HSBC Asset Management

HSBC Global Investment Funds

EUROPE VALUE

Monthly report 29 February 2024 | Share class PD

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.

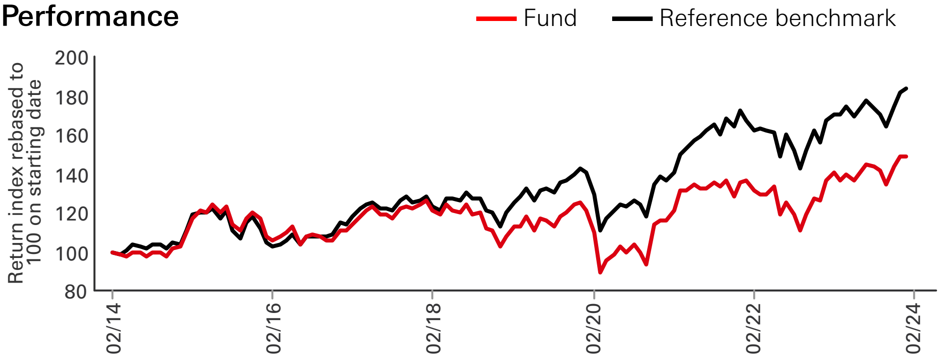
Share Class Details

Key metrics	
NAV per Share	**EUR 44.18**
Performance 1 month	**-0.28%**
Volatility 3 years	**15.16%**
Fund facts	
UCITS V compliant	**Yes**
Subscription mode	**Cash / SRS (Supplementary Retirement Scheme)**
Dividend treatment	**Distributing**
Distribution Frequency	**Annually**
Dividend ex-date	**31 May 2023**
Dividend annualised yield	**2.39%**
Last Paid Dividend	**0.970870**
Dealing frequency	**Daily**
Valuation Time	**17:00 Luxembourg**
Share Class Base Currency	**EUR**
Domicile	**Luxembourg**
Inception date	**12 November 1993**
Fund Size	**EUR 65,496,859**
Reference benchmark	**100% MSCI Europe**
Managers	**Samir Essafri**
Fees and expenses	
Minimum initial investment (SG)[1]	**EUR 1,000**
Maximum initial charge (SG)	**5.000%**
Management fee	**1.000%**
Codes	
ISIN	**LU0047473722**
Bloomberg ticker	**HSBPEUI LX**

[1]Please 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. For comparison with benchmark.
***Share class denoted with "(Net)"refers to fund return net of maximum initial charge (SG) on a single pricing (NAV) basis. No redemption charge is levied.**
This is a marketing communication. Please refer to the prospectus and to the KID 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 29 February 2024

Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
PD	**-0.79**	**-0.28**	**3.23**	**3.33**	**5.58**	**7.00**	**5.54**
PD (Net)*	-5.51	-5.02	-1.69	-1.59	0.55	5.27	4.52
Reference benchmark	3.55	1.94	7.39	8.49	10.35	10.10	8.40

Calendar year performance (%)	2019	2020	2021	2022	2023
PD	**21.45**	**-7.03**	**16.13**	**-6.72**	**18.21**
PD (Net)*	15.67	-11.45	10.60	-11.16	12.58
Reference benchmark	26.05	-3.32	25.13	-9.49	15.83

Carbon footprint	Fund	Reference benchmark
Carbon intensity emissions	121.69	90.86

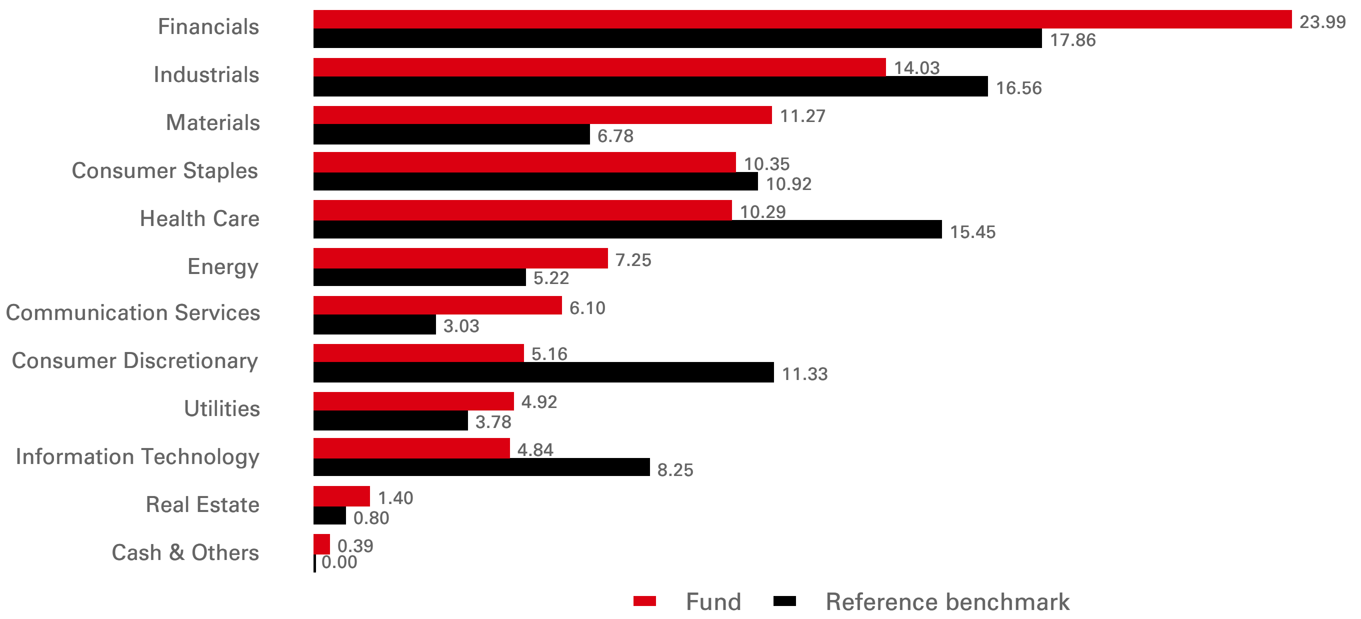
Carbon Intensity measures the quantity of carbon emission of a company (tonnes $CO^{2}e$/USD million)
Source of analytics: Trucost

MSCI ESG Score	ESG score	E	S	G
Fund	7.9	7.3	5.5	6.3
Reference benchmark	7.9	6.8	5.4	6.4

Equity characteristics	Fund	Reference benchmark
No. of holdings ex cash	54	425
Average Market Cap (EUR Mil)	71,948	109,652

3-Year Risk Measures	PD	Reference benchmark
Volatility	15.16%	13.63%
Information ratio	-0.46	--
Beta	1.00	--

Sector Allocation (%)



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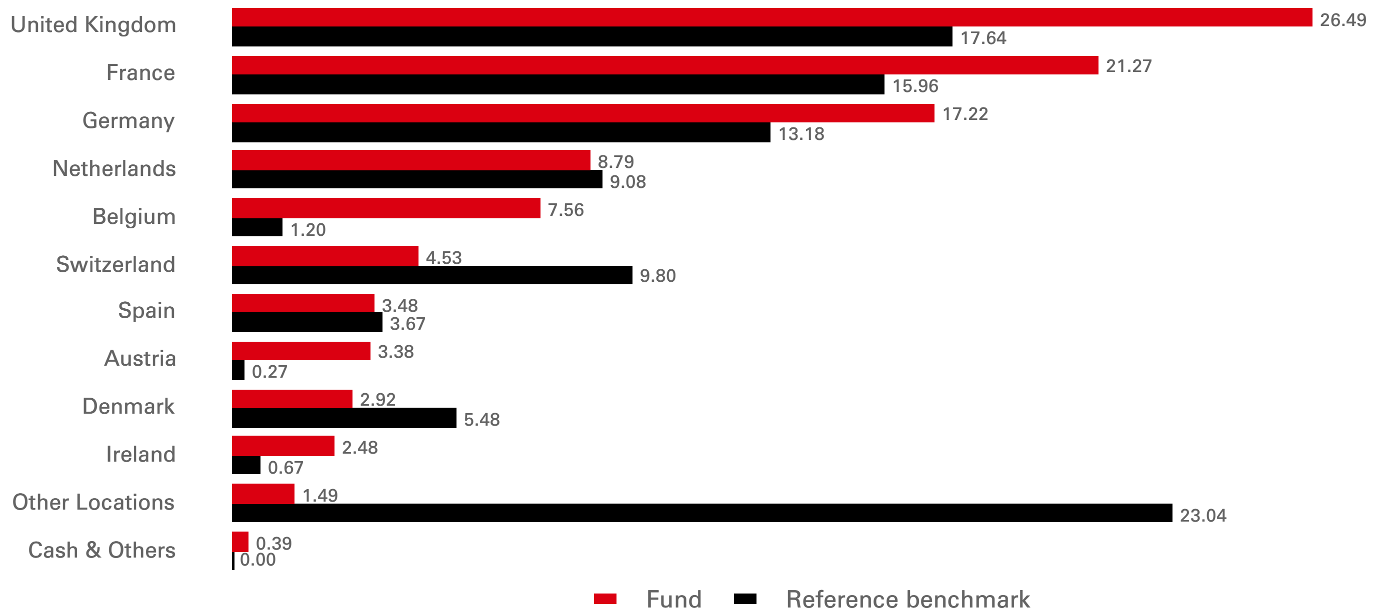
Source: HSBC Asset Management, data as at 29 February 2024

Geographical Allocation (%)



Top 10 Holdings	Location	Sector	Weight (%)
KBC Group NV	Belgium	Financials	3.74
AstraZeneca PLC	United Kingdom	Health Care	3.47
Reckitt Benckiser Group PLC	United Kingdom	Consumer Staples	3.42
Commerzbank AG	Germany	Financials	3.27
BP PLC	United Kingdom	Energy	3.18
ING Groep NV	Netherlands	Financials	3.18
Novo Nordisk A/S	Denmark	Health Care	2.92
Koninklijke KPN NV	Netherlands	Communication Services	2.89
Heineken NV	Netherlands	Consumer Staples	2.73
Allianz SE	Germany	Financials	2.73

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

Source: HSBC Asset Management, data as at 29 February 2024

Monthly performance commentary

Performance

In February, global equities continued to rally (on A.I. and China), reaching an all-time high. China (+8.4%) rallied on stronger Chinese New Year travel spending and continued government policy stimulus. Global Semiconductors (+15.5%) led sector performance on the back of renewed A.I. enthusiasm after NVIDIA reported earnings beat expectations. In this context, the MSCI Europe returned 1,94% over the month. The narrow breadth continued in February led by Big tech, Quality, Growth outperforming massively. This extreme market concentration impacted our Value biased fund which underperforms over the month. Over the month, sector allocation is negative, main detractors being our underweight Consumer Discretionary (notably Luxury Goods). We also suffered from our structural underweight Technology (expensive cyclicals), and from our overweight Telecoms. The stock selection is also negative. Grifols (top 3 player with 20% share, in the oligopolistic market of plasma proteins) is a key detractor, despite encouraging quarterly numbers. The company has been penalized by a poor communication and notably a weak free cash flow outlook, as 1.8bn€ EBITDA guidance revealed will finally lead to no cash generation in 24. This is due to exceptional items such as restructuring/early debt redemption charges, Capex increase and tax adjustment. This confusing communication overlooked clear improvements in the trading environment and in the fundamentals of the company with reassuring trends on plasma business sales and margin recovery, EBITDA margins expanded 500bps YoY in Q4 seeing Grifols turn cash flow positive (ex-restructuring). We stick to our deep value conviction on the name, as the selloff leaves Grifols on just 6.5x 25E adj PE, with key upcoming catalysts: closing SRAAS (Chinese stake) deal 1H24; closure of CNMV investigation; EBITDA recovery and 4) new management. Reckitt Benckiser also weighed, with poor quarterly numbers showing an organic growth, a margin miss, and a very surprising one-off due to understatement of trade spend in Health in the Middle East. Having said that, we believe the current valuation of Reckitt is a clear over reaction. Valuation (15x PE) is well below Unilever and Danone whose brands have been systematically losing market shares for most of the last decade in commoditised categories. We remain convinced Reckitt is an undervalued business that is fundamentally solid. We would expect shares to recover some of the recent pain in coming months and quarters, as we get closer to the growth and profit reversal in H2, and as the tough comps of US infant nutrition and flu recede. Teleperformance (world's leading outsourced omni-channel customer center operator) is under pressure in February with the return of concerns over the disruptive impact of AI on the group’s business model. Finally, among negatives, we also find Heineken, impacted by a disappointing results update, and as a cautious FY24 guidance left investors confused and disappointed. On the other hand, we benefited from our strong conviction on banks, thanks to Barclays and KBC which published solid quarterly results, and strong FY24 earnings and capital return outlook. Likewise, KPN, (Telecoms), and BMW are key positives over the period. And Smurfit Kappa (Paper packaging manufacturer) also performed strongly following a very solid Q4 print and a confident outlook with clear signs of price stabilization and volume improvements. In addition, we still think there is significant value unlock from the merger with WestRock. 6.0x EV/EBITDA valuation remains too cheap.

Portfolio adjustments

We initiated a new position in the Utilities space with Veolia, world's largest environmental service company with 3 divisions: Water, Waste and Energy services. Veolia operates across the entire water and waste value chain and services both municipal as well as industrial customers. Growth profile is driven by ecological trends and dominant market positions. The successful Suez merger (in 2021) has distracted investors from Veolia's fundamentals and growth profile. We see the revenue growth profile as attractive and under-appreciated in 3 key subdivisions (Hazardous Waste, Water Tech and District Heating), supported by Veolia's developed market focus, supportive regulation and policy around environmental standards, and industry trends towards depollution and decarbonisation. Veolia deserves a rerating given its now clearer and stronger equity story.

Outlook

A combination of resilient growth with benign inflation has allowed equities to embrace Goldilocks. So far, the market rally has been extremely concentrated with a very narrow leadership of Mega Cap Growth and Technology (boosted by AI enthusiasm). The current equity rally is unprecedented, the only time we had such a rally (outside post recession rallies) was the dot com bubble. Equity risk premia have dropped to multi-decade lows on robust US growth and expectations of an AI-driven earnings bonanza. In this context, European value versus growth stocks have underperformed massively and dropped to a 2-year low, driven by sharp sector swings. This has come despite a rise in the US 10-year (typically be associated with value stocks outperforming). The AI-driven rally has left software (40% of European tech cap) to meaningfully overshoot the fair value implied by real yields, typically a key driver of its relative performance. On the other hand, the Value segment of the market currently trades way below its improving fundamentals, this is especially the case for the main value sectors, banks and energy. We strongly believe in a mean reversion and a change of leadership in favor of Value, leading to a broadening out of the market rally. Especially if global growth momentum sees further improvements as US growth continues to hold up, and China (helped by increasing policy support) and the Euro area (helped by an improving credit cycle and a more favourable inventory cycle) recover from the recent sluggishness. In this context, we strongly stick to our selected Value approach.

Risk Disclosure

- 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 29 February 2024

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Glossary

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Supplemental information sheet

Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann
PD EUR	-0.79	-0.28	3.23	3.33	5.58	7.00	5.54
PD EUR (Net)*	-5.51	-5.02	-1.69	-1.59	0.55	5.27	4.52
PD SGD	-0.93	-0.04	3.15	2.58	7.61	3.36	4.37
PD SGD (Net)*	-5.65	-4.80	-1.76	-2.31	2.49	1.70	3.36
PD USD	-2.81	-0.65	2.38	3.03	7.74	2.98	4.47
PD USD (Net)*	-7.44	-5.38	-2.49	-1.88	2.61	1.32	3.46

Calendar year performance (%)	2019	2020	2021	2022	2023
PD EUR	21.45	-7.03	16.13	-6.72	18.21
PD EUR (Net)*	15.67	-11.45	10.60	-11.16	12.58
PD SGD	17.65	-0.39	10.10	-12.91	20.34
PD SGD (Net)*	12.05	-5.13	4.86	-17.06	14.61
PD USD	19.26	1.34	7.93	-12.46	22.36
PD USD (Net)*	13.58	-3.48	2.79	-16.63	16.53

Share class	Share Class Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield based on ex-dividend date
PD	EUR	Annually	31 May 2023	0.970870	2.39%

Share class	Inception date	ISIN	Share Class Base Currency	Minimum Initial Investment	NAV per Share	Management fee	Distribution type
PD	12 November 1993	LU0047473722	EUR	USD 50,000	44.18	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.

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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 + (dividend amount / 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.
Source: HSBC Asset Management, data as at 29 February 2024