

## 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)

August 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



#### Renewable Energy

Sustainable transition away from fossil fuels will need to be USD110tr of investment in renewable energies cumulatively to 2050.<sup>1</sup>



#### Energy Efficiency

Globally enhanced energy efficiency investments could boost cumulative economic output by USD18tr to 2035, increasing growth by 0.25-1.1% per year.<sup>2</sup>



#### Clean Transport

Improved and digitalised planning in shipping could lead to fewer kilometers travelled, allowing for industry revenue benefits of USD1.5tr by 2025.<sup>3</sup>



#### Green Buildings

In emerging markets alone, Green Buildings are expected to be a USD24.7 trillion investment opportunity by 2030.<sup>4</sup>



#### Sustainable Water & Wastewater Management

Water productivity improvements could cost USD60 billion annually over the next two decades. Many of these investments yield positive returns in just three years.<sup>5</sup>



#### Climate Change Adaptation

Research has shown that spending USD1.8tr on specific adaptation areas between 2020 and 2030 could generate USD7.1tr in total net benefits.<sup>6</sup>

Flood defences systems and related infrastructure information support systems, such as climate observation and early warning systems



#### Pollution & waste prevention and control

Air pollution kills 7 million people each year, costing USD5tr/year.<sup>7</sup>



#### Circular economy and resource efficiency

Switching to a circular economy could unlock an additional USD4.5tr of global GDP by 2030.<sup>8</sup>

Resource-efficient packaging and distribution  
Industrial carbon capture and storage technology



#### Natural capital & ecosystems

Enhancing coastal wetlands could save the insurance industry USD52bn a year in reduced losses from storms and flood damage.<sup>9</sup>

Themes such as Clean transport, Clean energy, Water management provide great investment potential

### HGIF Global Equity Climate Change – Portfolio strategy (Underlying Fund) ^

#### 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 in Industrials, IT, Materials and Utilities, whilst being underweight in Energy and defensive sectors such as Healthcare and Consumer Goods. The strategy is structurally underweight in fossil fuel energy. Exposure to the Energy sector is accessed via bio based, renewable fuels or equipment for the Energy transition.

Fund Insights: The resolution on the US debt ceiling and optimism around potential peaking of interest rates caused global equities to move higher. The Industrials sector in the portfolio performed particularly well, with ~~our~~ new position added earlier in the year, Advanced Drainage Systems, rising 18% in the month. On the other hand, sentiment in the wind equipment value chain was weak as a major supplier announced turbine component and design issues – this primarily impacted ~~our~~ holding in Vestas.

Positive outliers: Trane Technologies, Deere and Ecolab

Negative outliers: First Solar, Vestas and Croda

Positioning: Current focus on high quality and defensive companies; US remains attractive as more clarity on IRA implementation is revealed, whilst depressed valuations and superior growth in Asia is also presenting opportunities; increased renewable energy exposure and small tactical adjustments to benefit from volatile markets

Portfolio changes: Brenntag (reduced), Nari Technology (added) and CIMC ENRIC (added)

Outlook: 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. Constructive near-term due to ongoing developments on the EU Green Deal Industrial. In the mid-term, the underlying fund management team continues to expect accelerated energy transition developments due to positive policy backdrop (the US Inflation Reduction Act and REPowerEU plan)

Data as on 31 July 2023

Source: HSBC 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, Stock specific information provided above is based on Portfolio details as on July 31, 2023. The scheme may or may not have future positions in this stock. The above should not be construed as an investment advice or research report or recommendation to buy or sell any stock mentioned above. Past performance may or may not sustain and doesn't guarantee the future performance.

# HGIF Global Equity Climate Change - HGECC – Underlying Fund

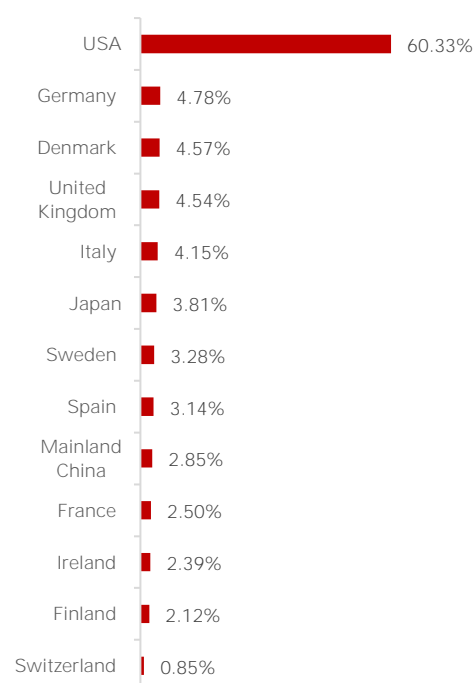
## Portfolio

Instrument	Weight
MICROSOFT CORP 10127941	4.8%
TRANE TECHNOLOGIES PLC 10176037	4.7%
SCHNEIDER ELECTRIC SE 10126171	4.5%
ECOLAB INC 10148085	4.4%
INFINEON TECHNOLOGIES AG 10121724	4.2%
DEERE & CO 10127767	4.2%
PRYSMIAN SPA 10219956	4.1%
VERISK ANALYTICS INC 10128137	4.1%
ACCENTURE PLC-CL A 10134946	3.9%
WATTS WATER TECHNOLOGIES-A 10131327	3.5%
AUTODESK INC 10180280	3.3%
NIBE INDUSTRIER AB-B SHS 10224592	3.3%
EDP RENOVAVEIS SA 10218801	3.1%
FIRST SOLAR INC 10167587	3.1%
HUBBELL INC 10175744	3.1%
ORSTED A/S 10126596	2.7%
PROLOGIS INC 10170612	2.6%
SENSATA TECHNOLOGIES HOLDING 10290745	2.5%
CAPGEMINI SE 10127147	2.5%
CRODA INTERNATIONAL PLC 10219190	2.3%
SSE PLC 10126679	2.3%
BALL CORP 10127285	2.1%
NESTE OYJ 10224559	2.1%
AZBIL CORP 10173157	2.1%
DANAHER CORP 10127833	1.9%
VESTAS WIND SYSTEMS A/S 10221212	1.9%
OMRON CORP 10169907	1.7%
AGILENT TECHNOLOGIES INC 10170968	1.7%
ADVANCED DRAINAGE SYSTEMS IN 10167506	1.4%
CIMC ENRIC HOLDINGS LTD 10229174	1.4%
WASTE MANAGEMENT INC 10180313	1.4%
KINGSPAN GROUP PLC 10228409	1.3%
ENPHASE ENERGY INC 10356844	1.3%
SMURFIT KAPPA GROUP PLC 10126638	1.1%
SOLAREGE TECHNOLOGIES INC 10186773	1.0%
NARI TECHNOLOGY CO LTD-A 10140086	0.9%
TRIMBLE INC 10128089	0.9%
DSM-FIRMENICH AG 11440360	0.9%
BRENNTAG SE 10192479	0.6%
SUNGROW POWER SUPPLY CO LT-A 10430902	0.5%
[Cash]	0.7%
<b>Total</b>	<b>100.0%</b>

## Sector Allocation (%)

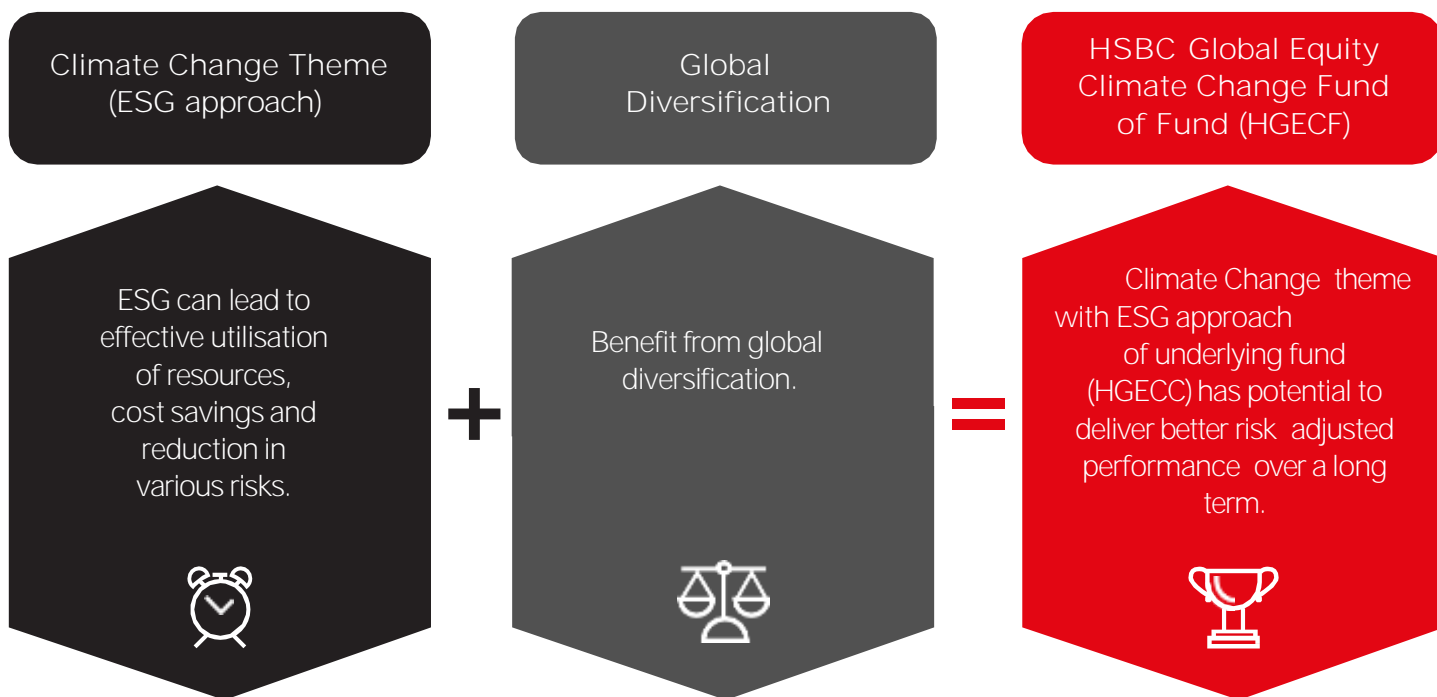
Sector	Weight
Industrials	43.44%
Information Technology	28.75%
Materials	10.74%
Utilities	8.06%
Health Care	3.62%
Real Estate	2.57%
Energy	2.12%
Consumer Staples	0.00%
Communication Services	0.00%
Consumer Discretionary	0.00%
Financials	0.00%
[Cash]	0.70%
<b>Total</b>	<b>100.00%</b>

## Country allocation



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

HSBC Global Equity Climate Change Fund of Fund 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

<sup>1</sup> An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

<sup>2</sup> 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

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

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM
Fund of Funds (Overseas)	Sonal Gupta	MSCI AC World TRI	22 Mar 2021	Rs. 256.14 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) <sup>2</sup>				2.12%
Expense ratio (Direct)				1.33%

Investors should note that the expenses to be borne by the investor include the recurring expenses of the Underlying scheme in which Fund of Funds Scheme makes investments subject to the maximum limits prescribed under sub-regulation 6 & 6A of Regulation 52 of the SEBI Regulations.

<sup>1</sup> As per clause 1.9 of the SEBI Master Circular dated May 19, 2023, 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

<sup>2</sup> Continuing plans

MSCI ACWI TRI = MSCI All Country World Net Return Index (MSCI ACWI NR)

# HSBC Global Equity Climate Change Fund of Fund

## Portfolio

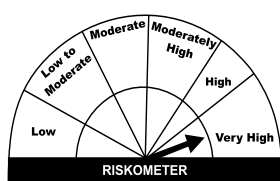
Issuer	Industries	% to Net Assets
<b>Mutual Fund Units</b>		<b>96.10%</b>
HSBC GIF GL EQ CLM CHG JCUSD	Overseas Mutual Fund	96.10%
<b>Cash Equivalent</b>		<b>3.99%</b>
<b>TREPS*</b>		<b>4.61%</b>
<b>Net Current Assets:</b>		<b>-0.71%</b>
<b>Total Net Assets as on 31-July-2023</b>		<b>100.00%</b>

## Asset Allocation

International - Mutual Fund Units	96.10%
Reverse Repos/TREPS	4.61%
Net Current Asset	-0.71%
<b>Total Net Assets as on 31-July-2023</b>	<b>100.00%</b>

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

### HSBC Global Equity Climate Change Fund of Fund



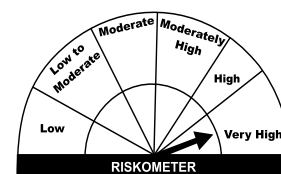
Investors understand that their principal will be at Very High risk

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

This product is suitable for investors who are seeking\*:

- To create wealth over long term.
- Investment predominantly in companies positioned to benefit from climate change through fund of funds route

**Benchmark: MSCI AC World 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 Mutual Fund, data as on 31 July 2023

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

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