

## 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.

January 2023

Fund Category	Fund Manager	Benchmark <sup>1</sup>	Inception Date	AUM
Fund of Funds (Overseas)	Sonal Gupta	MSCI AC Asia Pacific ex Japan TRI	24 Feb 2014	Rs. 8.07 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 <sup>2</sup>	
Standard Deviation	17.90%
Beta	0.88
Sharpe Ratio <sup>3</sup>	-0.11
R2	0.86

### 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. <sup>4</sup>	
Expense ratio (Other than Direct) <sup>5</sup>	2.06%
Expense ratio (Direct)	1.29%

Product Note

Data as on 31 December 2022

<sup>1</sup> 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

<sup>2</sup> Statistical Ratios disclosed are as per monthly returns (Annualized) for the last 3 years.

<sup>3</sup> Risk free rate: 6.60% (FIMMDA-NSE MIBOR) as on December 31, 2022

<sup>4</sup> Continuing plans

Document date :21 January 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

## ASIA PACIFIC EX JAPAN EQUITY - HIGH DIVIDEND

### (a) DECEMBER PERFORMANCE SYNOPSIS:

The fund underperformed the official standard market cap benchmark on a gross basis in December.

Hong Kong and financials contributed most to fund performance this month from a country and sector perspective. The Hong Kong and China financials holdings we own having de-rated for most of the year continued to recover aided by better investor sentiment on the back of earlier than expected China reopening (Ping An, Hong Kong Exchange, AIA).

On the other hand, unfavourable allocation (we are overweight) and stock selection effect in information technology detracted most from overall performance. Mediatek is the biggest detractor in the space given concerns of chip pricing pressure might lead to margin erosion. Mainland China is the biggest detractor on a country basis driven by unfavourable allocation (we are underweight) and stock selection effects.

Aside from Mediatek, United Tractors is also amongst the biggest stock detractors in December along with Indonesia which has underperformed the rally without any obvious catalysts.

4Q22: Overall in 4Q the strategy underperformed the benchmark. Hong Kong and financials are the top country and sector contributors. The Hong Kong and China financials we hold significantly contributed to performance (Ping An, AIA). However Indonesia and telecoms within communication services underperformed in this rally (Telkom Indonesia).

2022: Despite 4Q underperformance the strategy still managed to outperform the benchmark overall in calendar year 2022. Our underweight and positive stock selection effects in China contributed to the majority of the outperformance, followed by the strong positive stock selection in Australia given the materials names we have held significantly outperformed this year. On the other hand, Taiwan and information technology are the biggest country and sector detractors for 2022 given the growth to value rotation has hurt the performance of our major technology hardware holdings in the portfolio.

### (b) OUR APPROACH AND POSITIONING

This strategy seeks to offer investors regular income with growth optionality. We are focused to identify companies with competitive positioning, healthy balance sheets with the ability to generate and sustain cash flows from a bottom up basis. These companies also tend to have stronger shock buffers in a macro downturn environment.

Our high dividend strategy invests in three types of companies: (i) leading cyclical/value companies with scale/low-cost advantage, (ii) defensive companies preferably with catalysts, and (iii) net cash positive growth companies, which we find in emerging Asian markets such as India, Indonesia, Korea and Taiwan.

#### Country Positioning:

- Hong Kong has replaced Indonesia to be the largest country relative overweight vs the benchmark
- Mainland China continues to be our biggest relative underweight given dividends / dividend potential is lacking in many Chinese companies as they are still at the growth stage.

#### Sector Positioning:

- Sectorally communication services is the biggest overweight in the portfolio with most of the holdings in the respective telecom and tower leaders in the region.
- Financials is the second active sector weight in the portfolio. Our biggest stock overweights within the sector include leading banks in Korea (KB Financials), Singapore (DBS), as well as the Hong Kong listed financials heavyweights (HKEx, AIA).

# HGIF Global Asia Pacific ex Japan Equity High Dividend Underlying Fund

## OUTLOOK

2022 has been a remarkable year by any stretch of the imagination where investors have experienced a 'poly-crisis' of rolling economic, geopolitical and market shocks leading to significant style rotations, tighter financial conditions and a widening of risk premia across asset classes. Least to say it's been a challenging year for equities.

1. Silver lining may be on the horizon for Asian equities in 2023, with peaking USD, inflation and rate hikes particularly conducive to a recovery.
2. Valuation: The broad market sell off in 2022 with major Asian indices entering technical bear markets means that expected returns have improved as we go into 2023. Valuations have bounced off trough levels but still at attractive levels at 12.8x forward P/E, 22% / 10% discount to US / global markets.

Earnings: Asia was early in the earnings downgrade cycle, and has already seen earnings cut by half since the start of the year. Consensus forward EPS now at 5% / 13% / in 2023 / 2024. Other markets such as the US is only starting to see earnings revision turn south.

3. China: Reopening has been faster than expected and has lifted China and regional demand and sentiment, whilst further relaxation in property sector removed some downside risk from a balance sheet perspective. Economic indicators however will still be challenging in the near term (as seen in the December data) until more policy stimulus comes through and gradual demand stimulation on the back of reopening, while travel restrictions by foreign authorities and new variant risks would have to be closely monitored. We are of the view that fiscal policy support will likely be front loaded before private consumption picks up in 2H23.
4. North Asia / Tech: Taiwan and Korea have seen a recovery alongside Hong Kong and China. Given market expectation of reducing pace of rate hikes along with low valuations, we do see pockets of opportunity for the information technology sector in particular to recover and both our large cap and small cap strategies have added exposure to this space.

# HGIF Global Asia Pacific ex Japan Equity High Dividend Underlying Fund

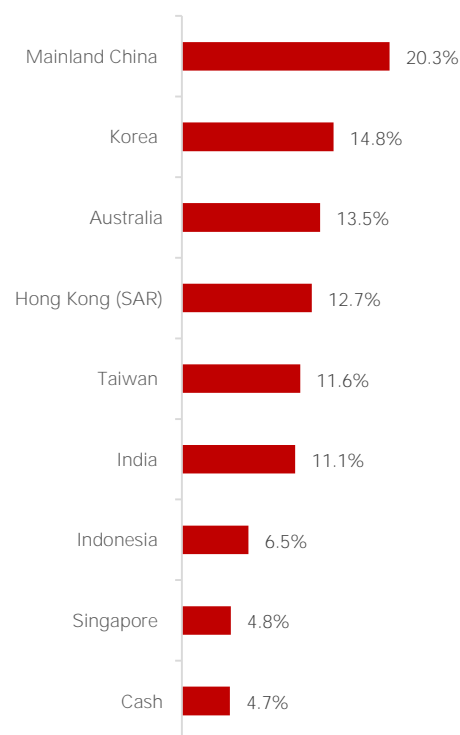
## Portfolio

Instrument	Weight (%)
TAIWAN SEMICONDUCTOR CO LTD	7.4%
AIA GROUP LTD	6.0%
KB FINANCIAL GROUP INC	4.9%
SK TELECOM	4.9%
DBS GROUP HOLDINGS LTD	4.8%
HONG KONG EXCHANGES & CLEAR	4.7%
PING AN INSURANCE GROUP CO-H	4.4%
CHINA CONSTRUCTION BANK-H	4.2%
TELKOM INDONESIA PERSERO TBK	4.1%
BAIDU INC-CLASS A	4.0%
TELSTRA CORP LTD	3.8%
CHINA STATE CONSTRUCTION INT	3.5%
MEDIATEK INC	3.5%
HCL TECHNOLOGIES LTD	3.3%
SAMSUNG ELECTRONICS CO LTD	3.2%
BHP GROUP LTD	3.0%
INDUS TOWERS LTD	2.9%
UNITED TRACTORS TBK PT	2.4%
NEW WORLD DEVELOPMENT	2.0%
SOUTH32 LTD	2.0%
COMMONWEALTH BANK OF AUSTRAL	2.0%
SK SQUARE CO LTD	1.8%
SANTOS LTD	1.5%
IND & COMM BK OF CHINA-H	1.5%
MINDSPACE BUSINESS PARKS REI	1.4%
INFOSYS LTD	1.4%
FORTESCUE METALS GROUP LTD	1.3%
CHINA RESOURCES CEMENT	1.2%
POWER GRID CORP OF INDIA LTD	1.1%
INDIA GRID TRUST	1.0%
WIWYNN CORP	0.7%
TENCENT HOLDINGS LTD	0.6%
SHIMAO GROUP HOLDINGS LTD	0.5%
TINGYI (CAYMAN ISLN) HLDG CO	0.3%
PROSUS NV	0.2%
Cash	4.7%
<b>Total</b>	<b>100.00%</b>

## Sector Allocation (%)

Name	End Weight
Financials	32.4%
Information Technology	21.2%
Communication Services	20.3%
Materials	7.4%
Real Estate	3.9%
Energy	3.9%
Industrials	3.5%
Utilities	2.2%
Consumer Staples	0.3%
Consumer Discretionary	0.2%
Cash	4.7%

## 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

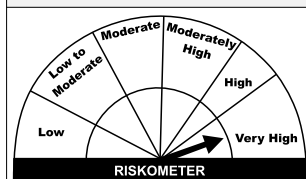
Issuer	Industries	% to Net Assets
Mutual Fund Units		96.03%
HSBC GIFAsia Pacific Fund	Overseas Mutual Fund	96.03%
Cash Equivalent		3.97%
TREPS*		3.73%
Net Current Assets:		0.24%
Total Net Assets as on 31-December-2022		100.00%

\*TREPS : Tri-Party Repo Data as on 31 December '22

## Asset Allocation

Overseas Mutual Fund	96.03%
Reverse Repos/TREPS	3.73%
Net Current Assets	0.24%
Total Net Assets as on 31-December-2022	100.00%

### HSBC Asia Pacific (Ex Japan) Dividend Yield Fund

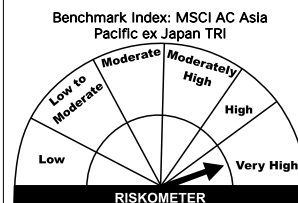


Investors understand that their principal will be at Very High risk

**Fund of Funds (Overseas)** – An Open Ended Fund of Funds Scheme investing in HSBC Global Investments Fund - (HGIF) Asia Pacific Ex Japan Equity High Dividend Fund

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

- To create wealth over long-term
- Investment in equity and equity related securities of Asia Pacific countries (excluding Japan) through fund of funds route



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

**Note on Risk-o-meters:** Riskometer is as on 31 Dec 2022. 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 Dec 2022

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.

© Copyright. HSBC Asset Management (India) Private Limited 2023, ALL RIGHTS RESERVED.

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.