

HSBC Managed Growth Fund

Monthly report 31 December 2021 | Share class P

Investment objective

The objective of the Fund is to achieve long-term capital growth by investing in a diversified portfolio with a bias towards global equities through direct investment and/or other collective investment schemes that the Fund may invest in.

Main risks

- The Fund invests mainly in global equities and bonds, with a bias towards equities. The Fund may get the exposure through direct investments and/or collective investment schemes.
- Fund may have asset allocation strategy risk. The investments of the Fund may be periodically rebalanced and therefore the Fund may incur greater transaction costs.
- 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 and risks related to general equity market, emerging markets and investment in other collective investment schemes. Investors may suffer substantial loss of their investments in the Fund.
- Investors should not invest solely based on factsheet and should read the offering documents for details.
- Further information on the Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

Share Class Details

Key metrics

NAV per Share	HKD 34.69
Performance 1 month	2.36%
Sharpe ratio 3 years	0.69

Fund facts

UCITS V compliant	No
Dividend treatment	Accumulating
Dividend ex-date	31 July 2002
Dividend Amount	0.140000
Dealing frequency	Daily
Share Class Base Currency	HKD
Domicile	Hong Kong SAR
Inception date	1 April 1997
Fund Size	HKD 1,395,652,447
Managers	Jessica Cheung

Fees and expenses

Maximum initial charge (HK)	3.000%
Management fee	0.750%

Codes

ISIN	HK0000434339
Bloomberg ticker	HSBMNGP HK

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. *The fund may pay dividends out of capital or gross of expenses.

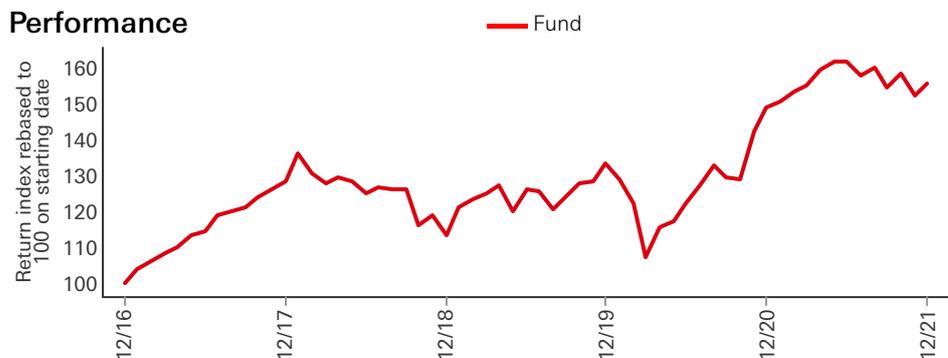
Fund change that may have material impact on performance: 1 Jul 2017 - trustee fee reduced. 29 Aug 2017- investment objective and policy changed, Investment Sub-Adviser removed. 9 Apr 2018 - investment objectives and policies changed. 16 Nov 2018 - Change in the manner of charging preliminary charge / switching fee. 18 Jan 2019 - change of Domicile and Trustee of the Funds.

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

Source: HSBC Asset Management, data as at 31 December 2021

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Performance



Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years	5 years
P	4.71	2.36	0.90	-3.56	4.71	37.01	55.56

Calendar year performance (%)	2017	2018	2019	2020	2021
P	28.52	-11.65	17.46	11.40	4.71

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

Asset allocation (%)	Actual	Target	Strategic	Overweight/Underweight between Target & Strategic Asset Allocation	
Asia Pacific ex Japan HK (SAR) & mainland China Equity	12.72	13.00	12.00	1.00	
European Equity	21.01	19.00	18.00	1.00	
Hong Kong (SAR) & mainland China Equity	27.50	29.00	30.00	-1.00	
Japanese Equity	13.96	14.00	12.00	2.00	
North America Equity	19.05	18.00	18.00	0.00	
Asian Corporate Bond	2.20	5.00	0.00	5.00	
Asian Local Currency Bonds	2.06	2.00	0.00	2.00	
Global Government Bond	0.00	0.00	7.00	-7.00	
Liquidity	1.50	0.00	3.00	-3.00	

The strategic allocation is the portfolio's reference or neutral allocation set by HSBC Asset Management. The management team also adjusts target exposure higher (overweight) or lower (underweight) to an asset type - relative to the strategic asset allocation - depending on the team's current market outlook. Positive values (overweights) in the chart reflect asset types the portfolio management team have a positive outlook on. Negative values (underweights) reflect asset types the portfolio management team have a negative outlook on. The actual exposure is a screen shot of the portfolio at the end of the month based on market value in each asset type.

Top 10 Holdings	Weight (%)
Tencent Holdings Ltd	2.64
ALIBABA GROUP HOLDING LTD	2.61
HSBC Holdings Plc Mar22	1.55
AIA Group Ltd	1.54
MEITUAN-CLASS B	1.37
Taiwan Semiconductor Co Ltd	1.26
Apple Inc	1.19
MICROSOFT CORP	1.10
HONG KONG EXCHANGES & CLEAR	0.88
Samsung Electronics Co Ltd	0.88

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Monthly performance commentary

Portfolio Review

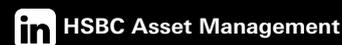
Major news items in December included the surge in COVID-19 cases associated with the omicron variant, and the update on likely monetary policy developments in the US. New virus cases surged to levels well beyond previous peaks in December, with the omicron variant appearing to be more transmissible than earlier variants. However, the number of daily deaths has continued to trend downwards over the month, suggesting the new variant may also be less serious. In the US the Federal Reserve announced that they would reduce their purchases of Treasury bonds and mortgage backed securities at a faster pace than previously anticipated, and forecast that they would raise interest rates three times in 2022. These changes are a clear indication that the elevated level of inflation in many countries is provoking a policy reaction. The situation in China is different with more growth concerns than inflation ones, and as a result the Required Deposit Reserve Ratio for banks was reduced in December. Global equities rose with Asian equities closing the month positively but underperforming due to the drag seen in certain areas of the Chinese market. Other than China, the large markets of Korea and Taiwan did well but there were negative returns for Singapore and the Philippines. Bond market returns were mixed with global government bonds falling. Asian corporate bonds outperformed global markets in investment grade, but once again underperformed in high yield, still ending higher. Currency markets did not see any major trend, and Chinese authorities voicing concern over renminbi appreciation did not cause any significant moves for the Chinese currency. Importantly for the inflation background commodities saw strong gains in December, Brent crude up 10.22% and gains across industrial metals and agricultural commodities as well.

Asset allocation strategy and outlook

With the post-Covid recovery reaching its apex, GDP and profit growth is naturally slowing as economies enter the expansion phase of the economic cycle and policy normalisation takes effect. This is traditionally a more challenging backdrop for investment markets and following a period of strong market returns, and we need to be realistic about the potential for future gains. Our baseline scenario is for price pressures to ease over 2022 as supply chain disruptions alleviate and pandemic related distortions wear off, with inflation likely to remain contained over the medium-term. However, there are upside risks to inflation if supply-side shortages persist in a meaningful way, especially in the US which is transitioning toward "mission economy" and a bigger role for state activism.

Equity premiums remains significantly higher than those for fixed income assets, while on a historical basis, stocks outperform bonds while labour markets improve. Asian assets do however stand out in the bond area. Well known problems with certain Chinese property developers in particular have caused yields on Asian bonds unaffected by credit problems to increase to levels where the overall asset class, both in investment grade and high yield, is attractive. We have moved to a significant overweight position in Asia credit in addition to our overweight equity position, and anticipate attractive returns for Asian assets after what has been a disappointing period of relative performance for Asia. Policy support, particularly in China, stands in contrast to policy tightening which will be a feature in many other countries.

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Glossary



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Important Information

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.

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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
A	HKD	Annually	30 July 2021	0.030773	0.11%
P	HKD	--	--	--	--

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