

# HSBC Global Investment Funds

# EUROPE VALUE

Monthly report 31 January 2024 | Share class IC



## Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of European shares, while promoting environmental, social and governance (ESG) characteristics. The Fund qualifies under Article 8 of SFDR.



## Investment strategy

The Fund is actively managed. In normal market conditions, the Fund will invest at least 90% of its assets in shares (or securities similar to shares) of companies of any size, that are based in, or carry out most of their business in any developed European country. The Fund includes the identification and analysis of a company's ESG Credentials as an integral part of the investment decision making process to reduce risk and enhance returns. The Fund will not invest in shares issued by companies with involvement in specific excluded activities: such as: companies involved in the production of controversial weapons and tobacco; companies with more than 10% revenue generated from thermal coal extraction; and companies with more than 10% revenue generated from coal-fired power generation. The Fund may invest up to 10% in Real Estate Investment Trusts, and may also invest up to 10% of its net assets in other funds. See the Prospectus for a full description of the investment objectives and derivative usage.



## Main risks

- The Fund's unit value can go up as well as down, and any capital invested in the Fund may be at risk.
- The value of investible securities can change over time due to a wide variety of factors, including but not limited to: political and economic news, government policy, changes in demographics, cultures and populations, natural or human-caused disasters etc.
- 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.

## Share Class Details

### Key metrics

NAV per Share	<b>EUR 65.44</b>
Performance 1 month	<b>-0.48%</b>
Volatility 3 years	<b>15.26%</b>

### Fund facts

UCITS V compliant	<b>Yes</b>
Dividend treatment	<b>Accumulating</b>
Dealing frequency	<b>Daily</b>
Share Class Base Currency	<b>EUR</b>
Domicile	<b>Luxembourg</b>
Inception date	<b>13 February 2008</b>
Fund Size	<b>EUR 66,940,982</b>
Reference benchmark	<b>100% MSCI Europe</b>
Managers	<b>Samir Essafri</b>

### Fees and expenses

Minimum initial investment (HK) <sup>1</sup>	<b>USD 1,000,000</b>
Maximum initial charge (HK)	<b>5.000%</b>
Management fee	<b>0.750%</b>

### Codes

ISIN	<b>LU0164907411</b>
Bloomberg ticker	<b>HSBEEIE LX</b>

<sup>1</sup>Please note that initial minimum subscription may vary across different distributors

Past performance does not predict future returns. The figures are calculated in the share class base currency, NAV to NAV basis with dividend reinvested, net of fees. If investment performance is not denominated in HKD or USD, HKD or USD based investors are exposed to exchange rate fluctuations. \*The fund may pay dividends out of capital or gross of expenses.

Reference Performance Benchmark: MSCI Europe Net since 1 Jul 2013.

Before that, the benchmark was FTSE Europe Gross.

Prior to 31 Dec 1993 was FTSE Europe Price.

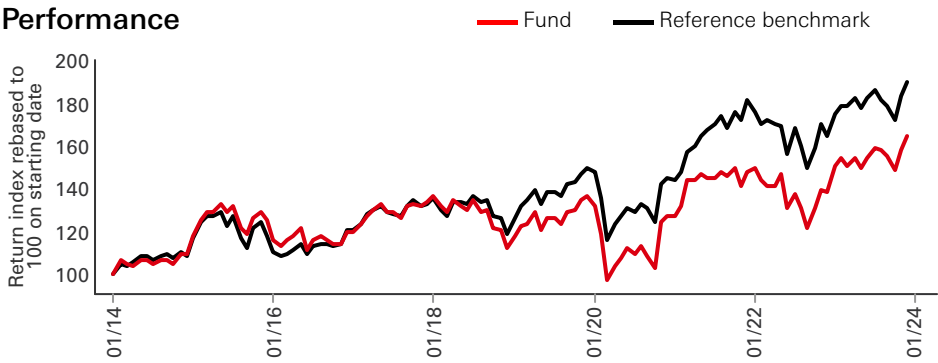
Fund changes that may have material impact on performance: 1 Jan 2011 – investment objective changed. 30 Sep 2016 - investment adviser changed. 16 Nov 2018 - Change in the manner of charging sales charge / switching charge. Until 19 April 2021 the name of the sub-fund is HSBC Global Investment Funds – European Equity.

For definition of terms, please refer to the Glossary QR code.

Source: HSBC Asset Management, data as at 31 January 2024

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Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years	5 years
IC	-0.48	-0.48	10.39	2.67	8.87	28.87	39.64
Reference benchmark	1.57	1.57	12.12	3.82	10.17	34.25	52.91

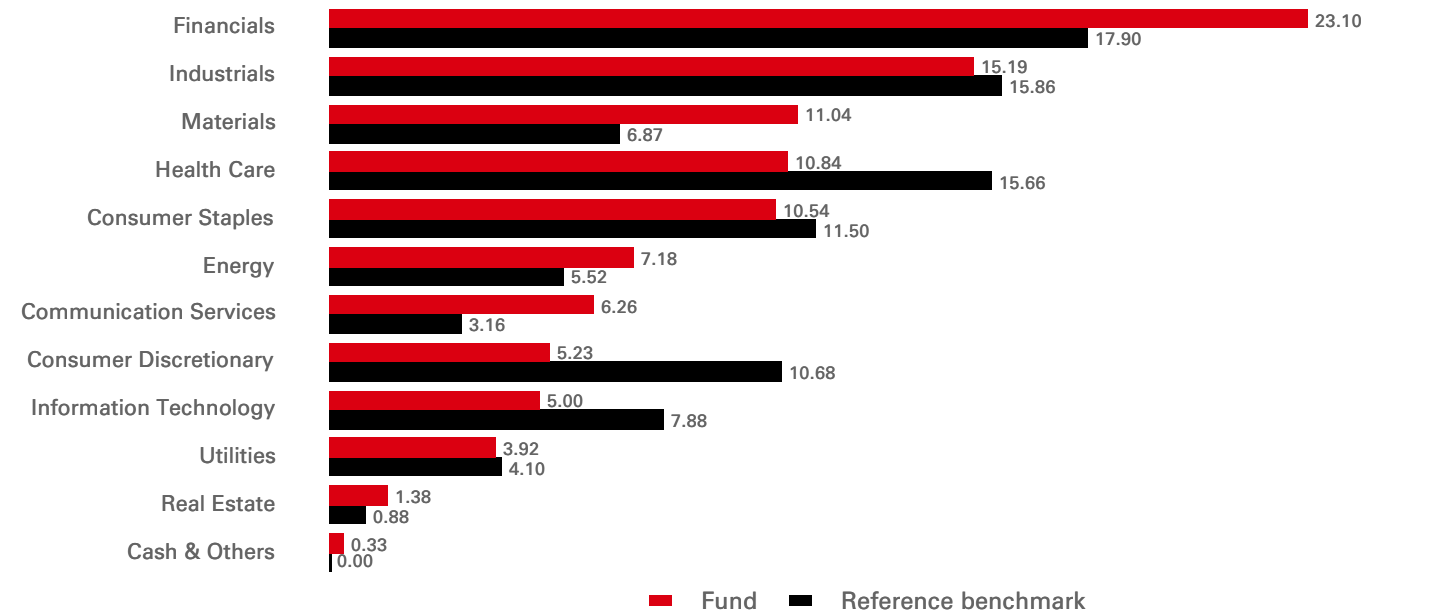
Calendar year performance (%)	2019	2020	2021	2022	2023
IC	21.88	-6.72	16.51	-6.38	18.59
Reference benchmark	26.05	-3.32	25.13	-9.49	15.83

The calendar year return of the first year is calculated between share class inception date and calendar year end of first year if the share class has less than 5-year history. Results are cumulative

Carbon footprint	Fund	Reference benchmark	MSCI ESG Score	ESG score	E	S	G
Carbon intensity emissions	110.88	91.69	Fund	7.9	7.3	5.4	6.3
Carbon Intensity measures the quantity of carbon emission of a company (tonnes CO <sub>2</sub> e/USD million)			Reference benchmark	7.9	6.9	5.4	6.4
Source of analytics: Trucost							

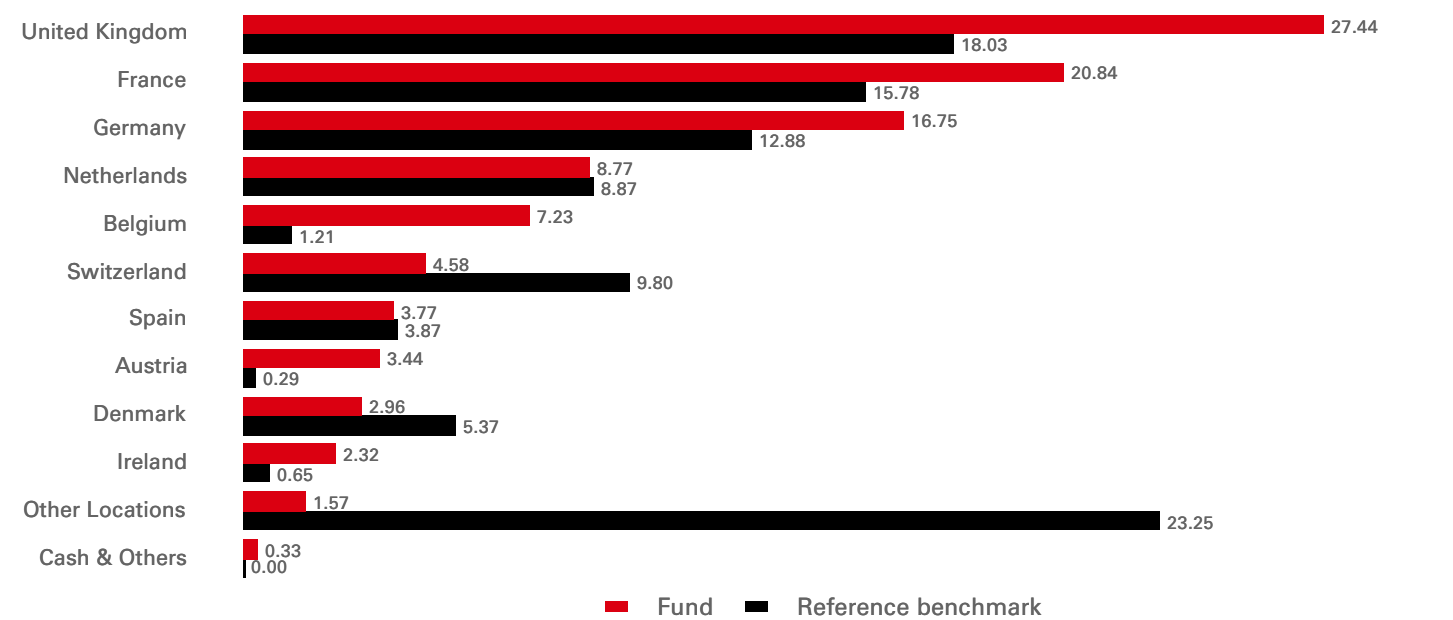
Equity characteristics	Fund	Reference benchmark	3-Year Risk Measures	IC	Reference benchmark
No. of holdings ex cash	54	425	Volatility	15.26%	13.65%
Average Market Cap (EUR Mil)	71,787	105,594	Information ratio	-0.22	--
			Beta	1.01	--

Sector Allocation (%)



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Geographical Allocation (%)



Top 10 Holdings	Location	Sector	Weight (%)
AstraZeneca PLC	United Kingdom	Health Care	3.58
Reckitt Benckiser Group PLC	United Kingdom	Consumer Staples	3.49
KBC Group NV	Belgium	Financials	3.41
ING Groep NV	Netherlands	Financials	3.23
BP PLC	United Kingdom	Energy	3.13
Commerzbank AG	Germany	Financials	3.01
Novo Nordisk A/S	Denmark	Health Care	2.96
Heineken NV	Netherlands	Consumer Staples	2.92
Anheuser-Busch Inbev Sa/Nv	Belgium	Consumer Staples	2.68
Koninklijke KPN NV	Netherlands	Communication Services	2.63

## Monthly performance commentary

### Performance

January was a mixed month as economic data kept surprising on the upside for the most part, which meant equities continued their gains from late 2023, the S&P 500 reaching a new all-time high. On the other hand, geopolitical concerns have persisted, with attacks from the Houthis on commercial shipping in the Red Sea. Sovereign bonds also lost ground as investors dialled back the prospect of rate cuts in Q1, on hawkish Fed Chair comments. The MSCI World returned +16.1% since 27th Oct 2023. Narrow breadth persisted in January with only small percentage of stocks outperforming the global index. In January, Japan led regional returns while China fell despite various policy stimulus measures and the MSCI Europe returned +1,57%. Global sector returns were led by Semis, while the weak performance of Materials reflected soft demand from China. The narrow breadth seen in January with only 29% of stocks (Big tech, Quality, Growth) outperforming, this extreme market concentration impacted our Value biased fund which underperforms over the month. Over the month, sector allocation was negative. We suffered from our structural underweight Technology (expensive cyclicals), our underweight Healthcare is also a detractor, as well as our overweight Materials. Conversely, our overweight Telecoms added. Stock selection was also negative. The worst stocks in the portfolio were Grifols, Remy Cointreau (Cognac & Spirits) and Syensqo (Specialty Chemicals part spun off from Solvay). Grifols (top 3 player with 20% share, in the oligopolistic market of plasma proteins) suffered from a short-selling attack on 9 January that resulted in a sharp daily drawdown. The accusations made by Gotham City Research address the well-known debt leverage issue of Grifols, Gotham also criticized related-party transactions with Scranton, one of Grifols' largest shareholders with an 8.4% stake. Gotham report has been strongly denied by the company. Our general impression is that Gotham's note is particularly vague and lacks real new information. We still expect good operating results in 2024 driven by improving underlying fundamentals and post-COVID recovery in the plasma collection market. Against the current backdrop, a successful completion of the sale of a 20% stake in Shanghai RAAS in H1 2024 for € 1.6bn is key to accelerate the de-leveraging trend and we are confident that a clean closing will occur. We believe that the stock will recover, albeit it might take some time. Remy Cointreau suffered heavily from a Chinese anti-dumping investigation which we believe is unfounded. Syensqo is penalized by the destocking and ongoing challenging trading conditions and as pricing may turn slightly negative in 2024. Despite near term concerns, we still see ample room for more rerating. Thyssenkrupp Nucera (green hydrogen electrolysis play) also weighed. Among Financials, Prudential (Life Insurance, Asia centric) is penalized by the negative sentiment on China and ING in the banking space is impacted by mixed quarterly results and a cautious outlook on Net Interest Income. On the other hand, we benefited from Cap Gemini (IT Services provider). Teleperformance (world's leading outsourced omni-channel customer center operator) continued to recover nicely over the month. Relx (Professional publishing and analytics) and Reckitt Benckiser also added over the month.

### Portfolio adjustments

In January, we initiated a position in ST Microelectronics, global manufacturer of logic and analog chips with broad exposure to the industrial, automotive, smartphone, smart card & networking verticals. The company has a fab-lite manufacturing strategy whereby leading-edge manufacturing is outsourced. Growth is driven by its auto business due to Electric vehicle adoption (unique technological capability in Silicon Carbide), industrial due to factory automation and IoT, and imaging due to 3D sensing adoption (3D sensing activity could represent a significant business opportunity). Those structural growth drivers should lead to further margin improvement. Revenue growth and margin improvement potential remain underestimated in our view. And near-term concerns, weakness (due to inventory correction and the soft landing in EV), offers a very interesting entry point.

### Outlook

The set-up for equity markets in 2024 remains positive with leading macro indicators recently signalling a trough in macro trends, and global profit expectations showing early signs of recovery. Especially as Q4 earnings keep tracking ahead of expectations (albeit much more in US than Europe). Ex-energy EPS growth has picked up vs. previous quarters in both regions. And despite small margin pressure, guidance is more positive vs Q3, and buybacks announcements are notably higher. Having said that, soft landing and benefits from central banks pivot have become consensus, market performance could have gone a bit too far too fast. In the very short term, a brief correction would no doubt be healthy. Notably as the last mile of the inflation fight is always proving tricky. The lag effects of rate rises and depleting household savings could still hurt. However, we keep believing the coming slowdown really needs to be deep and long lasting to cause severe damage. Overall, European equities continue to offer cheap upside optionality on improving global growth prospects as Developed Market central banks seem likely to ease, China appears focused on halting a downturn, and more synchronized cycle could be positive for equity markets. In Europe, valuations are still below their LT average and much cheaper than in the US and expected earnings growth is more moderate. We, thus, stick to our selected Value tilt as the Value segment remains extremely cheap vs history vs Big Tech exuberance and vs overcrowded Quality & Growth styles.

**The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.**

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## Risk Disclosure

- Further information on the potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

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## Benchmark disclosure

The Investment Advisor will use its discretion to invest in securities not included in the reference benchmark based on active investment management strategies and specific investment opportunities. It is foreseen that the reference benchmark will not be used as a universe from which to select securities. The deviation of the Fund's performance and underlying investments' weightings relative to the benchmark are monitored, but not constrained, to a defined range.

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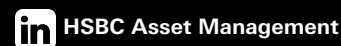
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### Glossary



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Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Dividend Amount	Annualised Yield based on ex-dividend date
AC	EUR	--	--	--	--
AD	EUR	Annually	31 May 2023	0.788752	1.91%
IC	EUR	--	--	--	--
PD	EUR	Annually	31 May 2023	0.970870	2.39%

The above table cites the last dividend paid within the last 12 months only.  
Dividend is not guaranteed and may be paid out of capital, which will result in capital erosion and reduction in net asset value. A positive distribution yield does not imply a positive return. Past distribution yields and payments do not represent future distribution yields and payments. Historical payments may be comprised of both distributed income and capital.  
The calculation method of annualised yield from August 2019 is the compound yield calculation:  $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n - 1)$ , n depends on the distributing frequency. Annually distribution is 1; semi-annually distribution is 2; quarterly distribution is 4; monthly distribution is 12.  
The annualised dividend yield is calculated based on the dividend distribution on the relevant date with dividend reinvested, and may be higher or lower than the actual annual dividend yield.  
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