

HSBC Global Investment Funds - Hong Kong Equity

Share Class PD

28 Feb 2019

Risk Disclosure

- The Fund invests mainly in Hong Kong equities.
- The Fund is subject to the concentration risks of investing in a single market.
- 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 Hong Kong companies. The companies issuing these shares have a registered office and official stock-market listing in Kong Hong Special Administrative Region (SAR), or carry out most of their business there. In normal market conditions, at least 90% of the Fund's assets are invested in such companies.

Investment Strategy

There aren't restrictions on the market values of the companies held in the Fund. The Fund's maximum exposure to China A-shares and China B-shares is 20% of its assets. In addition, the Fund may invest up to 10% of its assets into other funds. See the Prospectus for a full description of the investment objectives and derivative usage.

Performance (%)	YTD	1M	3M	1Y	3Y ¹	5Y ¹
PD	11.09	2.98	7.98	-9.09	49.54	33.24
Reference Benchmark	11.41	3.31	8.08	-5.83	64.90	44.87

Calendar Year Performance (%) ²	2014	2015	2016	2017	2018
PD	3.49	-2.92	0.61	35.92	-16.24
Reference Benchmark	4.89	-6.07	3.66	41.54	-12.88

3-Year Risk Measures	PD	Reference Benchmark
Volatility	15.34%	14.71%
Information Ratio	-1.95	-
Beta	1.03	-

Characteristics	Fund	Reference Benchmark
Number of Holdings ex Cash	69	315
Avg Market Cap (USD mil)	106,590	89,619

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	1.00%
Base Currency	USD
Domicile	Luxembourg
ISIN	LU0011817854
Inception Date	16 Jan 1987
NAV per Share	USD 130.51
Fund Size	USD 140,276,194
Bloomberg Ticker	HSBHKEI LX
Reference Benchmark	FTSE MPF Hong Kong Net
Manager	Michael Chiu

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.

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 28 February 2019

Reference Performance Benchmark: FTSE MPF Hong Kong Net since 1 Dec 2011. From 1 Jan 1990 – 30 Nov 2011, the benchmark was Hang Seng Gross. Prior to that was Hang Seng Price.
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

Market review

The Hong Kong and Chinese equity market extended its gain in the second month of 2019 with FTSE MPF Hong Kong index rising 3.1% in USD terms, sending the year-to-date gain to 11.4%. The strong performance was continued to be driven by positive developments in China-US negotiations, signs of domestic policy easing feeding through to credit growth, and a global backdrop of a shift in the Fed outlook, which is supportive to emerging market asset. On the China-US trade front, it was agreed to extend the 1 March trade deal truce deadline, which was considered a big positive by the market. Some January activity indicators was distorted during the Chinese new year. Nonetheless, we have seen effects of policy action kicking in as TSF flow came in above expectations, setting a record high level of Rmb4,460 billion. The surge was fueled by strong bond issuance and solid loan growth. Trade data also surprised on the upside. On the down side, PPI has declined for seven consecutive months to 0.1%. NBS manufacturing PMI slipped 0.3pt to 49.2 in February.

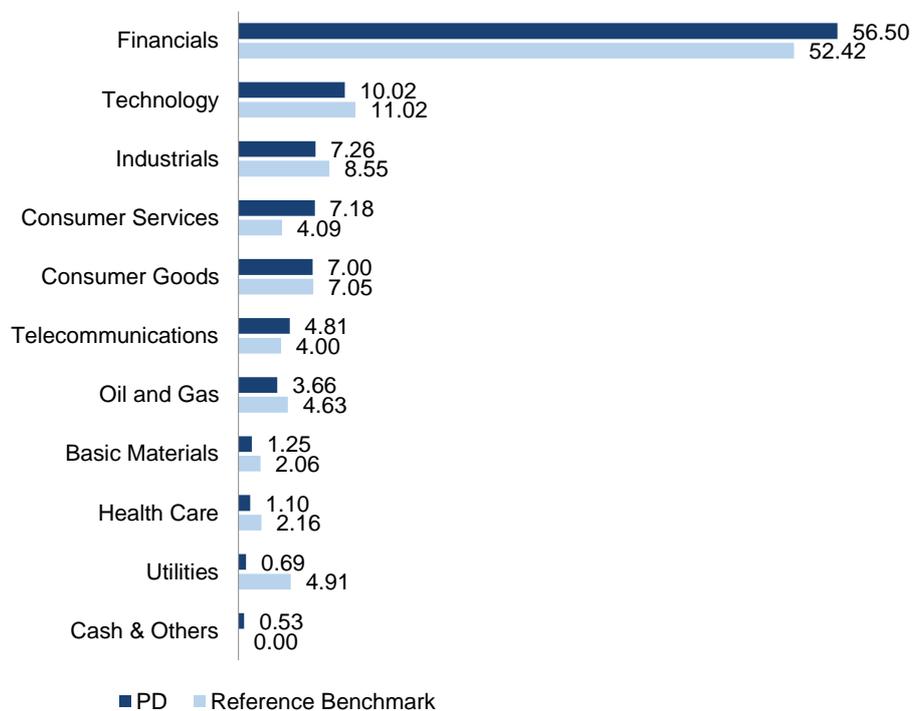
Portfolio review

The fund underperformed the benchmark in February mainly due to unfavorable stock selection in technology and utilities sectors. Share price of China Resources Power corrected sharply after it was removed from the benchmark Hang Seng Index. Also, the non-holding of Techtronic, a power tool manufacturer, detracted as it was being added to the Hang Seng Index and share price was boosted. The underweight of hardware company Lenovo hit performance too as the company's share skyrocketed after releasing stronger-than-expected quarterly results. On the plus side, Chinese Baijiu company Kweichow Moutai rose higher as the distribution price of its product remained solid on the back active channel and supply management by the company. Hong Kong Stock Exchange is another key contributor as it announced solid FY18 results and a comprehensive strategy plan to boost its business in the next few years. Key overweights at month end were financials, consumer services and telecommunications. Key underweights were utilities and industrials.

Outlook

The sharp pullback in Chinese equities market in 2018 was driven by a string of macro factors such as the heightening China-US trade tension, US interest rate hikes and domestic headwinds featuring moderating growth and weakening property markets etc. However, as we entered into 2019, those macro risks that has previously pressured on the market have been fading out, as we see more progress on trade talks, the potential earlier end of the US rate hike cycle and a much more accommodative policies stance from the Chinese government to support economic growth. With major macro concerns fading out, we believe the indiscriminate selloff of equities that happened 2018 is behind us and market valuation is gradually reverting to its mean level. Looking ahead, we expect investors to shift the focus back to corporate earnings. Companies with strong fundamentals and growth are expected to outperform in 2019. In terms of liquidity, we believe the further open up of Chinese equity market through stock connection or inclusion of A-share into major global indices will continue to drive global investors' interest in Chinese equities. The end of US rate hike should also prompt fund flows back to the emerging market, including China. Despite earnings growth is reset lower amid higher external risk, Chinese corporates are still growing with market expecting a high single digit growth for MSCI China in 2019. We believe at this valuation and earnings growth profile, the market has room to rise higher in 2019.

Sector Allocation (%)



Top 10 Holdings (%)	Sector	Weight (%)
Tencent Holdings Ltd	Technology	8.47
HSBC Holdings PLC	Financials	6.68
Indl and Comm Bank of China Ltd	Financials	6.36
AIA Group Ltd	Financials	6.22
China Construction Bank Corp	Financials	6.20
China Mobile Ltd	Telecommunications	3.99
CK Hutchison Holdings Ltd	Industrials	3.58
Ping An Ins Grp Co of China Ltd	Financials	3.54
CK Asset Holdings Ltd	Financials	3.35
HK Exchanges & Clearing Ltd	Financials	3.13

Source: HSBC Global Asset Management, data as at 28 February 2019

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Supplement Information Sheet

28 Feb 2019

Share Class	Base Currency	Distribution Frequency	Dividend ex-date	Dividend Amount	Annualised Yield (Distribution is not guaranteed and may be paid out of capital)
PD	USD	Annually	11 Jul 2018	2.598788	1.97%
AD	USD	Annually	11 Jul 2018	1.956563	1.46%
ADHKD	HKD	Annually	11 Jul 2018	0.175080	1.44%

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 payout yields and payments do not represent future payout yields and payments. Historical payments may be comprised of both distributed income and capital.

The calculation method of annualised yield: $(\text{dividend value} / \text{NAV per share or unit as of ex-dividend date}) \times n$, 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.