

HSBC Global Investment Funds - Asia ex Japan Equity Smaller Companies

Share Class AD

30 Sep 2019

Risk Disclosure

- The Fund invests mainly in Asian equities (excluding Japan).
- The Fund is subject to the risks of investing in emerging markets and smaller companies.
- The Fund may invest in onshore Chinese securities through various market access schemes and China A-shares Access Products. Such investments involve additional risks, including the risks associated with China's tax rules and practices.
- Because the Fund's base currency, investments and classes may be denominated in different currencies, investors may be affected adversely by exchange controls and exchange rate fluctuations.
- The Fund may invest in financial derivative instruments for investment purpose which may lead to higher volatility to its net asset value.
- The Fund's investments may involve substantial credit, currency, volatility, liquidity, interest rate, tax and political risks. Investors may suffer substantial loss of their investments in the Fund.
- Unit trusts are NOT equivalent to time deposits. Investors should not invest in the Fund solely based on the information provided in this document and should read the offering document of the Fund for details.

Fund Objective and Strategy

Investment Objective

The Fund aims to provide long-term capital growth by investing in shares (or securities that are similar to shares) of Asian (excluding Japanese) smaller companies. These companies are deemed smaller, as measured by their market capitalisation (the market value of their shares). In normal market conditions, the Fund invests at least 90% in the shares of companies that are based in, or carry out most of their business in, Asia (excluding Japan) while a minimum of 70% of the Fund's assets is invested in smaller companies defined as those in the bottom 25% by market capitalisation.

Investment Strategy

The Fund invests in both developed and emerging markets in Asia. The Fund's maximum exposure to China A-shares and China B-shares is 50% of its assets. The Fund may invest up to 10% of its assets into other funds. Please see the Prospectus for a full description of the investment objectives and derivative usage.

Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹
AD	-2.04	-1.32	-6.70	-12.81	-4.70	3.54
Reference Benchmark	-0.31	2.14	-5.30	-8.70	0.28	-3.37

Calendar Year Performance (%) ²	2014	2015	2016	2017	2018
AD	9.54	0.69	10.33	37.31	-24.28
Reference Benchmark	2.26	-3.52	-2.28	33.52	-18.87

3-Year Risk Measures	AD	Reference Benchmark	Characteristics	Fund	Reference Benchmark
Volatility	14.02%	13.21%	Number of Holdings ex Cash	135	1,421
Information Ratio	-0.32	-	Avg Market Cap (USD mil)	2,963	1,267
Beta	0.98	-			

Share Class Details	
UCITS V Compliant	Yes
Distribution Type	Distributing
Distribution Frequency	Annually
Dealing Frequency	Daily
Min. Initial Investment	USD 1,000
Max. Initial Charge	4.50%
Management Fee	1.50%
Share Class Base Currency	USD
Domicile	Luxembourg
ISIN	LU0082770016
Share Class Inception Date	21 Nov 1997
NAV per Share	USD 53.78
Fund Size	USD 751,954,379
Bloomberg Ticker	HSBASOI LX
Reference Benchmark	MSCI AC Asia ex Japan Small Cap Net
Manager	Elina Fung Alex Kwan

Past performance is not an indicator of 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.

Source: HSBC Global Asset Management, data as at 30 September 2019

¹Result is cumulative when calculation period is over one year.

²The 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.

Reference Performance Benchmark: MSCI AC Asia ex Japan Small Cap Net since 1 Nov 2008. From 31 Dec 2000 – 31 Oct 2008 was MSCI AC Far East Free ex Japan Net. Prior to that was MSCI AC Far East Free ex Japan Gross.

Fund change that may have material impact on performance: 20 Jun 2016 – investment objective changed. 16 Nov 2018 - Change in the manner of charging sales charge / switching charge.



To download the offering documents from
http://services.assetmanagement.hsbc.com.hk/site/media/pdf/documents/English/AMHK_HGIF.pdf

Monthly Performance Commentary

Review

The Asia market traded higher in September with MSCI Asia ex Japan Index up 1.44% in USD terms. The positive market performance was driven by better US-China trade newsflow over the month and global easing (Fed rate cut and ECB stimulus). China has stepped up with loosening by cutting reserved requirement ratio and also removed the QFII quota which provided a much needed boost to the market. In India the government announced corporate tax cuts amidst a soft growth and earnings outlook. We have also seen a recovery in Korea with inflows concentrated in tech. Momentum reversed sharply over the last few weeks, causing a rebound in cyclical sectors. By country, Korea outperformed, while ASEAN and Hong Kong lagged.

Portfolio Review

The fund delivered positive returns but underperformed the benchmark in September. Positive stock selection effect is seen most evidently in Taiwan and materials, offset by negative stock selection effect seen in India, real estate and industrials.

Largan is the top stock contributor to overall fund performance as the stock reported an Aug revenue beat and also on the back of broker upgrade on rosy optics outlook in the next 2-3 years.

On the other hand India is the biggest detractor – Athenex which is one of our top 10 holdings continued to detract from our overall fund performance despite the management kept buying back shares over the last month. We also don't hold any consumer discretionary stocks in India which hurt our performance as the sector is one of the main beneficiaries from the India corporate tax announcements in early September.

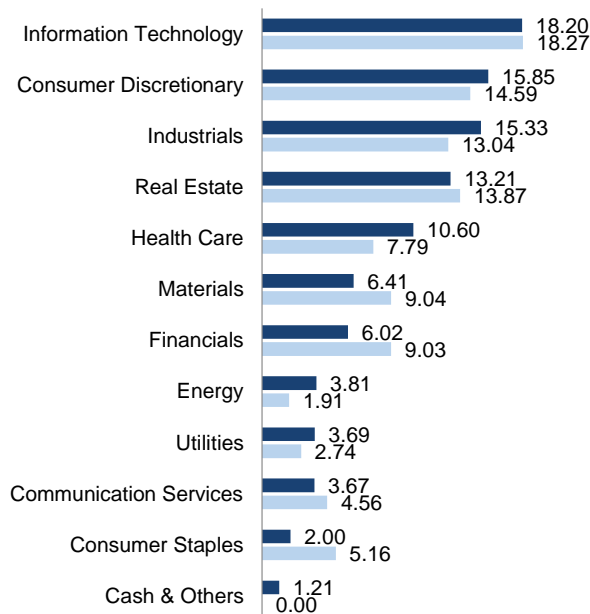
In China – the US ADRs are affected by the newflows on the back of US / China trade tension as there was newsflow on US not allowing US pension funds to invest into Chinese companies.

Outlook

Asian equities rebounded strongly in the first four months of this year thanks to progress in US-China trade talks and the dovish shift by major central banks. However, Asia valuations are now roughly at fair value, the firm dollar is posing near term headwind to regional equities, and uncertainties in US China trade tensions continue to pose earnings risk to equities. We believe market performance in 2H19 will be in line with earnings trend. We also think that the current macro backdrop is quite different from 2018 where central banks' policies were tight and growth outlook was stark. On the growth front, China has launched a series of loosening measures including RRR cut front loading the issuance of special purpose bond to fund infrastructure projects.

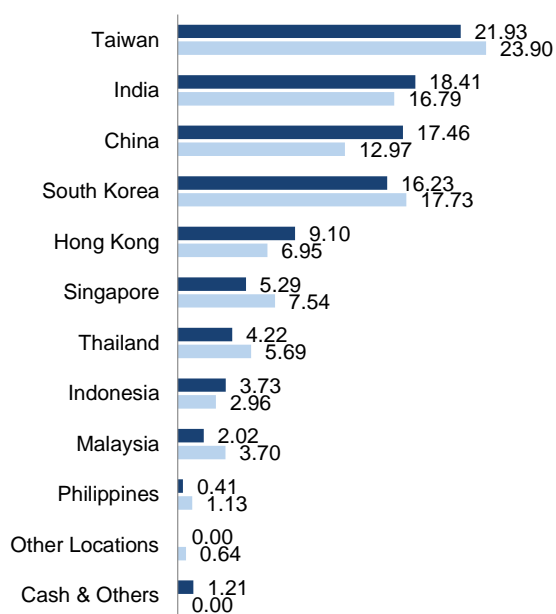
One thing to note as well is that quality vs value gap is currently the largest in India and other equity markets and this is at odds with our GARP investment approach. However looking ahead, increasing volatility could become a feature with political and policy uncertainty remaining elevated. We believe bottom-up stock selection remains key to outperform.

Sector Allocation (%)



■ AD ■ Reference Benchmark

Geographical Allocation (%)



■ AD ■ Reference Benchmark

Top 10 Holdings (%)	Location	Sector	Weight (%)
CapitaMall Trust	Singapore	Real Estate	2.54
Fraser's Centrepoint Trust	Singapore	Real Estate	2.23
Athenex Inc	India	Health Care	1.86
Asia Cement Corp	Taiwan	Materials	1.64
CJ Korea Express Co Ltd	South Korea	Industrials	1.61
Largan Precision Co Ltd	Taiwan	Information Technology	1.50
Shinsegae Co Ltd	South Korea	Consumer Discretionary	1.48
Tripod Technology Corp	Taiwan	Information Technology	1.44
Sinbon Electronics Co Ltd	Taiwan	Information Technology	1.39
SK Innovation Co Ltd	South Korea	Energy	1.39

Source: HSBC Global Asset Management, data as at 30 September 2019

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Supplement Information Sheet

30 Sep 2019

Share Class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Dividend Amount	Annualised Yield (Distribution is not guaranteed and may be paid out of capital)
AD	USD	Annually	11 Jul 2019	0.288692	0.50%
ADHKD	HKD	Annually	11 Jul 2019	0.073926	0.50%

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: $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n)^{1/n} - 1$, 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.