HSBC Mutual Fund

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

May 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. 18.96 Cr

Risk Ratios[2]	
Standard Deviation	17.77%
Beta	1.02
Sharpe Ratio[3]	-0.06
R2	0.92

Load / Expenses	
Entry Load	NA
Exit Load - 1% if redeemed / switched out within 1 year from date of allotment, else nil	
Expense ratio (Other than Direct)[5]	2.40%
Expense ratio (Direct)	1.71%

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 (HGMF) 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.

Key takeaways

- Global backdrop now favourable for the asset class:
  - Economic growth accelerating as DM growth slows (China reopening)
  - Corporate earnings growth acceleration
  - Valuation differential favourable
  - Asset class remains under owned
- Our competitive long-term performance is a testament to our style neutral and disciplined portfolio construction.

Data as on 30 April 2023

[1] 6SEBI 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: 6.90% (FIMMDA-NSE MIBOR) as on April 30, 2023

[4] Continuing plans

HGIF Global Emerging Markets Fund (HGMF) – Fund Commentary

For Emerging Market Equities, April was a month of negative performance, in stark contrast to the positive returns posted by developed markets. EM declined c. 1.13%, trailing developed markets by -2.88%.

- April started on a firm note as investors assessed the outlook for US monetary policy after the US jobs report suggested a steady pace of growth, while the US CPI cooled down to 5.1%.
- In the second half, EM equities suffered a huge blow as concerns over potential fresh curbs on Chinese investment from the Biden administration, and signs of worsening ties between the US and China pushed traders toward less risky assets.
- China equities (-5.1%) accounted for most of the negative asset class returns despite the encouraging economic data releases evidencing that economic growth could be on track to exceed the 5% government target and policy remains supportive.
- Taiwan also suffered a significant drawdown during the month owing to geopolitical concerns as well as profit-taking in Tech on slower-than-expected demand recovery.

Performance Synopsis:

The strategy **underperformed** vs the benchmark on a gross basis during the month.
We are witnessing China's post-Covid recovery losing steam, lowering the expectation of a boost in Chinese tech shares from earnings. 1Q earnings came broadly in line with expectations, with some beating predictions, however, we have seen a deterioration in global investor sentiment and reversal of gains since the re-opening rally that started in Q4 2022. Chinese, US listed stocks such as internet giants, **Alibaba** and **Baidu** have performed poorly, declining more than 20% during the month. The sector is facing headwinds from growing U.S.-China tensions, high global interest rates and waning sentiment.

Detractors to relative performance included

- **Alibaba Group HO (9988:HK)**
  - Chinese technology infrastructure and marketing platforms provider which aligns with our ***digital transformation megatrend***
  - NB, Softbank sold out of its Alibaba holdings, not only putting pressure on the share price but also adding to the rather hawkish investor sentiment
- **Baidu (9888:HK)**
  - Chinese technology infrastructure and marketing platforms provider which aligns with our ***digital transformation megatrend***
- **Estun (2747:SZ)**
  - Chinese technological research, production and sales of high-end intelligent equipment firm which aligns with our ***digital transformation megatrend***

Contributors included:

- **Saudi Tadawul Corp (1111:SE)**
  - Parent company of Saudi Exchange, a dedicated stock exchange business, the Securities Clearing Centre Company (Muqassa), the Securities Depository Centre Company (Edaa) and Wamid
  - Aligns with our ***tactical theme megatrend***
  - One of the more attractive holdings in the GCC which constitutes 7.5% of MSCI EM
  - Have added into weakness.
- **Bandhan Bank (BANH:NS)**
  - Indian based Bandhan Bank focused on micro loans and housing finance aligns with our ***impact investing megatrend***
  - Stock has corrected significantly on concerns over asset quality. Late cycle recovery from COVID lockdowns. Recovery is now underway
- **Airtel Africa. (AAF:L)**
  - African telecom enablers of ***digital and financial inclusion***
  - The price rebounded from the weakness we saw back in March
  - The firm is well-positioned to keep benefiting from the surging use of digital payments in Africa. Financials have been improving with revenue growth, margin expansion and improving free cash flows

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

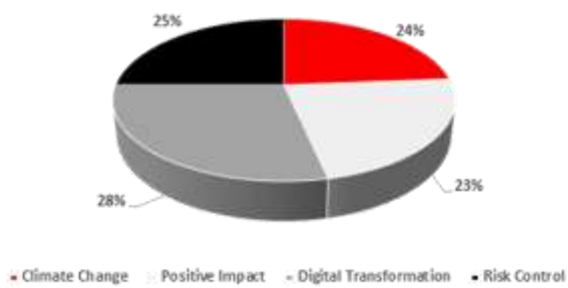
Strategy review of 2022

- 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)



TURNOVER

A Position was initiated in B3 SA-Brasil Bolsa Balcao. With Brazil on the verge of being the first large central bank to enter a rate cutting cycle, the Brazilian equity market may benefit from consequential flows with B3 being a significant beneficiary.
We closed positions in Infosys and JD.com. For Infosys, with US recession concerns, we have seen a faster than expected slowdown in IT spending at the start of the year. We believe current valuations were pricing in too high a growth in the short term, as we experience a short cyclical slowdown after the post Covid boom for IT services spending. The portfolio remains concentrated with 40 holdings and an active share of ~75%.

OUTLOOK

- We believe 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). 1Q23 GDP growth and strong credit impulse 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.
- EM corporate earnings growth is now more likely to be upgraded whilst DM earnings growth is still subject to downward revision if the soft landing/ mild recession scenario plays out.
- 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

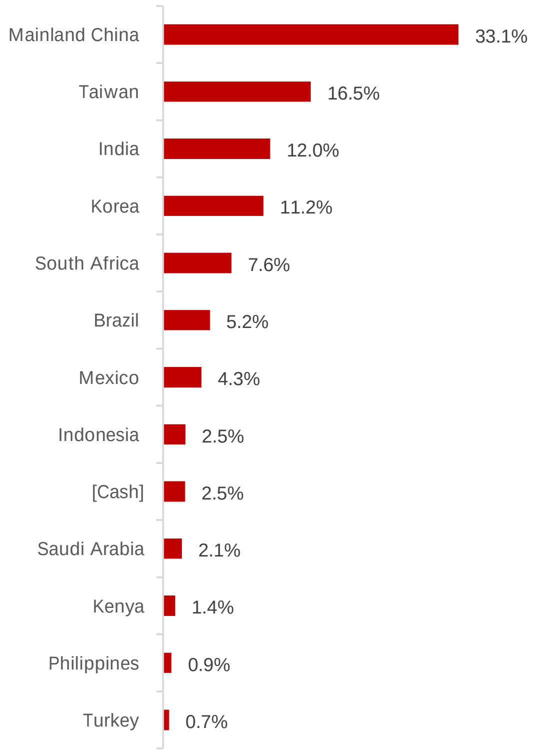
Portfolio

Instrument	Weight (%)
TAIWAN SEMICONDUCTOR CO LTD	7.8%
SAMSUNG ELECTRONICS CO LTD	5.9%
TENCENT HOLDINGS LTD	5.3%
RELIANCE INDUSTRIES LTD	4.7%
ALIBABA GROUP HOLDING LTD	4.5%
HYUNDAI MOTOR CO	3.1%
HON HAI PRECISION INDUSTRY	3.1%
HINDUSTAN UNILEVER LTD	2.9%
MTN GROUP LTD	2.8%
GENTERA SAB DE CV	2.8%
AIRTEL AFRICA PLC	2.6%
BANK RAKYAT INDONESIA PERSER	2.5%
BANCO BRADESCO S.A.	2.4%
WIWYNN CORP	2.4%
PING AN INSURANCE GROUP CO-H	2.4%
CONTEMPORARY AMPEREX TECHN-A	2.3%
ANGLO AMERICAN PLC	2.3%
SK HYNIX INC	2.2%
SHRIRAM FINANCE LTD	2.2%
BANDHAN BANK LTD	2.2%
SHENZHEN MINDRAY BIO-MEDIC-A	2.2%
CHROMA ATE INC	2.2%
SAUDI TADAWUL GROUP HOLDING	2.1%
CHINA LONGYUAN POWER GROUP-H	2.0%
NARI TECHNOLOGY CO LTD-A	2.0%
WEICHAI POWER CO LTD-H	1.9%
XINYI SOLAR HOLDINGS LTD	1.8%
BAIDU INC-CLASS A	1.8%
CIMC ENRIC HOLDINGS LTD	1.8%
ESTUN AUTOMATION CO LTD-A	1.6%
GRUPO FINANCIERO BANORTE-O	1.5%
CENTRAIS ELETRICAS BRASILIER	1.5%
SAFARICOM PLC	1.4%
B3 SA-BRASIL BOLSA BALCAO	1.3%
XINJIANG GOLDWIND SCI&TEC-H	1.2%
MEITUAN-CLASS B	1.2%
WUXI BIOLOGICS CAYMAN INC	1.1%
MEDIATEK INC	1.0%
PLDT INC	0.9%
TURKCELL ILETISIM HIZMET AS	0.7%
[Cash]	2.5%
TAIWAN SEMICONDUCTOR CO LTD	7.8%
Total	100.00%

Sector Allocation (%)

Name	Weight
Information Technology	26.5%
Financials	19.4%
Communication Services	15.4%
Industrials	10.8%
Consumer Discretionary	8.8%
Energy	4.7%
Utilities	3.5%
Health Care	3.3%
Consumer Staples	2.9%
Materials	2.3%
Real Estate	0.0%

Country allocation



Data as on 30 April 2023, Source – HSBC Asset Management. The above information are for illustrative purpose only and it should not be considered as investment research, investment recommendation or advice to any reader of this content to buy or sell investments. The Fund may or may not have any future position in these stocks.

HSBC Global Emerging Markets Fund

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		97.98%
HSBC GIF GLOB EMERG MKTS EQ S1 DIS	Overseas Mutual Fund	97.98%
Cash Equivalent		2.02%
TREPS*		2.28%
Net Current Assets:		-0.26%
Total Net Assets as on 30-April 2023		100.00%

Portfolio

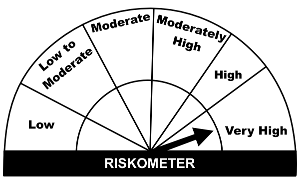
Overseas Mutual Fund	97.98%
Reverse Repos/TREPS	2.28%
Net Current Assets	-0.26%
Total Net Assets as on 30-April-2023	**100.00%**

*TREPS : Tri-Party Repo, Data as on 30 April 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



Investors understand that their principal will be at Very High risk

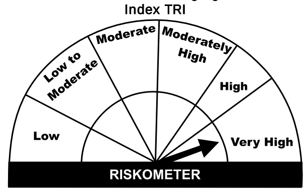
Fund of Funds (Overseas) - An Open-Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - (HGIF) Brazil Equity Fund.

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.

Benchmark: MSCI Emerging Markets Index TRI



* 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 30 April 2023

Disclaimer: This document has been prepared by HSBC Asset Management (India) Private Limited (HSBC) for information purposes only and should not be construed as i) an offer or recommendation to buy or sell securities, commodities, currencies or other investments referred to herein; or ii) an offer to sell or a solicitation or an offer for purchase of any of the funds of HSBC Mutual Fund; or iii) an investment research or investment advice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and / or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information / opinion herein.
This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor the units of HSBC Mutual Fund have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so.

HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.
GST - 27AABCH0007N1ZS, Email: investor.line@mutualfunds.hsbc.co.in | Website: www.assetmanagement.hsbc.co/in

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