

# HSBC Global Investment Funds - Euroland Equity Smaller Companies

Share Class IC

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 smaller and medium sized companies, that are based in any Eurozone member country. These companies are defined as having a market value of less than EUR 10 billion as well as being constituents of the MSCI EMU SMID Index. 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>
IC	0.94	-1.04	4.24	2.44	-0.87	6.21
Reference Benchmark	2.51	2.29	6.42	16.30	4.67	9.55

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
IC	2.44	6.45	-10.66	18.16	17.40
Reference Benchmark	16.30	4.93	-6.03	17.15	17.47

3-Year Risk Measures	IC	Reference Benchmark	Characteristics	Fund	Reference Benchmark
Volatility	23.36%	19.77%	Number of Holdings ex Cash	50	563
Information Ratio	-0.89	-	Avg Market Cap (EUR mil)	5,744	8,294
Beta	1.15	-			

Share Class Details	
UCITS V Compliant	Yes
Distribution Type	Accumulating
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 1,000,000
Ongoing Charge Figure <sup>2</sup>	1.000%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0165074070
Share Class Inception Date	01 Aug 2006
NAV per Share	EUR 89.05
Fund Size	EUR 248,213,016
Bloomberg Ticker	HSBESIX LX
Reference Benchmark	S&P / IFCI India Gross
Manager	Eve Navarre

**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

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

<sup>2</sup>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.
- Different investment styles typically go in and out of favour depending on market conditions and investor sentiment.
- 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.

## Monthly Performance Commentary

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### 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

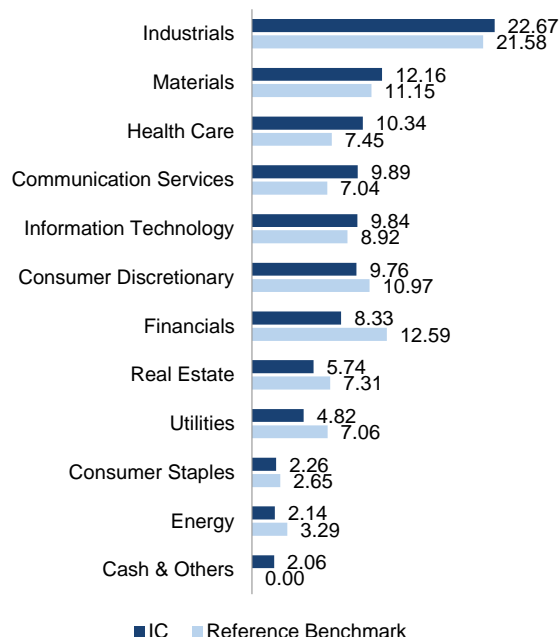
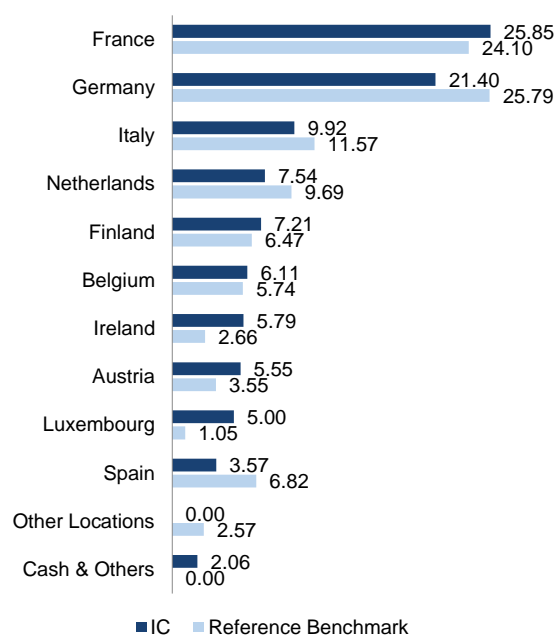
The euro remained stable against the dollar at USD 1.21. The central banks' ambiguous messaging (with the Fed in the lead) triggered a jump in US 10-year government bond yields (+0.33 points, reaching 1.40%) and those of its German counterpart (+0.26 points, yet still in the red at -0.26%). The price 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

Stock-picking and the sector allocation made a negative contribution to the fund's performance. Against a backdrop of sector rotation towards cyclical stocks, our underexposure to the banking sector worked against us, and our overexposure to healthcare equipment and services, whereas our underexposure to the healthcare and real estate sectors contributed to the outperformance. In terms of stock-picking, the main negative contributors include Grenke (financial services, Germany), which was down by more than 30% on the month. The company is being investigated by BaFin following allegations by the Viceroy fund in September 2020. The company has announced the departure of its Chief Operating Officer, which has once again called into question its internal procedures and risk control. In this very troubled environment, and ahead of the necessary reorganisation, we preferred to sell the stock. Profits were taken on Orpea (healthcare services, France) and HelloFresh (consumer discretionary, Germany), stocks which also adversely affected performance. The contributors to performance include FlatexDeGiro, which gained 15%, continuing the bullish trend that began in January following the pre-releasing of its earnings and the presentation of a highly optimistic outlook. Fluidra, which climbed by more than 12%, is also a contributor to performance; the company bounced back after the January correction, linked to its capital increase. In February, we added Encavis, due to its high quality profile, with strong demand for renewable energy projects and a solid track record and expertise. We sold Grenke, as the resignation of its COO casts doubt on the reliability of the company's accounts and internal risk assessment processes. We also sold Merlin properties, Total produce and Rubis, whose outlooks seem uncertain. Furthermore, we reduced our positions in FlatexDeGiro and Orpea after solid performances.

### 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 (%)
SR TELEPERFORMANCE	France	Industrials	3.98
SMURFIT KAPPA	Ireland	Materials	3.78
SYMRISE	Germany	Materials	3.65
KION GROUP AG	Germany	Industrials	3.64
TAG IMMOBILIEN	Germany	Real Estate	3.57
STROEER SE	Germany	Communication Services	3.49
ATOS	France	Information Technology	3.36
HELLOFRESH AG	Germany	Consumer Discretionary	3.27
OUTOTEC	Finland	Industrials	3.15
EUROFINS SCIENTIFI	Luxembourg	Health Care	3.09

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

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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