with a 1% fall in the US Dollar vs a basket of EM currencies		

Highest Betas (in Portfolio)	Lowest Betas (in Portfolio)
1 KAZ Minerals +6.04	1 Baoshan Iron & Steel +0.68
2 MRV Engenharia +5.37	2 Puregold Price Club +0.81
3 Novolipetsk Steel +5.26	3 Chunghwa Telecom +0.99
4 Petroleo Brasileiro SA +5.23	4 Commercial Int Bank +1.21
5 Cemex +5.19	5 Primax Electronics +1.25

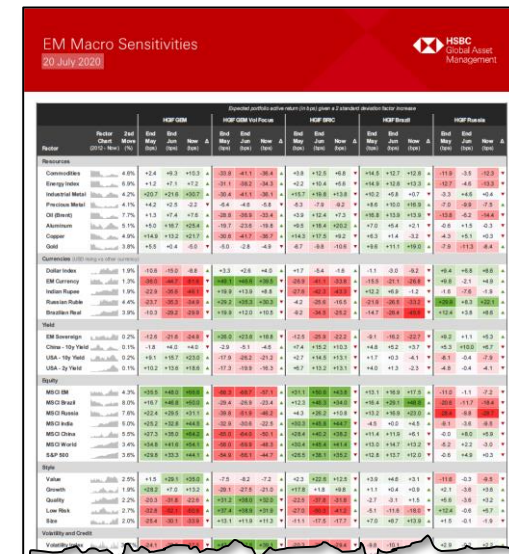


Summary	Weighted Beta
Portfolio	-1.86
Benchmark	-1.68
Difference	-0.18
The portfolio will underperform the benchmark by -18bps with a 1% rise in the Brazilian Real	

Scenario Analysis	Brazilian Real Exposure
Original Portfolio Beta	-0.18
New Portfolio Active Beta	-0.16
Decreases by +0.026 to -1.84	

	# of Stocks	Active Weight	Highest Sensitivities Stocks in Portfolio	Lowest Sensitivities Stocks in Portfolio
Energy	11	+2.4%	Petroleo Brasileiro SA +5.23 CNOOC +5.19 Cosan +4.70	Reliance Industries +3.09 CNOOC +3.60 China Shenhua Energy +3.63
Materials	8	+1.7%	KAZ Minerals +6.04 Novolipetsk Steel +5.26 Cemex SAB de +4.80	Baoshan Iron & Steel +0.68 Sappi +3.11 Anhui Conch Cement +3.39
Industrials	4	-0.7%	Hyundai Engineering +3.84 China State Construction +2.75 Sinotrans +2.51	China Conch Venture +1.69
Consumer Discretionary	11	+0.3%	MRV Engenharia +5.37 Foschini Group /The +3.97 Arcelik AS +3.71	BAIC Motor Corp +2.32 Hyundai Motor +2.45
Consumer Staples	1	-6.0%	Puregold Price Club +0.81	No stocks.
Health Care	0	-3.1%	No stocks.	No stocks.
Financials	22	+4.5%	Banco Bradesco SA +4.74 Sberbank of Russia +4.67 Alsbank Turk AS +4.17	Commercial Int Bank +1.21 Malayan Banking +1.79 E Sun Financial Holding +2.13
Information Technology	11	-1.6%	SK Hynix +3.32 Samsung Electronics +3.01 Catcher Technology +3.00	Primax Electronics +1.25 Inforsys +1.73 Xinxi Solar Holdings +1.84
Telecom Services	4	+0.5%	Mobile TeleSystems +4.36 China Mobile +1.76 SK Telecom +1.62	Chunghwa Telecom +0.99
Utilities	2	-0.4%	Cia Paranaense +3.67 Tenagra Nacional +1.30	No stocks.
Real Estate	2	-1.2%	China Overseas Land +2.91 China Jinmao +2.56	No stocks.

Name	GICS Sector	Country	Port Wts	Bench Wts	New Wt In Port	Weight Change	Absolute Beta	Chart	Signal	Port Beta Contribution
MRV Engenharia e Participacoes	Cons. Disc.	Brazil	2.8%	2.5%			-2.46		High	3.7%
Banco do Brasil SA	Financials	Brazil	1.7%	2.5%			-2.31		High	2.1%
B3 SA - Brasil Bolsa Balcao	Financials	Brazil	6.1%	4.7%	4.1%	-200bps	-2.25		High	7.4%
Petroleo Brasileiro SA	Energy	Brazil	7.7%	3.8%	6.7%	-100bps	-2.21		High	9.1%
Iausa - Investimentos Iau SA	Financials	Brazil	5.6%	2.1%			-2.18		High	6.5%
Banco Bradesco SA	Financials	Brazil	9.4%	6.7%			-2.13		High	10.8%
Gerdau SA	Materials	Brazil	2.8%	1.8%			-2.12		High	3.2%
Itau Unibanco Holding SA	Financials	Brazil	3.5%				-2.11		High	4.0%
BB Seguridade Participacoes SA	Financials	Brazil	4.0%				-2.03		High	4.3%
Cosan	Energy	Brazil	2.7%	1.9%			-2.00		High	3.0%
Bradespar SA	Materials	Brazil	2.2%				-1.98		High	2.4%
Sao Martinho SA	Cons. Stap.	Brazil	1.7%				-1.91		High	1.7%
Banco do Estado do Rio Grande	Financials	Brazil	0.8%				-1.91		High	0.8%
Cia Paranaense de Energia	Utilities	Brazil	2.3%				-1.80		High	2.2%
Vale SA	Materials	Brazil	9.2%	9.3%			-1.77		High	8.8%
EcoRodovias Infraestrutura e L	Industrials	Brazil	1.6%				-1.76		High	1.5%
CCR SA	Industrials	Brazil	3.6%	1.4%			-1.72		High	3.3%
HSBC MSCI BRAZIL UCITS ETF	ETF	Brazil	3.9%				-1.61		High	3.4%
BRF SA	Cons. Stap.	Brazil	2.3%	1.4%			-1.53		High	1.9%
Xytron Educacional SA	Cons. Disc.	Brazil	3.5%	1.8%			-1.52		High	2.8%
Engie Brasil Energia SA	Utilities	Brazil	2.3%	0.7%	3.3%	+100bps	-1.49		High	1.8%
Multiplus SA	Cons. Disc.	Brazil	0.9%				-1.46		High	0.7%
Cielo SA	Info. Tech.	Brazil	2.4%	2.4%			-1.41		High	1.8%
Valid Solucoes e Servicos de S	Industrials	Brazil	0.7%				-1.41		High	0.2%
AES Tiete Energia SA	Utilities	Brazil	1.0%				-1.39		High	0.8%
Alcadenao Distribuicao Comercio	Cons. Stap.	Brazil	3.0%	0.7%			-1.31		High	2.1%
Telefonica Brasil SA	Telecom.	Brazil	4.9%	2.4%			-1.31		High	3.4%
Ambev SA	Cons. Stap.	Brazil	3.1%	4.5%			-1.29		High	2.2%
Suzano Papel e Celulose SA	Materials	Brazil	4.6%	2.4%			-1.18		High	2.9%
Embraer SA	Industrials	Brazil	1.1%	1.8%			-1.14		High	0.7%



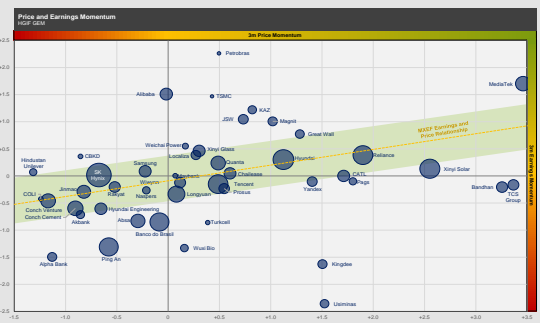
Source: HSBC Global Asset Management. Representative overview of the investment process, which may differ by product, client mandate or market conditions. For illustrative purposes only

HSBC GIF Global Emerging Markets Equity

Where Quant and Fundamentals collide

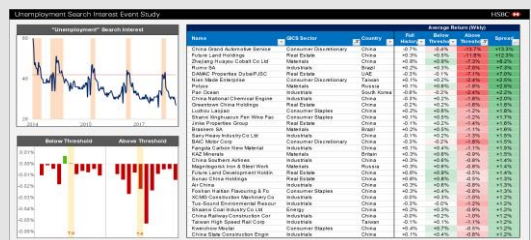
Momentum Risk Analysis

Where share prices have led fundamentals in a Momentum-driven market environment – more to come, or cause for concern?



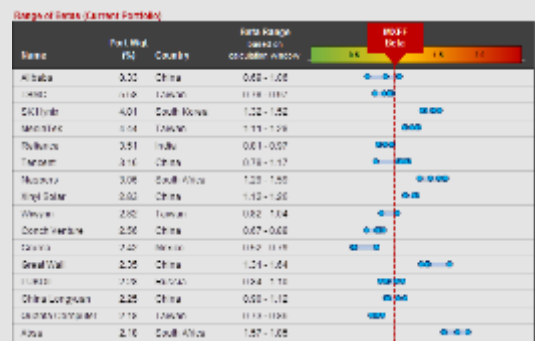
Extracting Expectations

Event-study on the change in search interest for themes effecting the portfolio.



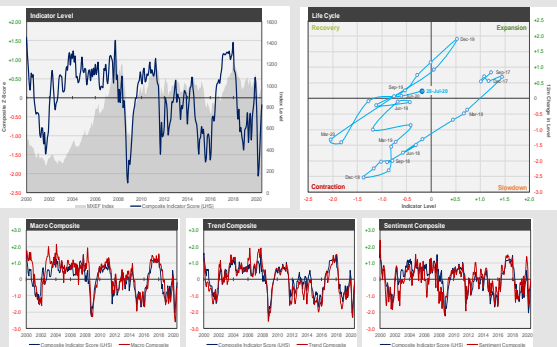
Portfolio Beta

Decomposing portfolio beta positioning – how to weight long and short-term risks.



Cyclical Indicator

Styles and the market cycle – do we have the right exposures?



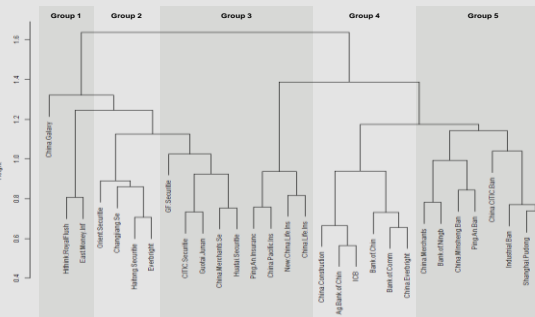
Scenario Modelling

Bespoke simulations of previous market events and the associated portfolio impact



Portfolio Return Diversification

Cluster analysis of stocks into distinct groupings to identify common themes and return drivers.



HSBC GIF Global Emerging Markets Equity

China-A Shares

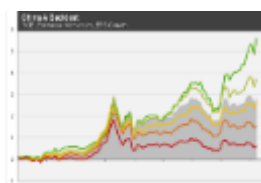
Given that there are over 400 China-A Shares to invest in, we hone in on winning ideas by:

- ◆ Aligning fundamental research with mega trends
- ◆ Incorporating analysts' best ideas from around the group
- ◆ Understanding Style Factor characteristics of A Share market

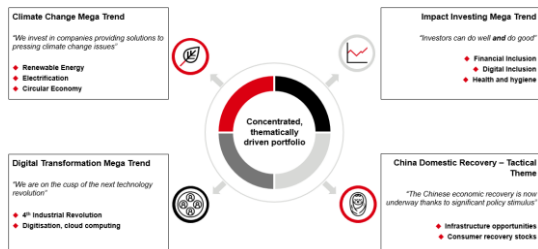
Fundamental analysts' best ideas (EV, Cloud, Healthcare)



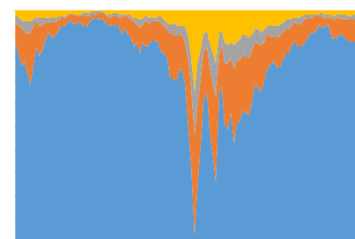
Persistent style factor returns in A-Share market (Growth, Quality, Earnings Momentum)



Alignment with mega trends or tactical themes (EV, Cloud)



Market awareness: Emergence of a market bubble in certain sectors? (Technology, Healthcare, Growth, Momentum)



Stock Scores Overview									
Stocks	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Renmin Bank	85	1	85	1	85	1	85	1	85
China Yunghe Power	84	2	84	2	84	2	84	2	84
Industrial Bank	83	3	83	3	83	3	83	3	83
China Merchants Bank	82	4	82	4	82	4	82	4	82
Bank of China	81	5	81	5	81	5	81	5	81
China Construction Bank	80	6	80	6	80	6	80	6	80
Bank of Communications	79	7	79	7	79	7	79	7	79
China Industrial Bank	78	8	78	8	78	8	78	8	78
Bank of Shanghai	77	9	77	9	77	9	77	9	77
Bank of Beijing	76	10	76	10	76	10	76	10	76
Bank of Tianjin	75	11	75	11	75	11	75	11	75
Bank of Jinan	74	12	74	12	74	12	74	12	74
Bank of Guangdong	73	13	73	13	73	13	73	13	73
Bank of Sichuan	72	14	72	14	72	14	72	14	72
Bank of Hunan	71	15	71	15	71	15	71	15	71
Bank of Anhui	70	16	70	16	70	16	70	16	70
Bank of Jiangxi	69	17	69	17	69	17	69	17	69
Bank of Henan	68	18	68	18	68	18	68	18	68
Bank of Inner Mongolia	67	19	67	19	67	19	67	19	67
Bank of Ningxia	66	20	66	20	66	20	66	20	66
Bank of Qinghai	65	21	65	21	65	21	65	21	65
Bank of Tibet	64	22	64	22	64	22	64	22	64
Bank of Xinjiang	63	23	63	23	63	23	63	23	63
Bank of Yunnan	62	24	62	24	62	24	62	24	62
Bank of Guizhou	61	25	61	25	61	25	61	25	61
Bank of Hubei	60	26	60	26	60	26	60	26	60
Bank of Chongqing	59	27	59	27	59	27	59	27	59
Bank of Shaanxi	58	28	58	28	58	28	58	28	58
Bank of Shanxi	57	29	57	29	57	29	57	29	57
Bank of Gansu	56	30	56	30	56	30	56	30	56
Bank of Ningxia	55	31	55	31	55	31	55	31	55
Bank of Qinghai	54	32	54	32	54	32	54	32	54
Bank of Tibet	53	33	53	33	53	33	53	33	53
Bank of Xinjiang	52	34	52	34	52	34	52	34	52
Bank of Yunnan	51	35	51	35	51	35	51	35	51
Bank of Guizhou	50	36	50	36	50	36	50	36	50
Bank of Hubei	49	37	49	37	49	37	49	37	49
Bank of Chongqing	48	38	48	38	48	38	48	38	48
Bank of Shaanxi	47	39	47	39	47	39	47	39	47
Bank of Shanxi	46	40	46	40	46	40	46	40	46
Bank of Gansu	45	41	45	41	45	41	45	41	45
Bank of Ningxia	44	42	44	42	44	42	44	42	44
Bank of Qinghai	43	43	43	43	43	43	43	43	43
Bank of Tibet	42	44	42	44	42	44	42	44	42
Bank of Xinjiang	41	45	41	45	41	45	41	45	41
Bank of Yunnan	40	46	40	46	40	46	40	46	40
Bank of Guizhou	39	47	39	47	39	47	39	47	39
Bank of Hubei	38	48	38	48	38	48	38	48	38
Bank of Chongqing	37	49	37	49	37	49	37	49	37
Bank of Shaanxi	36	50	36	50	36	50	36	50	36
Bank of Shanxi	35	51	35	51	35	51	35	51	35
Bank of Gansu	34	52	34	52	34	52	34	52	34
Bank of Ningxia	33	53	33	53	33	53	33	53	33
Bank of Qinghai	32	54	32	54	32	54	32	54	32
Bank of Tibet	31	55	31	55	31	55	31	55	31
Bank of Xinjiang	30	56	30	56	30	56	30	56	30
Bank of Yunnan	29	57	29	57	29	57	29	57	29
Bank of Guizhou	28	58	28	58	28	58	28	58	28
Bank of Hubei	27	59	27	59	27	59	27	59	27
Bank of Chongqing	26	60	26	60	26	60	26	60	26
Bank of Shaanxi	25	61	25	61	25	61	25	61	25
Bank of Shanxi	24	62	24	62	24	62	24	62	24
Bank of Gansu	23	63	23	63	23	63	23	63	23
Bank of Ningxia	22	64	22	64	22	64	22	64	22
Bank of Qinghai	21	65	21	65	21	65	21	65	21
Bank of Tibet	20	66	20	66	20	66	20	66	20
Bank of Xinjiang	19	67	19	67	19	67	19	67	19
Bank of Yunnan	18	68	18	68	18	68	18	68	18
Bank of Guizhou	17	69	17	69	17	69	17	69	17
Bank of Hubei	16	70	16	70	16	70	16	70	16
Bank of Chongqing	15	71	15	71	15	71	15	71	15
Bank of Shaanxi	14	72	14	72	14	72	14	72	14
Bank of Shanxi	13	73	13	73	13	73	13	73	13
Bank of Gansu	12	74	12	74	12	74	12	74	12
Bank of Ningxia	11	75	11	75	11	75	11	75	11
Bank of Qinghai	10	76	10	76	10	76	10	76	10
Bank of Tibet	9	77	9	77	9	77	9	77	9
Bank of Xinjiang	8	78	8	78	8	78	8	78	8
Bank of Yunnan	7	79	7	79	7	79	7	79	7
Bank of Guizhou	6	80	6	80	6	80	6	80	6
Bank of Hubei	5	81	5	81	5	81	5	81	5
Bank of Chongqing	4	82	4	82	4	82	4	82	4
Bank of Shaanxi	3	83	3	83	3	83	3	83	3
Bank of Shanxi	2	84	2	84	2	84	2	84	2
Bank of Gansu	1	85	1	85	1	85	1	85	1

Appendix: Stock stories

Climate Change Mega Trend: Decarbonisation

High Conviction Stock Example – Hyundai Motors Company (South Korea)

Investment case

- ◆ Hyundai Motors is a South Korean based auto manufacturer with a diversified global production base
- ◆ The company has made substantial investments in leading edge technologies including autonomous driving and new energy vehicles

Idea generation

- ◆ As a global technology leader in new energy vehicles (especially hydrogen fuel cells for commercial vehicles) HMC is aligned with climate change megatrend, decarbonisation
- ◆ Attractive valuation: investors remain sceptical about profitability of new energy vehicles and attach corporate governance discount

Investment Theme: Climate Change (Megatrend)

“We seek to invest in companies that provide solutions to global climate change challenges. Such companies are poised to enjoy significant policy tailwinds and deliver strong growth”

Sustainability Focus

- ◆ ESG improver: HMC has a low MSCI rating due to ongoing governance issues
- ◆ We are actively engaging with management and the board to align minority and majority shareholders especially in the area of capital returns and efficient capital management
- ◆ We believe improving governance and NEV credentials will lead to multi-year valuation re-rating



For illustrative purposes only and does not constitute any investment recommendation in the above mentioned companies. This example is historic, contains information that is not current and should not be construed as an offer to sell or a solicitation of an offer to purchase or subscribe to any investment.

Source: HSBC Global Asset Management, as at September 2020.

Impact Investing Mega Trend: Financial Inclusion

High Conviction Stock Example – Bandhan Bank (India)

Investment case

- ◆ Bandhan Bank is a leading Indian micro lender providing sustainable micro finance and affordable housing loans
- ◆ In India, 20% of India's population lack access to financial services¹
- ◆ Financial inclusion is a critical enabler of societal developmental goals and features as a target in eight of the seventeen UN SDGs

Investment Theme: Climate Change (Megatrend)

"Micro loans foster financial integration and empower millions of people to progress economically"

Idea generation

- ◆ Alignment with United Nations Sustainable Development Goals
- ◆ Attractive valuation not discounting long term growth from penetration of micro finance and franchise expansion
- ◆ Regular engagement with management to build confidence in ethical lending practices

Sustainability Focus

- ◆ MSCI rating BBB due to weak human capital development
- ◆ We differ as company has a comprehensive hiring and retention scheme for loan officers and low turnover
- ◆ Alignment with 7 United Nations SDGs



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Source: HSBC Global Asset Management, as at September 2020.

1. Source: Refinitiv, as at 4 March 2020.

Impact Investing Mega Trend: Financial Inclusion

High Conviction Stock Example – Pagseguro Digital (Brazil)

Investment case

- ◆ Pagseguro is a leading Brazilian digital payment solution and financing provider focused on the micro merchant segment
- ◆ In Brazil, it is estimated 1 in 3 people do not have access to a bank account¹
- ◆ Financial inclusion is a critical enabler of societal developmental goals and features as a target in eight of the seventeen UN SDGs

Idea generation

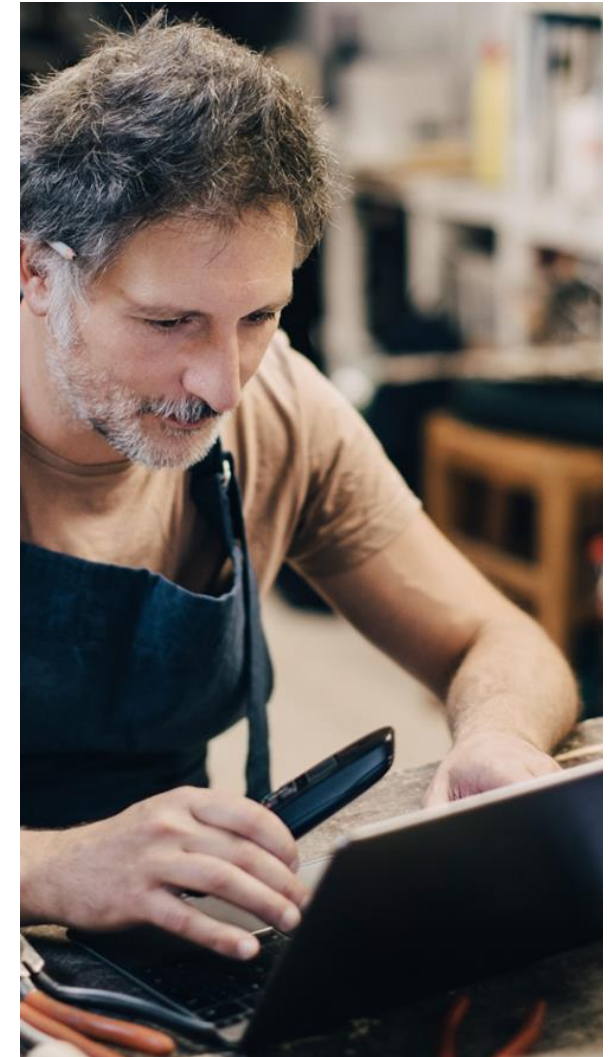
- ◆ Alignment with United Nations Sustainable Development Goals
- ◆ Attractive valuation not discounting long term growth from further penetration of the micro merchant segment and digital bank expansion
- ◆ Regular engagement with management to build confidence in ethical lending practices and payment solutions

Investment Theme: Climate Change (Megatrend)

“Loans, payment machines and access to bank accounts promote financial integration and enable millions of people to earn money who would otherwise be unable to do so”

Sustainability Focus

- ◆ MSCI does not yet rate Pagseguro
- ◆ ESG improver on better company communication, improving track record of capital allocation and positive client feedback for its financial products
- ◆ Alignment with 7 United Nations SDGs



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Source: HSBC Global Asset Management, as at September 2020.

1. Source: Statista, data as at end of 2017.

Digital Transformation Mega Trend: Digital Inclusion

High Conviction Stock Example – Reliance Industries (India)

Investment case

- ◆ Reliance Industries, a leading Indian conglomerate, has invested more than \$35bn into rolling out a 4G network and connecting some 350m Indians
- ◆ ‘Kirana Digitisation’ –including millions of small vendors in the digital economy

Idea generation

- ◆ Alignment with United Nations Sustainable Development Goals
- ◆ Attractive valuation – growth and monetisation of digital business and retail not yet factored in
- ◆ Regular engagement with management helped build confidence in technology leadership

Investment Theme: Climate Change (Megatrend)

“Lack of internet access in the digital age is a key impediment. Yet infrastructure has not kept up and there is need for private capital to provide last mile connectivity”

Sustainability Focus

- ◆ MSCI rating BB weighed down by weak governance (though increased from B in 2018)
- ◆ We believe Reliance is an ESG improver on material metrics (capital allocation, transparency)
- ◆ Positive Impact: aligned with SDG target 9.c: significantly increases access to communications technology and provides universal and affordable access to the internet in least developed countries



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Source: HSBC Global Asset Management, as at September 2020.

Tactical Investment Theme: Brazil Cyclical Recovery

High Conviction Stock Example – Banco do Brasil (Brazil)

Investment case

- ◆ Banco do Brasil is the leading, state-owned lender in Brazil with a diversified loan exposure to corporate, SME, retail and agricultural segments. The bank also has a majority stake in leading P&C insurer BB Seguridade

Idea generation

- ◆ Attractive valuation: oversold on 0.8x P/B
- ◆ Strong capitalisation: Banco do Brasil has the strongest balance sheet among peers: 19% CAR. Well positioned to handle Covid-19 asset quality deterioration in its loan book
- ◆ The Brazilian real remains one of the weakest EM currencies vs. USD, despite improving macro fundamentals. Provides an additional alpha source

Investment Theme: Climate Change (Megatrend)

“Brazil’s economy has passed the nadir of Covid-19-related collapse in economic activity and we expect strong recovery momentum into 2021”

Sustainability Focus

- ◆ ESG improver: Banco Do Brasil’s MSCI rating recently improved to AA on the back of governance improvements and the bank’s substantial investment in cyber security



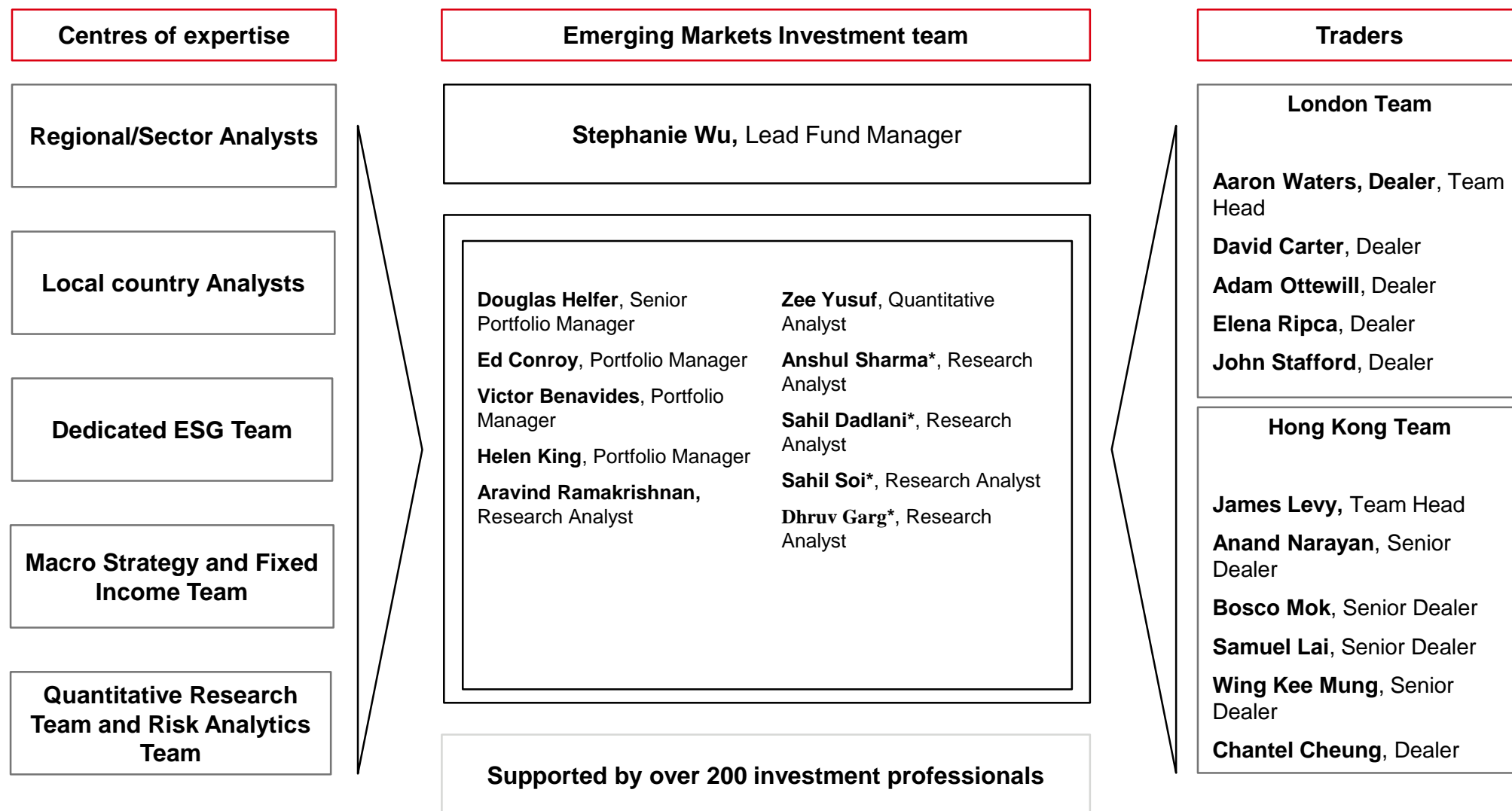
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Source: HSBC Global Asset Management, as at September 2020.

Appendix: Team structure

Emerging Markets Team

Broad expertise and resources



* The analyst is part of our dedicated CRISIL team
CRISIL = Credit Rating Information Services of India Limited

Important information

Key Risks

HSBC GIF Global Emerging Markets Equity

The value of an investment and any income from it can go down as well as up and as with any investment you may not receive back the amount originally invested.

Counterparty Risk: The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.

Derivatives Risk: Derivatives can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset.

Emerging Markets Risk: Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.

Exchange Rate Risk: Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.

Investment Leverage Risk: Investment Leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source.

Liquidity Risk: Liquidity Risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.

Operational Risk: Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

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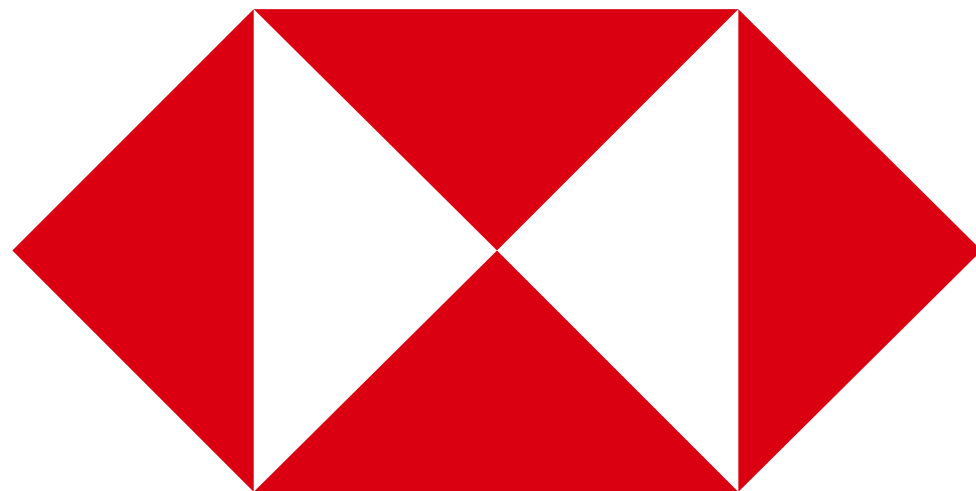
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