

# HSBC Global Investment Funds - Hong Kong Equity

Share Class PD

31 Jan 2020

## 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 Hong Kong 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. Please see the Prospectus for a full description of the investment objectives and derivative usage.

Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>
PD	-4.80	-4.80	0.34	-2.87	13.10	14.61
Reference Benchmark	-6.34	-6.34	-0.45	-0.20	25.03	25.95

Calendar Year Performance (%) <sup>2</sup>	2015	2016	2017	2018	2019
PD	-2.92	0.61	35.92	-16.24	10.07
Reference Benchmark	-6.07	3.66	41.54	-12.88	14.90

3-Year Risk Measures	3-Year Risk Measures		Characteristics		
	PD	Reference Benchmark	Fund	Reference Benchmark	
Volatility	16.34%	16.00%	Number of Holdings ex Cash	72	322
Information Ratio	-1.53	-	Avg Market Cap (USD mil)	112,080	91,341
Beta	1.01	-			

## 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%
Share Class Base Currency	USD
Domicile	Luxembourg
ISIN	LU0011817854
Share Class Inception Date	16 Jan 1987
NAV per Share	USD 121.13
Fund Size	USD 122,345,406
Bloomberg Ticker	HSBHKEI LX
Reference Benchmark	FTSE MPF Hong Kong Net
Manager	Joy Yuan

<sup>1</sup>Result is cumulative when calculation period is over one year.

<sup>2</sup>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.

**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 31 January 2020



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.

## Monthly Performance Commentary

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### Market review

The Hong Kong and Chinese equity market fell in January with the FTSE MPF Hong Kong Index declining 6.34% in USD terms. The market performance was initially boosted by signing of the phase 1 US-China trade deal and US dropping the currency manipulator tag on China. However performance subsequently took a nose dive on concerns over the coronavirus outbreak. Note China and HK were closed for Lunar New Year during the last week. Healthcare relatively outperformed, but energy, materials, industrials and consumer discretionary all underperformed in fear of a demand shock.

In terms of economic data points, Markit manufacturing PMI in January came in at 51.5, same level as in December. Trade data on the other hand improved, with exports expanding at 7.9%yoy in December, vs a contraction of -1.3%yoy in November. Inflation remains stable, with December CPI unchanged vs November at 4.5%yoy.

### Fund Review

The fund outperformed the benchmark mainly driven by positive stock selection effect in consumer services, financials and technology, partially offset by the negative stock selection effect in consumer goods.

Luxshare is the top positive stock contributor to performance, as Apple reported results which shows continued strength in the wearables segment. The company is the main assembler for AirPods pro.

Alibaba is the other top stock contributor to performance as tech ADRs continue to move up along with the strong market in the US. China's online retail sales continues to be strong in Dec due to the e-commerce shopping festivals.

On the other hand, China Resources Beer which we have an overweight on is the top detractor to fund performance. The company issued a positive profit alert in January, but guidance implied a slower second half vs first half due to slower ASP / mix upgrades and more marketing spend and staff costs.

Moutai, Chinese A share liquor company, is another detractor to fund performance. The company released its 4Q19 operating data below market expectation due to a lower than expected sales volume of Moutai spirits offered in direct sales channels. EBIT margin fell in 4Q19 as well due to higher than expected operating expenses.

Our underweight in Xiaomi is also another detractor to fund performance. Company mentioned it will launch 10 5G smartphones this year.

Key overweight sectors at month end were consumer services and goods, while key underweight sectors were financials and industrials.

### Outlook

The outbreak of coronavirus in Wuhan, China and its spread to other countries has caused concerns to the public and financial markets. While the situation is fluid and we offer no view on the developments of this virus, we offer a few thoughts on the macro and investment implications to our portfolios:

#### Economic Implication

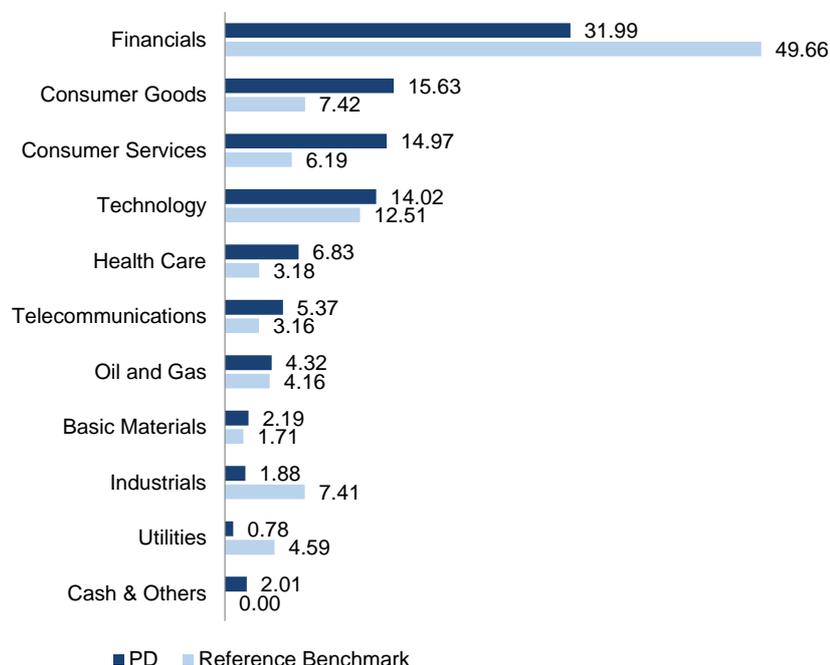
The disruption associated with attempts to contain the spread of the virus, combined with confidence effects, is likely to weigh on the near term growth in China. By way of comparison, the experience of SARS which broke out in late 2002 saw China's GDP growth rate fall from 2.9%qoq in 1Q2003 to 0.9% in 2Q amid a large decline in retail sales growth and a sharp hit to tourism activity. However the impact was short lived and growth subsequently rebounded in 2H2003, with full year growth at 10% vs 9.2% the year before. A V-shaped recovery seems to be a reasonable baseline assumption at present, though given the uncertainty of how the virus might evolve exact magnitude and extent of downturn would be hard to determine at this point.

#### Investment Implication

Although there are near term downside risks to China's economic growth, Asia corporate earnings and market performance will recover once the growth rate of current virus cases started to decline. Consumption behaviours in China have also evolved over the last 10 years, with companies engaging in new business models such as online retail and gaming, package delivery, and online media consumption (games / videos), which make up a big part of the retail category. This might offer a strong counter to the potential negative consumption shocks to the brick-and-mortar companies.

Given the potential growth slowdown in China 1Q we expect the government to maintain an easing stance and provide more policy support where necessary – fiscal support such as investment in infrastructure projects and consumption support measures are likely going to be primary tools for this. Current volatility also provides good buying opportunities on stocks that have fallen a lot to historical low valuations but with sound business models.

## Sector Allocation (%)



Top 10 Holdings (%)	Sector	Weight (%)
Tencent Holdings Ltd	Technology	9.60
AIA Group Ltd	Financials	6.91
Meituan Dianping	Consumer Services	4.99
Alibaba Group Holding Ltd	Consumer Services	4.29
China Construction Bank Corp	Financials	3.55
China Resources Enterprise Ltd	Consumer Goods	3.48
Ping An Ins Grp Co of China Ltd	Financials	3.41
WH Group Ltd	Consumer Goods	3.16
Indl and Comm Bank of China Ltd	Financials	3.14
HK Exchanges & Clearing Ltd	Financials	2.90

Source: HSBC Global Asset Management, data as at 31 January 2020

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## Terms of Glossary

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**Accumulation Share:** a type of share where the income earned by the Fund is retained in the Fund

**ACD:** HSBC Global Asset Management (UK) Limited, the Authorised Corporate Director of the Company

**Actively Managed:** where the fund manager uses their expertise to pick investments to achieve the fund's objectives □

**Beta:** an historical measure of volatility to measure how a fund moves versus its benchmark (i.e. an Index)

**Collective Investment Scheme:** a fund that more than one person contributes to with the aim of increasing the value of their investments or receiving income from a pooled investment. A fund manager will invest the pooled money into one or more types of asset, such as stocks, bonds or property

**Developed Markets:** countries with relatively high levels of personal income and established economies

**Emerging Markets (EM):** countries that are progressing toward becoming advanced, usually shown by some development in financial markets, the existence of some form of stock exchange and a regulatory body

**Equities:** shares issued by a company

**Futures:** a financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price

**Growth:** the increase in the value of investments

**Hedge Funds:** an investment fund that pools money from investors and invests in a variety of assets, often with complex investment strategies and risk management techniques

**Hedge or Hedging:** using derivative type investments as a way to reduce risk

**Income:** money generated by a fund, such as interest from a bond or a dividend from a share, which can be paid out to its investors or paid back into the fund and reinvested

**Income Share:** the type of Share where the income earned by the Fund is paid out to you

**Information Ratio:** a measure of the risk-adjusted return of a fund against its benchmark

**Market Capitalisation:** the total dollar market value of a company's outstanding shares. Commonly referred to as "market cap", it is calculated by multiplying a company's shares outstanding by the current market price of one share □

**Net Asset Value (NAV):** the value of the scheme property of a fund less the liabilities of the fund

**Ongoing Charges Figure:** a measure of what it costs to invest in a fund. It includes the fee paid to the ACD and other operating costs

**Price Earnings (P/E) Ratio:** the price paid for a share divided by the annual profit earned by the firm per share

**Preference Shares:** shares of a company which entitle the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends. Preference shares may be convertible to the ordinary shares of a company

**Property-related securities:** shares of property companies that own, manage or develop property and Real Estate Investment Trusts (REITs), which are investment companies that own buildings and land

**Return(s):** the money made or lost on an investment

**Share(s):** an equally valued holding in a fund of a company, representing part ownership of that fund, (including larger denomination shares and smaller denomination shares)

**Sharpe ratio:** a measure for calculating risk-adjusted return, and this ratio has become the industry standard for such calculations

**Volatility:** a measure of the size and frequency of changes in the value of an investment over a short space of time

**Yield:** the income from an investment, usually stated as a percentage of the value of the investment

# HSBC Global Investment Funds - Hong Kong Equity

Supplement Information Sheet

31 Jan 2020

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)
PD	USD	Annually	11 Jul 2019	2.065756	1.63%
AD	USD	Annually	11 Jul 2019	1.462210	1.13%
ADHKD	HKD	Annually	11 Jul 2019	0.129167	1.11%

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 prior to August 2019 is the simple yield calculation:  $(\text{dividend amount} / \text{NAV per share or units as of ex-dividend date}) \times n$ ; 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.