HSBC Global Investment Funds - Euroland Equity

Share Class AD

28 Feb 2021

Fund Objective and Strategy

Investment Objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of Eurozone shares.

Investment Policy

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 European Monetary Union member country.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.

Performance (%)	YTD	1M	3M	1Y	3Y[1]	5Y[1]
AD	4.69	4.62	5.42	9.50	-0.99	4.82
Reference Benchmark	2.22	3.59	4.23	11.81	3.73	7.45

Rolling Performance (%)	29 Feb 2020-28 Feb 2021	28 Feb 2019-29 Feb 2020	28 Feb 2018-28 Feb 2019	28 Feb 2017-28 Feb 2018	29 Feb 2016-28 Feb 2017
AD	9.50	-2.85	-8.76	10.12	18.38
Reference Benchmark	11.81	2.78	-2.87	9.90	16.77

3-Year Risk Measures	AD	Reference Benchmark
Volatility	23.41%	19.14%
Information Ratio	-0.85	-
Beta	1.21	-

Characteristics	Fund	Reference Benchmark
Number of Holdings ex Cash	54	238
Avg Market Cap (EUR mil)	31,492	61,550

Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.
UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES
Source: HSBC Global Asset Management, data as at 28 February 2021

Share Class Details	
UCITS V Compliant	Yes
Distribution Type	Distributing
Distribution Frequency	Annually
Dividend ex-date	08 Jul 2020
Dividend Yield [2]	5.12%
Last Paid Dividend	0.6124
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 5,000
Ongoing Charge Figure [3]	1.851%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0165074740
Share Class Inception Date	04 Apr 2003
NAV per Share	EUR 35.91
Fund Size	EUR 516,543,544
Bloomberg Ticker	HSBEURA LX
Reference Benchmark	Reference Performance Benchmark
Manager	Frederic Leguay Jeanne Follet

[1]Result is annualised when calculation period is over one year.
[2]Dividend Yield: represents the ratio of distributed income over the last 12 months to the fund's current Net Asset Value.
[3]Ongoing Charges Figure, is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

Risk Disclosure

- 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.
- 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.
- Further information on the Fund's potential risks can be found in the Key Investor Information Document and Prospectus.
- UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE THE FUTURE ONES.

HSBC Global Asset Management

Monthly Performance Commentary

Economic Environment

The equity markets finished February in the black despite a downturn at the end of the month: +2.7% for the developed world, +2.5% for Europe and +3.6% for the eurozone (euro-denominated MSCI indices, net dividends reinvested). The United States turned in a comparable performance (+2.7%) while the emerging markets lagged (+0.9%). The major central banks – the Federal Reserve (Fed), Bank of England, European Central Bank (ECB), etc. – sent out an ambiguous message this month, mindful of their dual objective of supporting economic growth (and employment) and their long-term inflation target of 2%. Key interest rates are stable at low levels but the possibility of further adjustments remains open. In fact, while GDP growth prospects for 2021 are dimming in the regions most impacted by the virus, inflation is increasing in the wake of rising oil prices but nonetheless remains below the target. The spread of variants and the sometimes-slow vaccination campaigns (due to operational and supply issues) are fuelling fears of a resurgence of the pandemic and a hardening of sanitary restrictions that would lead to stricter curfews or additional lockdowns. On the political front, in Italy, the formation of a new government headed by Mario Draghi, the former President of the ECB, came as a relief. In the United States, the impeachment of Donald Trump ended with acquittal. In January, the attack on the Capitol by some Trump supporters just a few days before Joe Biden was sworn in shocked Americans and the international community. Nevertheless, investors remain generally optimistic, placing their hopes on massive fiscal and monetary stimulus measures and wider vaccine distribution. Profitable corporate earnings confirmed this positive feeling. In Europe, 71% of large cap corporations have already published their 2020 fourth quarter earnings. 74% of these corporations either met or exceeded the already depressed market expectations.

Market Performance

The euro remained stable against the dollar at USD 1.21. The central banks' ambiguous messaging (with the Fed in the lead) triggered a jump in US 10-year government bond yields (+0.33 points, reaching 1.40%) and those of its German counterpart (+0.26 points, yet still in the red at -0.26%). The price of light crude gained +18%, rising to USD 61, with the wave of freezing polar temperatures in the United States knocking many production sites offline. Sector performance in Europe was very mixed overall, favouring the most cyclical sectors, which have found renewed appetite for risk. Finance (banking +15.7%, insurance +9.4%) was sustained by the steepening of the yield curve and energy (+10.4%) due to the rise in oil prices. Consumer services 13.5% also outperformed. Conversely, utilities, which are sensitive to interest rates, were at the back of the pack (-5.8%), trailing computer equipment (-5.4%), food distribution (-4.2%) and home/personal products (-4.1%). From a regional perspective, Italy (+5.8%), Spain (+5.3%) and France (+5.1%) posted the best returns. The United Kingdom (+3.7%) benefited from the appreciation of the GBP against the euro, while Switzerland (-2.2%) suffered from its exposure to defensive sectors and the depreciation of the franc. Germany slightly underperformed (+2.1%). By theme, European small and mid-caps (+2.7%) came roughly in line with large caps (+2.5%). Value (+4.5%) outperformed growth (+0.5%), further narrowing the gap between the two styles, to -10.8% over a 12-month period.

Fund Review

Sector allocation made a strong contribution to relative performance. The approval of Joe Biden's economic stimulus plan, the acceleration of vaccination campaigns, and solid corporate results in spite of the lockdown triggered an across-the-board increase in bond yields and gains in risky assets. Hence, our overweighting of banks, energy and insurance stocks and our underweighting of retailing, real estate and food boosted the fund's relative performance. Our underweighting of luxury goods and semiconductors and our overweighting of food retailing dented the fund's performance but in far lower proportions. Our stock-picking process, which focuses on low valuations, also made a very strong contribution to the fund's relative performance in February. This included outperformances in basic industries (HeidelbergCement and Arcelor), oil (Repsol), IT services (Capgemini), business services (Elis), telecoms (KPN), media (Publicis), insurance (Poste Italiane and Axa), banks (Société Générale) and utilities (Veolia). We took a small hit from our selections in transport (Bpost) and capital goods (Signify and ACS) but, there again, in lesser proportions. Also worth mentioning are the considerable gains by some of our other bets, such as those in we made in Santander, Crédit Agricole, Metso-Outotec, Stellantis, Saint-Gobain, Erste Bank, Téléperformance, Thales, Allianz and Solvay. We made no big changes to your portfolio's main holdings in January, which continue to be dictated by an investment approach that focuses on stocks that are undervalued with regard to the profitability that they generate over the course of a cycle. We also set up a holding in Solvay, a Belgian speciality chemicals maker, which is exposed to sectors as varied as autos, aerospace and healthcare and which has undertaken a profound transformation of its business portfolio. We present Solvay's extra-financial profile below. It ranks in the second quartile of its global sector with an ESG rating of 5.5, vs. 4.0 for its sector. In addition, we added to our exposure to Poste Italiane, Sanofi, Thales, Deutsche Telekom and Carrefour, all of which seem to offer true upside potential following their recent poor showings. We reduced our exposure to Metso-Outotec, Stellantis, Crédit Agricole and Siemens Energy, after their recent months' gains. And we completed the sale of our holding in DSM, the Dutch ingredients specialist after its strong gains of recent years. We continue to overweight financials, energy, telecoms, and industrial stocks, and, to a lesser extent, healthcare. In contrast, we are underweighting consumer stocks, both staples and discretionaries, along with techs, real estate and, to a lesser extent, basic industries.

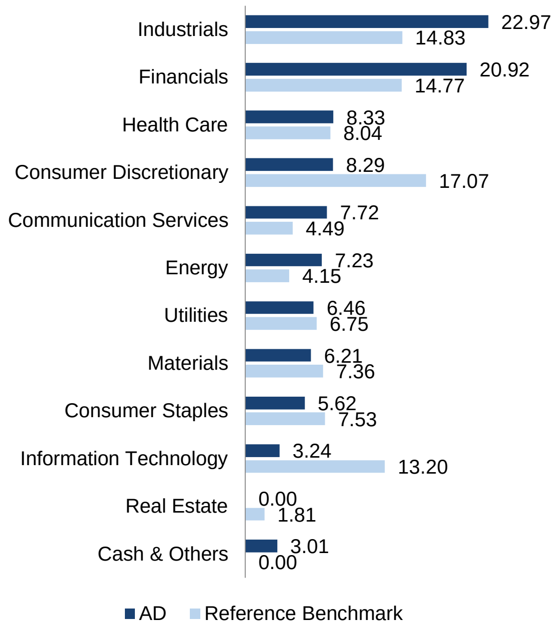
ESG

Regarding Solvay, its environmental score (40% of its overall rating) of 6.2 (vs. 4.3 for the sector) is based on its quantified commitments to reduce its CO_2 footprint in the short (-8% in 2025), medium (-26% in 2030) and long (neutrality in 2050) terms. Management compensation is predicated in part on achieving these objectives. The only negative point is a controversy on a possible water contamination with polyfluoroalkyl in the USA. Solvay's societal score (30%) is also higher than its sector's, at 5.2 vs. 3.1. Despite its inevitable exposure to occupational hazards, no death has been reported at any of Solvay 129 industrial facilities in the past two years. 53 of these facilities have been certified OHSAS 18001 and most use Socrates, an employee risk-management tool. 10% of manager compensation is tied to social objectives such as the talent retention and the proportion of women in management positions. Solvay's governance score (30%) is 4.8 (vs. 4.5 for the sector). On the positive side, the board is independent and diverse (with 53% women, for example), with separate roles for the CEO and chairman. It also has strict procedures for combatting corruption and money-laundering. However, two points to keep an eye on: some directors seem to have too much on their plate, and the audit committee is not fully independent.

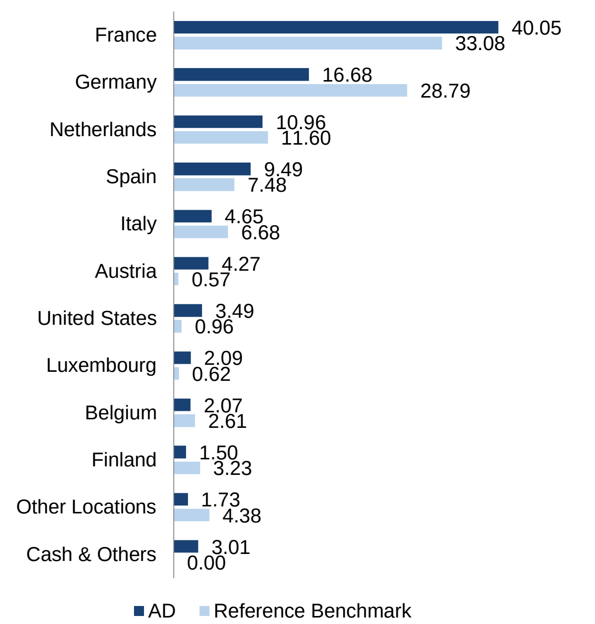
Outlook

The evolution of the health crisis is the markets' core concern: the spread of the variants and the progress of the vaccine campaigns are all-important. We could highlight serious geographical distortions, however, at this stage many countries have tightened restrictions or are thinking about doing so. The contradiction between health-related and economic priorities has created a dilemma for their governments. The markets continue to keep a watchful eye on negotiations in the US Congress on the massive relief package proposed by the new Biden administration, which could become the driver of a global recovery. Weak returns on offer from other asset classes, receding economic, pandemic and political risk premiums, combined with the robust rebound expected in earnings in 2021 should allow the markets to gain ground in the coming months as long as the earnings recovery remains at least in line with current expectations.

Sector Allocation (%)



Geographical Allocation (%)



Top 10 Holdings (%)	Location	Sector	Weight (%)
STELLANTIS N V	United States	Consumer Discretionary	3.49
CAP GEMINI	France	Information Technology	3.24
ALLIANZ	Germany	Financials	3.01
SAINT GOBAIN	France	Industrials	2.96
AXA	France	Financials	2.83
TOTAL	France	Energy	2.80
ING GROEP NV	Netherlands	Financials	2.74
CREDIT AGRICOLE	France	Financials	2.65
ENGIE	France	Utilities	2.45
BANCO SANTANDER SA	Spain	Financials	2.30

Source: HSBC Global Asset Management, data as at 28 February 2021

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Important Information

Terms of Glossary

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