

Invest for positive change that lasts for generations

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

November 2022

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 USD110trn of investment in renewable energies cumulatively to 2050.¹



Energy Efficiency

Globally enhanced energy efficiency investments could boost cumulative economic output by USD18trn to 2035, increasing growth by 0.25-1.1% per year.²



Clean Transport

Improved and digitalised planning in shipping could lead to fewer kilometers travelled, allowing for industry revenue benefits of USD1.5trn by 2025.³



Green Buildings

In emerging markets alone, Green Buildings are expected to be a USD24.7 trillion investment opportunity by 2030.⁴



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.⁵



Climate Change Adaptation

Research has shown that spending USD1.8trn on specific adaptation areas between 2020 and 2030 could generate USD7.1trn in total net benefits.⁶
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 USD5trn/year.⁷



Circular economy and resource efficiency

Switching to a circular economy could unlock an additional USD4.5trn of global GDP by 2030.⁸
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.⁹

Clean transport, clean energy, water management are some of the themes with great potential

HGIF Global Equity Climate Change (HGECC) – Monthly Commentary – August 31, 2022

- Contributors to relative performance included USA holding, FIRST SOLAR (Information Technology) with a total effect of 0.51%. Additionally, USA security, DEERE & (Industrials) was in the top two contributors with a total effect of 0.38%.
- Detractors included USA security, BALL (Materials) with a total effect of -0.51%, and Japanese holding SHIMADZU (Information Technology) with a total effect of -0.39%.
- During this period, positions were closed in OATLY GROUP AB and AZURE POWER GLOBAL.
- Sector and country allocation effects are residual to stock selection. At the country level, effects were negative, given an overweight exposure to Sweden. At the sector level, effects were negative, given an underweight exposure to Financials.

Data as on 31 October 2022,

Source: HSBC Global 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

INVESTMENT COMMENTARY – ACTIVE GLOBAL CLIMATE EQUITY STRATEGIES October 2022

Investment commentary

KEY TAKEAWAYS

- Market drivers: Rising interest rates adversely effected interest rate sensitive stocks and sectors the most, namely Real Estate, Utilities and Communication services.
- Sector impact on strategies: While Climate Change strategies were penalized by their absence or underweighting to Energy, Finance and Healthcare and their overweighting to Utilities, their overweighting to Industrials and IT was a compensating factor.
- Energy crisis impact is likely temporary: high energy prices are currently favoring fossil fuel based energy companies. In Europe, electric utilities faced uncertainties around the prospects of government intervention in their sector. We believe that these are short term impacts and does not disrupt the long-term trajectory of growth from climate change solutions

In a context of an energy crisis in Europe, a chip shortage and other supply bottlenecks, the scarcity of resources and products has increasingly coming into focus. As such, we believe that companies that integrate circular economy practices in their strategies are better able to cope and deliver on maintaining or even increasing their long term returns on capital.

MARKET COMMENTARY – GLOBAL EQUITIES

- Market: MSCI World returned 7.11% during the month of October with developed markets leading the way while emerging markets fell.
- In the US, equities began to recover despite the fed confirming tighter monetary conditions will persist. However, despite difficult macro conditions earnings remained strong with companies delivering better than expected results. Big tech bucked the trend of strong earnings with a disappointing display of results. Importantly, valuations are starting to enter attractive territories, however, the challenging environment remains an obstacle for momentum to take hold.
- Similarly, European equities recovered during the month with earnings generally showing resilience. The ECB continued to raise interest rates with a 75 basis point hike, whilst the possibility of Europe heading towards a recession enthused investors in the hope that rates won't climb much higher. Despite this inflation hit a new high of 10.7% y.o.y in October, however, regulation of energy markets could reduce their outsized influence on prices.
- Emerging markets continued to fall during the month with China continuing to lead the decline. After China's party conference, investors had little hope that the zero Covid policy would end as XI Jinping authority over policy decisions was reinforced. Despite the negative return of emerging markets, oil exporting countries gained as OPEC cut production, pushing prices higher, in addition to Brazil gaining as election driven volatility is behind them with former president Lula winning a third term.
- Currencies: The euro ended the month unchanged at \$0.98.
- Commodities: Brent slightly rose from \$90 to \$92.5 but natural gas dropped significantly during the month only to recover by month end. inventories for the winter. GSCI Commodities Index composite rose by 6% in dollars.
- Global sectors: Energy was the top performer (+20.0%) along with Industrials (+10.3%) and Finance (+9.0%). The worst were Communication Services (+1.0%), Real Estate (+1.1%) and Consumer Discretionary (+1.8%).
- Styles: Value (+9.6%) outperformed Growth (4.50%).

Outlook Climate Change Theme

- Companies offering climate change solutions have a structural growth profile in the long term. In the short term, the theme is facing headwinds from the energy and inflation crisis.
- The short term headwinds are a result of supply bottlenecks, an increase in production costs and a slowdown in short term demand.
- The US government's Inflation Reduction Act, passed in August is particularly exciting given the sizable and long-term support package across a broad range of technologies from solar and wind to hydrogen and carbon capture & storage. Europe is seeking to accelerate its transition to renewable energy given the region's current energy crisis.

1. HGIF GLOBAL EQUITY CLIMATE CHANGE

(a) OCTOBER PERFORMANCE SYNOPSIS:

- The strategy returned +6.42% versus +6.03% for the benchmark gross of fees during the month.
- Sector allocation was slightly positive. Stock selection was slightly negative because of the underperformance of several companies who were downgraded even after maintaining their guidance.
- Positive sector allocation: The fund's overweighting in Industrials and IT more than compensated for being underweight Energy Financials and Healthcare and overweight utilities.

(b) TOP AND BOTTOM CONTRIBUTORS

Top contributors

	Average Weighting (%)	Contribution	Performance	Sub-theme
Top contributors				
1. Deere & Co	4.71	0.82	19%	Natural Capital & Ecosystems
2. Autodesk	3.72	0.53	15%	Green Buildings
3. Prysmian	4.15	0.50	12%	Renewable Energy
Top detractors				
1. Nibe Industrier	3.51	-0.46	-12%	Green Buildings
2. CIMC ENRIC	1.13	-0.1	-9%	Renewable Energy
3. Danaher	2.39	-0.07	-3%	Sustainable Water & Wastewater Management

Top contributors

Deere & Co, an agricultural equipment manufacturer, Autodesk, a construction and industrial software company, and Prysmian, a cable manufacturer, rose during the month amid a bear market rally. There was no material company-specific news that impacted the stocks.

Top detractors

Nibe Industrier, a heat pump manufacturer, fell following a ratings downgrade from a sell-side broker, citing downside risks from the company's cyclical exposure.

CIMC ENRIC, a gas equipment manufacturer, traded lower as negative sentiment in the Chinese equity markets offset the company's announced strong quarterly earnings results.

Danaher, an analytical instruments company, reported solid quarterly earnings results, in-line with our expectations, however concerns around a weak order book in bioprocessing was enough to weigh on the stock performance.

(c) TRANSACTIONS

No changes were made in the HGIF Global Equity Climate Change Fund during the month.

(d) 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 Industrials, IT, Materials and Utilities, whilst being underweight in Energy and defensive sectors such as Healthcare and Consumer Goods. The strategy has little to no direct fossil fuel exposure given the portfolio's objective to have a carbon intensity that is 50% lower than the MSCI ACWI.

	Average Weighting (%)	Contribution	Performance
Renewable Energy	23.33	1.48	6%
Energy Efficiency	21.73	1.34	6%
Green Buildings	17.63	0.96	5%
Natural Capital & Ecosystems	6.91	0.96	14%
Sustainable Water & Wastewater Management	9.22	0.73	8%
Pollution & Waste Prevention & Control	11.86	0.51	4%
Climate Change Adaptation	3.57	0.25	7%
Circular Economy and Resource Efficiency	5.73	0.18	3%
Clean Transportation	0.00	0.00	

Source - HSBC Asset Management, HGIF Global Equity Climate Change underlying fund commentary, Bloomberg, Data as on 31 October 2022

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.

HGIF Global Equity Climate Change - HGECC – Underlying Fund

Portfolio

Instrument	Weight (%)
DEERE & CO	4.9%
TRANE TECHNOLOGIES PLC	4.7%
PRYSMIAN SPA	4.2%
ECOLAB INC	4.0%
SCHNEIDER ELECTRIC SE	3.9%
ACCENTURE PLC-CL A	3.9%
AUTODESK INC	3.9%
VERISK ANALYTICS INC	3.6%
EDP RENOVAVEIS SA	3.6%
MICROSOFT CORP	3.6%
NIBE INDUSTRIER AB-B SHS	3.2%
WATTS WATER TECHNOLOGIES-A	3.0%
ENPHASE ENERGY INC	2.9%
INFINEON TECHNOLOGIES AG	2.9%
CRODA INTERNATIONAL PLC	2.7%
NESTE OYJ	2.7%
FIRST SOLAR INC	2.6%
SHIMADZU CORP	2.6%
PROLOGIS INC	2.6%
ORSTED A/S	2.6%
SENSATA TECHNOLOGIES HOLDING	2.5%
CAPGEMINI SE	2.4%
DANAHER CORP	2.2%
BRENTAG SE	2.2%
AGILENT TECHNOLOGIES INC	2.1%
HUBBELL INC	2.0%
AZBIL CORP	2.0%
BALL CORP	2.0%
VESTAS WIND SYSTEMS A/S	1.6%
SSE PLC	1.5%
OMRON CORP	1.5%
WASTE MANAGEMENT INC	1.4%
SMURFIT KAPPA GROUP PLC	1.2%
TRIMBLE INC	1.1%
KINGSPAN GROUP PLC	1.1%
KONINKLIJKE DSM NV	1.0%
CIMC ENRIC HOLDINGS LTD	1.0%
SOLAREDGE TECHNOLOGIES INC	0.9%
SUNGROW POWER SUPPLY CO LT-A	0.6%
NARI TECHNOLOGY CO LTD-A	0.4%
Futures	0.3%
Cash	0.7%
Total	100.00%

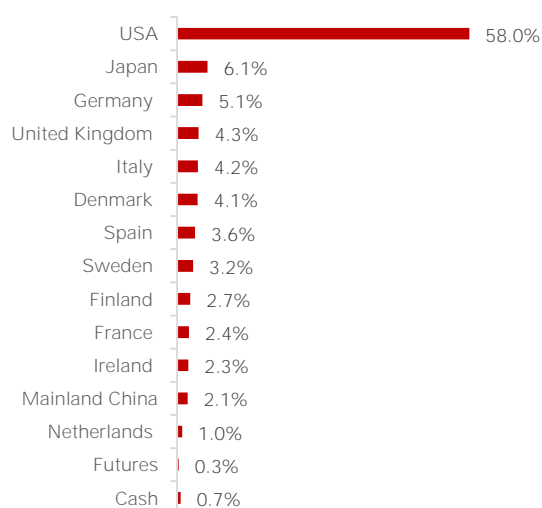
Sector Allocation (%)

Name	Weight
Industrials	40.4%
Information Technology	30.3%
Materials	11.0%
Utilities	7.7%
Health Care	2.6%
Energy	2.7%
Real Estate	0.0%
Financials	0.0%
Consumer Discretionary	4.4%
Futures	0.3%
Cash	0.7%

Portfolio – Top 10

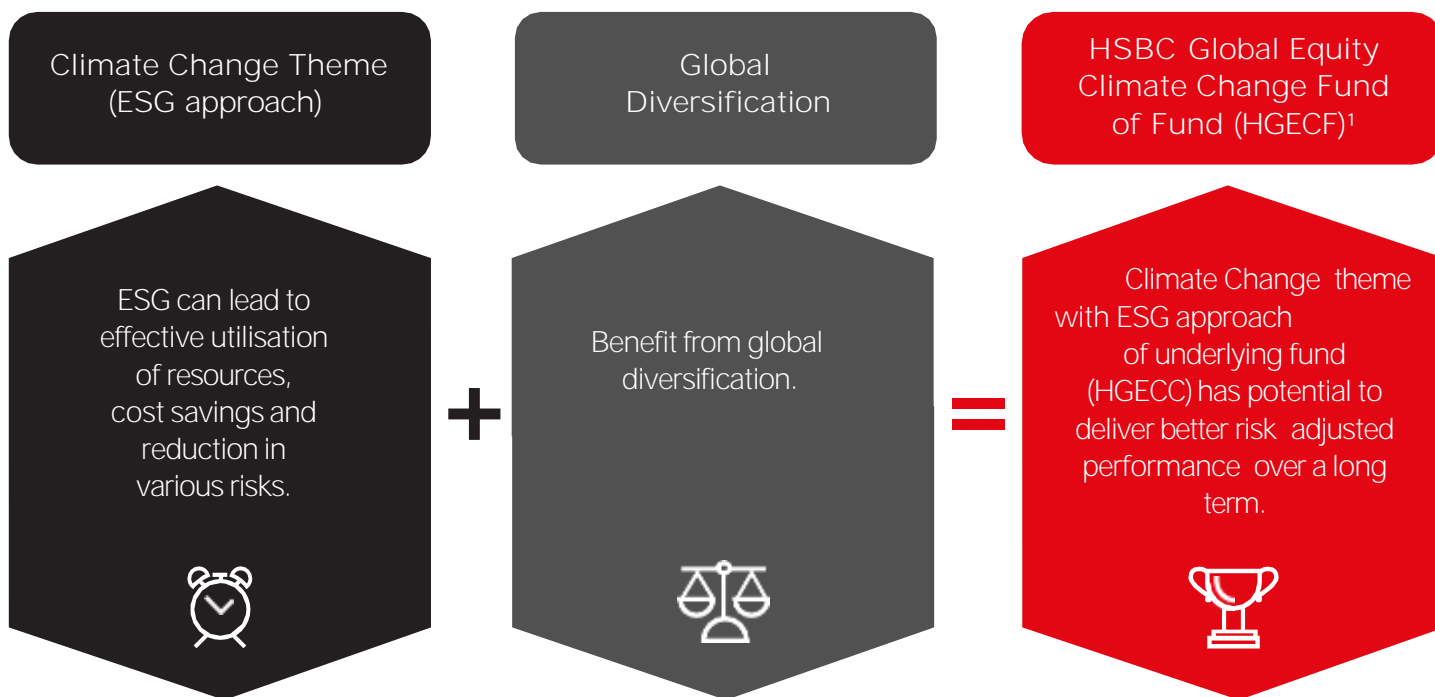
Instrument	Weight (%)
Industrials	40.4%
Information Technology	30.3%
Materials	11.0%
Utilities	7.7%
Consumer Discretionary	4.4%
Energy	2.7%
Health Care	2.6%
Futures	0.3%
Cash	0.7%

Country allocation



HSBC Global Equity Climate Change Fund of Fund (HGECF)¹

HSBC Global Equity Climate Change Fund of Fund² 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

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

² 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 (HGECF) [Feeder Fund]

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

Benchmark

MSCI AC World TRI.³

Fund Managers

B. Aswinkumar

Where will the scheme invest?

The corpus of the Scheme will be predominantly invested in the units of HSBC Global Investment Funds - Global Equity Climate Change. 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

³The Fund reserves the right to change the benchmark for evaluation of the performance of the Scheme from time to time, subject to SEBI (Mutual Funds) Regulations and other prevailing guidelines, if any. Note: For complete details on where scheme will invest, please refer to the Scheme Information Document of HSBC Global Equity Climate Change Fund of Fund.
MSCI ACWI TRI = MSCI All Country World Net Return Index (MSCI ACWI NR)

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

Portfolio

Issuer	Industries	% to Net Assets
EQUITY		98.55%
HSBC GIF-Global Equity Climate Change	Overseas Mutual Fund	98.55%
Cash Equivalent		1.45%
TREPS*		2.34%
Net Current Assets:		-0.89%
Total Net Assets as on 31-October-2022		100.00%

*TREPS : Tri-Party Repo, Data as on 31 October 2022

Asset Allocation

Overseas Mutual Fund	98.55%
Reverse Repos/TREPS	2.34%
Net Current Asset	-0.89%
Total Net Assets as on 31-October-2022	100.00%

Fund Details – Load



Exit Load

Any redemption / switch-out of units within 1 year from the date of allotment shall be subject to 1% exit load.
(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.

Fund Details – HSBC Global Equity Climate Change Fund of Fund



Fund Manager

B. Aswin Kumar (For Overseas Investments) (since 06 October 2021)
Kapil Punjabi (since 22 March 2021)



AUM (as on 31.10.22)

404.15 Cr



Minimum Investment

Lumpsum . 5,000
Additional Purchase . 1,000



Benchmark ³

MSCI AC World TRI

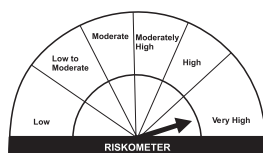


Inception Date

22 March 2021

HSBC Global Equity Climate Change Fund of Fund Riskometer

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

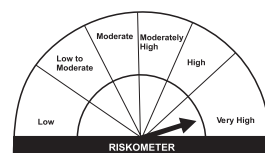
This product is suitable for investors who are seeking^{##}:

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

^{##}Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

³Please 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. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. 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.

Benchmark: MSCI AC World TRI



³ 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. Source: HSBC Asset Management, India

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