

HSBC Global Investment Funds

EUROPE VALUE

Monthly report 30 June 2022 | 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 ESG characteristics.



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 exposure to specific Excluded Activities, including but not limited to, weapons, thermal coal extraction, coal-fired power generation and tobacco. 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, including HSBC 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.
- Derivatives may be used by the Fund, and these can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset.

Share Class Details

Key metrics

NAV per Share	EUR 52.34
Performance 1 month	-10.66%
Volatility 3 years	21.84%

Fund facts

UCITS V compliant	Yes
Subscription mode	Cash
Dividend treatment	Accumulating
Dealing frequency	Daily
Valuation Time	17:00 Luxembourg
Share Class Base Currency	EUR
Domicile	Luxembourg
Inception date	13 February 2008
Fund Size	EUR 76,788,018
Reference benchmark	100% MSCI Europe
Managers	Samir Essafri

Fees and expenses

Minimum initial investment (SG) ¹	USD 1,000,000
Maximum initial charge (SG)	5.000%
Management fee	0.750%

Codes

ISIN	LU0164907411
Bloomberg ticker	HSBEEIE LX

¹Please note that initial minimum subscription may vary across different distributors

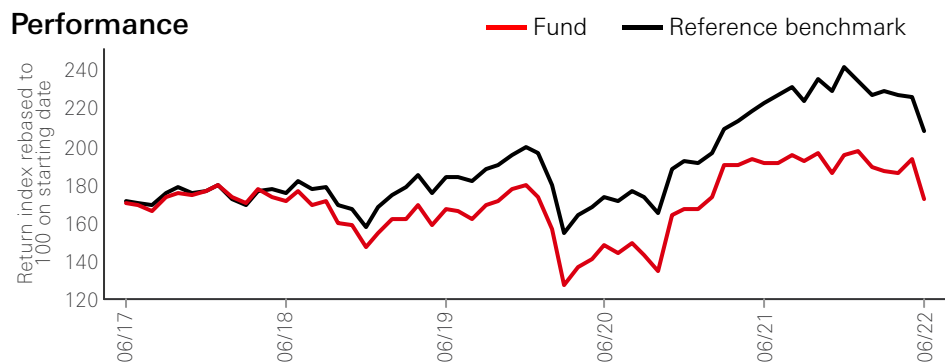
Performance is annualised when calculation period is over one year. Past performance does not predict future returns.
 Fund return: NAV-to-NAV basis or Bid-to-Bid basis. For comparison with benchmark
 Performance numbers shown are before netting off sales / realisation charges.
 This is a marketing communication. Please refer to the prospectus and to the KIID before making any final investment decisions.

Until 19 April 2021 the name of the sub-fund is HSBC Global Investment Funds – European Equity.

Source: HSBC Asset Management, data as at 30 June 2022

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Performance



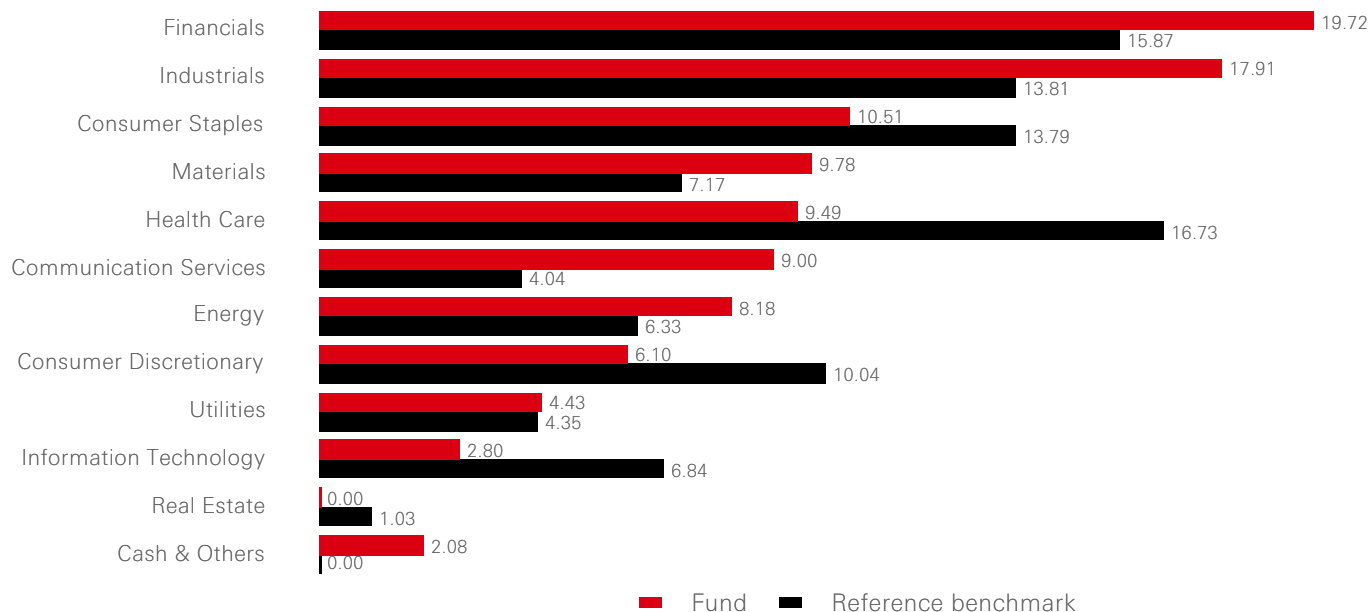
Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
IC	-11.63	-10.66	-7.52	-11.63	-9.68	1.12	0.30
Reference benchmark	-13.84	-7.73	-9.00	-13.84	-6.54	4.16	3.96

Calendar year performance (%)	2017	2018	2019	2020	2021
IC	11.73	-16.38	21.88	-6.72	16.51
Reference benchmark	10.24	-10.57	26.05	-3.32	25.13

Carbon footprint	Fund	Reference benchmark	MSCI ESG Score	ESG score	E	S	G
Carbon intensity emissions	178.02	134.63	Fund	7.6	7.4	5.8	6.0
Carbon Intensity measures the quantity of carbon emission of a company (tonnes CO ₂ e/USD million)			Reference benchmark	7.7	6.8	5.7	6.4
Source of analytics: Trucost							

Equity characteristics	Fund	Reference benchmark	3-Year Risk Measures	IC	Reference benchmark
No. of holdings ex cash	56	428	Volatility	21.84%	16.45%
Average Market Cap (EUR Mil)	43,292	81,364	Information ratio	-0.38	--
			Beta	1.26	--

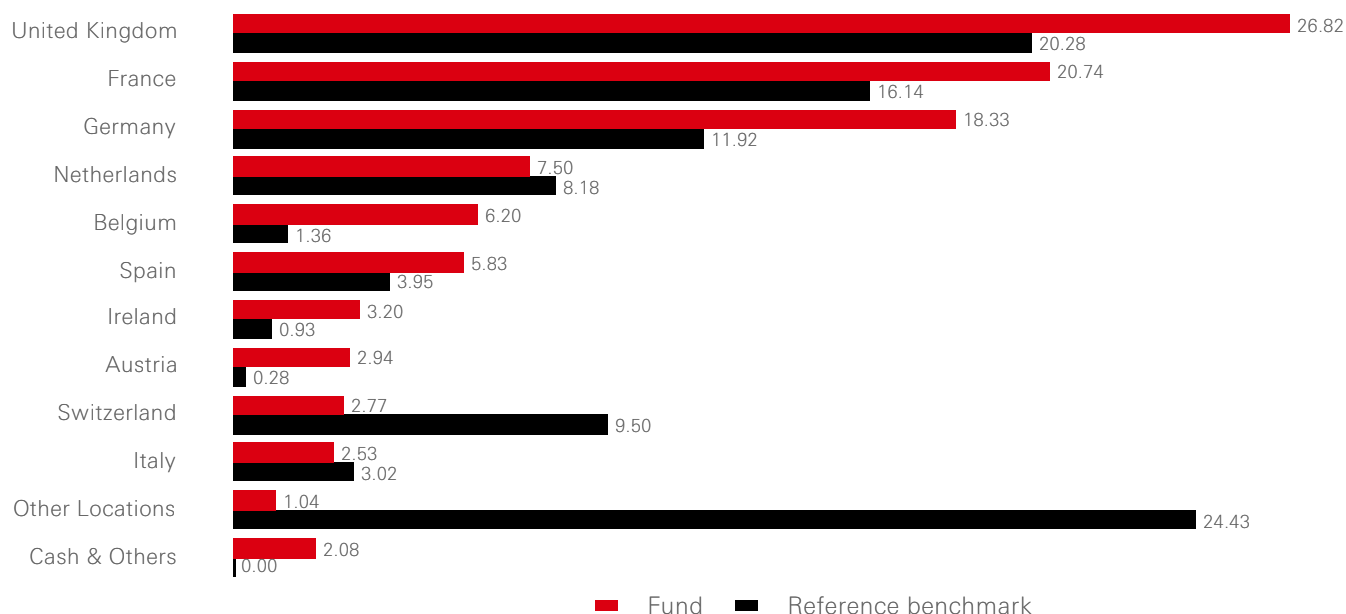
Sector Allocation (%)



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Geographical Allocation (%)



Top 10 Holdings	Location	Sector	Weight (%)
Reckitt Benckiser Group PLC	United Kingdom	Consumer Staples	3.64
Deutsche Telekom AG	Germany	Communication Services	3.63
OMV AG	Austria	Energy	2.94
BP PLC	United Kingdom	Energy	2.69
KBC Group NV	Belgium	Financials	2.66
Thales SA	France	Industrials	2.62
Prudential Plc	United Kingdom	Financials	2.55
TotalEnergies SE	France	Energy	2.54
Industria de Diseno Textil SA	Spain	Consumer Discretionary	2.43
ING Groep NV	Netherlands	Financials	2.43

Top 10 holdings exclude holdings in cash and cash equivalents and money market funds.

Monthly performance commentary

Performance

Global markets and notably European equities fell sharply in June. This is the worst first half of a calendar year in decades. During the month, every region and every global sector posted a negative return with the best performing sectors YTD being hit the hardest. US inflation reached a 40-year high which prompted the US Fed to hike more than expected which, in turn, focused investors' attention on the prospects of a global recession. This was exacerbated by the continuing zero COVID policy in China which has dampened demand. The energy shock is adding to these growth concerns, and that's persisted over Q2 as the war in Ukraine has continued. Consensus earnings growth forecasts have remained surprisingly resilient, so potential broad cuts to earnings expectations have the potential to weigh on equities in the second half. In this volatile and defensive market environment, our Value bias weighed on the relative performance, leading to material underperformance for the fund in June. Over the month, sector allocation is negative. We logically suffered from continued profit taking on our cyclical overweight in Industrials and Materials impacted by the recessionary rhetoric. Our underweights in Healthcare and Consumer Staples are also a drag, as expensive defensive sectors benefited from falling risk appetite and rotation to classic defensive sectors. On the other hand, our fundamental underweight in Technology added significantly in June. Our strong defensive value conviction in Telecoms continue to work very well. The stock selection is also negative and explains most of the monthly underperformance. Unsurprisingly, our exposure to industrial-focused cyclical are under pressure in June, notably in the Commodities space with OMV and Anglo American. Airbus and Siemens Energy also weighed on the relative performance, impacted by the recessionary narrative. Likewise, Volkswagen in the cyclical consumer segment is particularly weak over the month. Finally, among negatives, our banking exposure suffered from hefty profit taking (increased credit uncertainty and loan loss provision risk) in particular Commerzbank in Germany. Nevertheless, our deep value conviction on Banks remains intact, as we believe the trade-off between higher rates and increased credit uncertainty remains significantly positive for European banks earnings profile. As an example, given its high German domestic exposure, (Germany being an export-led and manufacturing based economy directly exposed to Russian gas shock), Commerzbank has been one of the worst performers in the sector over the last month, however its high degree of sensitivity to rising rates means that even when we throw a lot of bad news into the numbers (i.e slowing loan growth on manufacturing recession, rising wage inflation and provisions doubling), EPS forecasts continue to hold up. The newsflow will likely continue to weigh on the stock in the near term, but the balance sheet is strong and valuations look compelling on 0.3x Price to Book Value and 7x PE (on very cautious numbers). On the other hand, among positives, we continue to benefit from our exposure to Thales in the Aerospace-Defence sector (Aero benefits from reopening trade and Defence from ongoing geopolitical tensions). Reckitt in the Consumer Staples space benefited from the risk off positioning and from improved fundamentals. Our defensive value holdings in Telecoms also added, thanks to Deutsche Telekom, Vodafone and KPN. Inditex (world's largest fashion retailer) continued to recover in June thanks to reassuring quarterly numbers, making us even more convinced of the uniqueness of its business model. After a tough period, Prudential, continued recovered over the month.

Portfolio adjustments

We tactically took profits in Thales after a stellar performance YTD (absolute and relative), on the other hand we added on weakness in Commerzbank, and Cap Gemini. We initiated a new position in SAP, as we identified an interesting entry point, valuation having reached irrational levels and as we strongly believe in the prospect of a successful cloud transformation. SAP is a commanding market leader that generates cash. SAP has strong market leadership positions and presence in all the key markets it participates in, and this competitive advantage is very defensive due to SAP's ability to keep with market growth or deploy capital to gain market share inorganically.

Outlook

Equities are seeking to strike a fragile balance between hope that inflation is peaking and fear of a recession. There is also a rising risk among investors of shift in focus from supply concerns to growth worries, implying downside for bond yields after the recent spike. Having said that, we expect geopolitics to delay, but not derail the ECB's normalization ambitions and we are hopeful a joint EU fiscal response is coming. "More Europe" can create a path forward. In addition, corporate earnings show strong resilience, and in absolute terms, Eurozone equities valuations remain attractive. Moreover, the market positioning is massively bearish, and we also believe, the market is undoubtedly now already pricing in a fairly hefty cut to EPS expectations. Regarding the portfolio positioning, despite a tough and volatile backdrop, we don't want to overreact, and we remain constructive and stick to our selected Value tilt (positive correlation to rising yields), with a specific focus on the pricing power of our holdings in the portfolio, given the lasting inflationary backdrop. Going forward, in a world with rising bond yield, lower/normalization of QE we continue to strongly believe that Value will enter in a new era with long lasting outperformance more in line that we were used to pre-crisis, so the recent pick-up of Value should mark the beginning of new trend rather than a short-lived reaction. As a reminder, the long-term performance suggests the presence of the Value premium since the 20's or over 9 decades. The last decade appears to be the exception more than rule over very long-term history.

Risk Disclosure

- 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.
- Investment involves risk. Past performance figures shown are not indicative of future performance. Investors should read the prospectus (including the risk warnings) and the product highlights sheets, before investing. Daily price change percentage is based on bid-bid price.

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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.

Source: HSBC Asset Management, data as at 30 June 2022

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 **HSBC Asset Management**

Glossary



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Performance is annualised when calculation period is over one year. Net of relevant prevailing sales charge on a single pricing (NAV) basis, calculated on the basis that dividends are reinvested.

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Where the Units are subscribed or purchased under Section 305 of the SFA by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within 6 months after that corporation or that trust has acquired the Units pursuant to an offer made under Section 305 of the SFA except (1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; or (4) as specified in Section 305A(5) of the SFA.

HSBC Global Asset Management (Singapore) Limited
10 Marina Boulevard, Marina Bay Financial Centre, Tower 2, #48-01, Singapore 018983
Telephone: (65) 6658 2900 Facsimile: (65) 6225 4324
Website: www.assetmanagement.hsbc.com/sg

Company Registration No. 198602036R

Should there be any discrepancy, the English version shall prevail. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

Supplemental information sheet

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
AC EUR	-12.00	-10.72	-7.72	-12.00	-10.44	0.26	-0.55
IC EUR	-11.63	-10.66	-7.52	-11.63	-9.68	1.12	0.30
PD EUR	-11.79	-10.69	-7.60	-11.79	-9.98	0.78	-0.03
PD SGD	-16.28	-11.51	-10.72	-16.28	-17.84	-1.12	-1.55
PD USD	-18.90	-12.84	-13.18	-18.90	-20.64	-2.05	-1.76

Calendar year performance (%)	2017	2018	2019	2020	2021
AC EUR	10.79	-17.10	20.85	-7.51	15.53
IC EUR	11.73	-16.38	21.88	-6.72	16.51
PD EUR	11.35	-16.65	21.45	-7.03	16.13
PD SGD	17.26	-19.07	17.65	-0.39	10.10
PD USD	26.77	-20.65	19.26	1.34	7.93

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Supplemental information sheet

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
AC	EUR	--	--	--	--
IC	EUR	--	--	--	--
PD	EUR	Annually	8 July 2021	0.364951	0.90%

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
AC	11 April 2003	LU0164906959	EUR	USD 5,000	46.32	1.500%	Accumulating
IC	13 February 2008	LU0164907411	EUR	USD 1,000,000	52.34	0.750%	Accumulating
PD	12 November 1993	LU0047473722	EUR	USD 50,000	37.15	1.000%	Distributing

Different classes may have different performances, dividend yields and expense ratios. For hedged classes, the effects of hedging will be reflected in the net asset values of such classes. Expenses arising from hedging transactions may be significant and will be borne by the relevant hedged classes. Hedged class performs the required hedging on a best efforts basis.

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 comprise of distributed income, capital, or both.

The calculation method of annualised yield prior to August 2019 is the simple yield calculation: (dividend amount / NAV per share or units as of ex-dividend date) x n; 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.

Investors and potential investors should refer to the details on dividend distributions of the Fund, which are available on HSBC Asset Management (Singapore) Limited website.

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