HSBC Global Investment Funds - Euroland Equity

Share Class ID

31 Jan 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	3Y¹	5Y¹
ID	0.13	0.13	24.71	-3.16	-2.86	4.23
Reference Benchmark	-1.33	-1.33	17.82	-0.61	1.22	6.04

Rolling Performance (%)	31 Jan 2020-31 Jan 2021	31 Jan 2019-31 Jan 2020	31 Jan 2018-31 Jan 2019	31 Jan 2017-31 Jan 2018	31 Jan 2016-31 Jan 2017
ID	-3.16	12.13	-15.58	17.53	14.15
Reference Benchmark	-0.61	16.01	-10.07	17.21	10.32

3-Year Risk Measures	ID	Reference Benchmark
Volatility	23.38%	19.19%
Information Ratio	-0.74	-
Beta	1.20	-

Characteristics	Fund	Reference Benchmark
Number of Holdings ex Cash	55	237
Avg Market Cap (EUR mil)	30,359	59,044

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 31 January 2021

Share Class Details	
UCITS V Compliant	Yes
Distribution Type	Distributing
Distribution Frequency	Annually
Dividend ex-date	08 Jul 2020
Dividend Yield [2]	8.81%
Last Paid Dividend	1.0777
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 1,000,000
Ongoing Charge Figure [3]	1.001%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0165075127
Share Class Inception Date	27 Dec 2012
NAV per Share	EUR 48.90
Fund Size	EUR 497,291,184
Bloomberg Ticker	HSBEUIE 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

After two months of gains, the markets pulled back slightly in January, with the MSCI Europe ending down by 0.7% and the MSCI EMU by 1.3% (in euros with net dividends reinvested). In the US, the S&P 500 also ended down slightly by just 0.3%. And yet, global equities did post strong gains in the first week of the month, driven by the roll-out of massive global vaccination campaigns, solid economic figures, and the expectation of a victory by the Democrats in the Georgia Senate run-off elections. However, the rapid worsening in the pandemic, particularly in Europe, signalled the return of risk aversion in the last 10 days of the month. Lockdown measures in Germany and the UK, the sluggishness of vaccination roll-outs, particularly in France, and tensions with some pharma groups on the pace of vaccine roll-outs cast a pall on risky assets. In the US, resistance, even among the Democrats, regarding the massive USD 1,900 billion stimulus plan (meant mainly for households, local governments, and the healthcare system) also spoiled the market's appetite for cyclical stocks. However, fourth-quarter (annualised) GDP growth was positive in several countries, including +4% in the US, +0.1% in Germany, and +0.4% in Spain. In France, however, it shrank by -1.3%. Regarding support measures, the Federal Reserve, the European Central Bank and the Bank of Japan stuck to their accommodative policies. German and French bond yields rose slightly on the month by, respectively, +0.05% and +0.06%. Political uncertainties in Italy, with the resignation of Prime Minister Conte late in the month in an attempt to form a new government, also had an impact on sovereign bond yields (+0.10% on the month).

Market Performance

Emerging market indices handily outperformed developed markets in January, led by robust gains in China (+8.1%). The +6.5% fourth-quarter growth in GDP confirms the solid health of the Chinese economy. In Europe, Scandinavian countries fared well (Sweden: +2.9%; Finland: +2.7%; and Norway: +0.8%). The UK (+0.5%) also outperformed. In the euro zone, initial missteps in vaccination campaigns and a further toughening in social distancing restrictions hobbled markets in Germany (-1.1%), France (-2.4%) and Italy (-3.3%). By sector, semiconductors (+9.6%) once again drove tech stocks, on the back of solid earnings. Basic materials (+1.0%) and energy (+2.4%) ended in positive territory, driven by their roaring head-start achieved during a buying frenzy in the first week. Oil (Brent at +7.9%) got a boost from the surprise cut in Saudi output. Underperforming sectors included those most heavily exposed to the "pandemic" theme. These naturally included transport (-4.2%), leisure (-3.3%) and consumer goods & services (-5%). Real estate (-4.1%) was hit by the rise in bond yields and by the resurgence of Covid-19 mutations, particularly in the UK. Insurance (-5.2%) was sold off on higher Covid-related claims and on the hit to the reinsurance segment from the January decline in contract rollovers. In the US, a crusade by retail investors against short sellers also moved the market in Europe. Those stocks most exposed to short positions, such as Nokia (+26%), Unibail (+7.6%) and Tui (+24%) got a boost from massive buybacks of net short positions. There were no arbitrages this month between value stocks (-0.9%) and growth stocks (-0.6%), but small caps (+0.4%) outperformed the market.

Fund Review

The sector allocation made a neutral contribution to this relative performance. The resurgence of the Covid pandemic in a number of developed countries has posed a partial challenge to the strong earnings expected for 2021 and resulted in reduced appetite for risk. As a result, our overexposure to banking and insurance and our underexposure to semiconductors took a toll on the fund's relative performance. On the other side of the coin, our underexposure to luxury goods, IT services and consumer staples – sectors which posted disappointing performance early in the year – worked in our favour. We were marginally hurt by our underexposure to Nokia stock, which rose sharply as the result of the efforts of small private investors targeting short sellers. Stock-picking made a favourable contribution to the portfolio's relative performance in January. These selections, which emphasised low valuations, contributed positively to relative performance in the capital goods (Signify and Saint-Gobain), utilities (Veolia and Engie), consumer durables (SEB), media (Publicis), telecommunications (KPN), transport (Deutsche Post) and oil (OMV) sectors. Only our healthcare (Fresenius and Grifols), basic industries (Arcelor), food and beverage (Heineken) and corporate services (Elis) selections did not work in our favour. On the other hand, we highlight the good performance of some of our other bets, such as those placed on Michelin, Faurecia, Bayer, RelX, Metso-Outotec, Philips, Siemens Energy and HeidelbergCement. 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. This month we added to our positions in Alstom, Airbus, RelX, OMV, Thales, Michelin and Poste Italiane, which appear to offer some real potential for appreciation following their recent losses. We reduced our exposure to Arkema, Arcelor, Philips, Deutsche Post, Signify, Siemens, Allianz, Saint-Gobain and DSM after their strong gains over the past few months. Furthermore, we completed our sale of ENEL after the strong performance registered in anticipation of the investor meeting, during which management presented its detailed investment plan for the next few years. Lastly, we initiated a position in Bpost, the long-standing postal operator in Belgium, which is actively expanding logistics services in the United States and in Europe. 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.

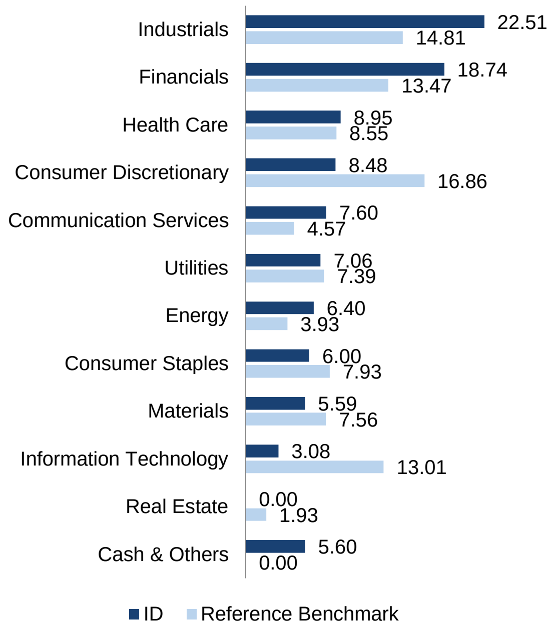
ESG

As the year begins, we wanted to review the shareholding activities (voting in general meetings and engagement with company management) carried out with the management teams of our positions over the course of 2020. Despite the impossibility of holding in-person general meetings, the new regulatory measures announced at the beginning of the pandemic (extension of deadlines, closed meetings, acceptance of written questions) allowed us to get this important shareholder job done. In 2020, we voted in 1,013 general meetings – 91% of the meetings we were invited to attend. In fact, we do not participate only in general meetings which would have resulted in our shares being blocked. We analysed 14,533 shareholder resolutions and voted against management's recommendations on 1,764 resolutions (12% of the time), a percentage in line with that of 2019. France (46% of opposition votes) remains a country where the number of rejected resolutions is highest (22% of the time). Officer and director compensation, anti-takeover measures, regulated agreements and director appointments are areas where opposition voting occurred most frequently. Lastly, in 2020 we engaged with the directors and officers of 390 listed companies on their strategic and financial challenges during 799 in-person and virtual meetings. In 773 of these meetings, ESG-related issues and opportunities were discussed.

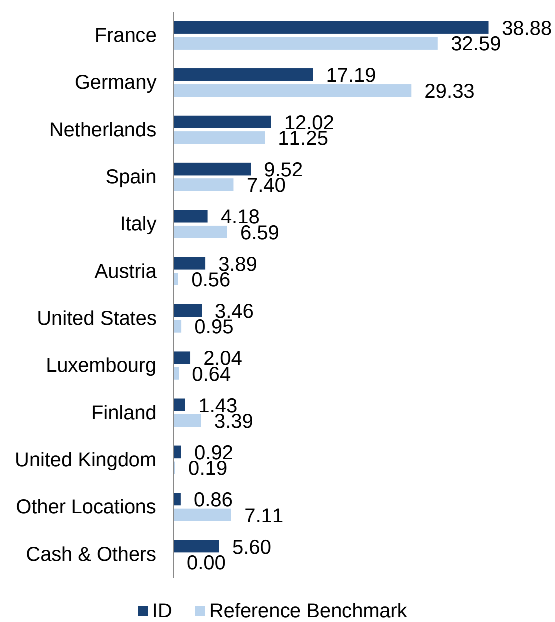
Outlook

In the coming weeks, investors will be keeping their eyes both on how effective vaccines are against new mutations and on how well vaccination campaigns go. With this in mind, a positive outcome could come from the European Union's approval of AstraZeneca's vaccine late in the month, and Johnson & Johnson's coming vaccine. The market will also be focusing on progress in the US Congress on the massive stimulus plan of the new president, Joe Biden. Weak returns on offer from other asset classes, the receding in the 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	3.46
CAP GEMINI	France	Information Technology	3.08
ALLIANZ	Germany	Financials	2.94
SAINT GOBAIN	France	Industrials	2.87
ENGIE	France	Utilities	2.71
TOTAL	France	Energy	2.68
AXA	France	Financials	2.62
KPN KON	Netherlands	Communication Services	2.37
ING GROEP NV	Netherlands	Financials	2.34
CREDIT AGRICOLE	France	Financials	2.29

Source: HSBC Global Asset Management, data as at 31 January 2021

Index Disclaimer

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