

# HSBC Global Investment Funds - Russia Equity

Share Class AD

30 Apr 2018

## Fund Objective and Strategy

The Fund seeks long-term capital growth by investing primarily in a concentrated portfolio of shares (or securities that are similar to shares) of Russian companies. The companies issuing these shares have a registered office and official stock-market listing in Russia, or carry out most of their business there. There aren't restrictions on the market values (also known as market capitalisation) of the companies held in the Fund.

Performance (%)	YTD	1M	3M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>	Since Inception <sup>1</sup>
AD USD	3.24	-5.76	-7.53	8.75	9.27	0.76	-4.34
AD USD (Net) <sup>2</sup>	-2.18	-10.70	-12.39	3.04	7.32	-0.32	-4.83
Reference Benchmark USD	2.81	-5.01	-7.28	7.25	7.40	0.52	-3.05

Calendar Year Performance (%)	2013	2014	2015	2016	2017
AD USD	-2.20	-44.61	1.59	60.09	3.99
AD USD (Net) <sup>2</sup>	-7.33	-47.52	-3.75	51.69	-1.47
Reference Benchmark USD	-1.84	-42.99	7.15	53.60	0.68

3-Year Risk Measures	AD	Reference Benchmark	Characteristics	Fund	Reference Benchmark
Volatility	19.4%	18.4%	Number of Holdings ex Cash	29	22
Tracking Error	4.0%	-	Avg Market Cap (USD mil)	29,946	29,115
Information Ratio	0.47	-			
Beta	1.03	-			

Share Class Details	
UCITS V Compliant	Yes
Subscription Mode	Cash / SRS (Supplementary Retirement Scheme)
Distribution Type	Distributing
Distribution Frequency	Annually
Dealing Frequency	Daily
Valuation Time	17:00 Luxembourg
Min. Initial Investment	USD 1,000
Annual Management Fee	1.75%
Max. Initial Charge	5.25%
Base Currency	USD
Domicile	Luxembourg
ISIN	LU0329931173
Inception Date	20 Dec 2007
NAV per Share	USD 5.89
Fund Size	USD 264,685,018
Bloomberg Ticker	HSBRUI LX
Reference Benchmark	MSCI Russia 10/40 Net
Manager	Douglas Helfer

**Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested.**

Source: HSBC Global Asset Management, data as at 30 April 2018

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

<sup>2</sup>Net of relevant prevailing sales charge

## Risk Disclosure

**General Investment Risk:** The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.

**Concentration Risk:** Funds with a narrow or concentrated investment strategy are more sensitive to changes in the market value of a single issuer.

**Derivative Risk:** A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. Investing in derivatives involves leverage. High degrees of leverage can magnify the impact of asset price or rate movements.

**Emerging Market Risk:** Emerging markets are subject to greater illiquidity and volatility than developed markets.

**Exchange Rate Risk:** Changes in currency exchange rates will cause the value of investments to fluctuate.

**Liquidity Risk:** Assets may be more difficult to convert to cash during adverse market conditions, in turn impacting asset valuation.

The reference benchmark was applied to the fund with effect from 30 June 2016 to align with global disclosures and is applied to the performance data provided above across all periods

## Monthly Performance Commentary

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### Market Review

The MSCI Russia index fell 7.4% in April. The ruble fell sharply against the US dollar which strengthened on higher US Treasury yields on anticipation of the Federal Reserve raising rates at a faster than expected pace. Imposition of additional sanctions by the US caused further downside in Russian markets.

Commodities performed strongly during the month - energy prices sustained their rally from March (Brent Crude: +8.5%, Gasoline: +5.2%), industrial metals rose sharply (Aluminium: +12.5%, Copper: +1.4%), while precious metals (Gold: -0.8%, Silver: -0.2%, Platinum: -2.9%) fell marginally.

### Fund Review

Fund performance was largely driven by exposure to mid-cap names which suffered on the back of outflows from the market, including Detsky Mir, TMK and LSR Group. Underweight to Magnit also made a negative contribution as the stock outperformed the broader market over the month.

Offsetting some of those losses was exposure to holdings within the energy and materials sector, notably Tatneft, Gazprom, Lukoil, and Alrosa, supported by higher commodity prices.

During the month we initiated a position in X5 Retail Group, a food retailer which should benefit from the gradual consumer recovery in Russia.

### Outlook

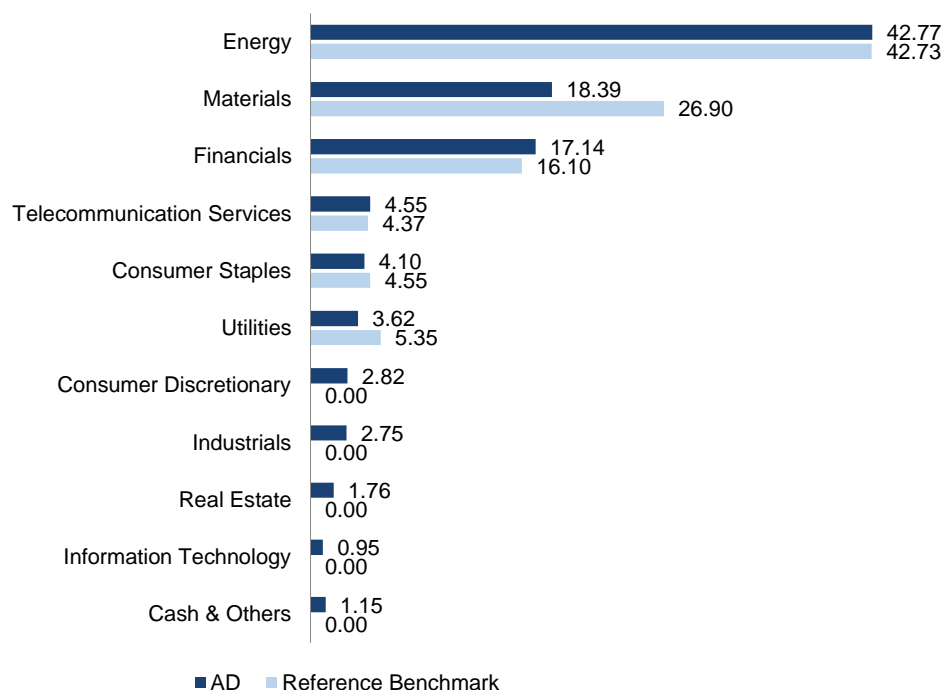
We continue to be constructive on the Russian equity market as the domestic economic recovery should continue to support earnings growth. Consensus now expects GDP growth of up to 2.0% in 2018 and PMI continues to be expansionary.

Valuation relative to profitability remains attractive. On a price-to-book basis, Russian equities are trading at a high discount to emerging markets while offering attractive return on equity. This presents a good opportunity for long term investors to tap into Russian equities. On the dividend front, the market as a whole is trading on a 2018e dividend yield of over 5%, but several sectors should see even higher rates, for example integrated steel producers are trading on 8-9% yields.

The market remains sensitive to global risk appetite, including the oil price and domestic economic growth factors and geopolitical risks. Investors are now focused on the May 7th Presidential inauguration and a possible government re-shuffle thereafter. Meanwhile, the parliament has put on hold a bill that sought to retaliate against the US for the sanctions announced earlier in the month.

As fundamental investors, we focus on quality companies that offer an attractive combination of profitability and valuation to build a diversified portfolio. This includes holdings that are likely to benefit from a return to domestic growth including banks, retail, materials, and energy. Other holdings in our portfolio include companies which should benefit from a structurally weak currency, such as commodity producers who export in US dollars.

## Sector Allocation (%)



Top 10 Holdings (%)	Location	Sector	Weight (%)
Sberbank of Russia	Russian Federation	Financials	9.89
Lukoil OAO	Russian Federation	Energy	9.58
Gazprom OAO	Russian Federation	Energy	9.44
Tatneft-Clis	Russian Federation	Energy	9.22
Rosneft OAO	Russian Federation	Energy	4.97
Novolipetsk Steel OJSC	Russian Federation	Materials	4.79
Severstal PAO	Russian Federation	Materials	4.72
Novatek OAO	Russian Federation	Energy	4.61
Mobile TeleSystems OJSC	Russian Federation	Telecommunication Services	4.55
MMC Norilsk Nickel OJSC	Russian Federation	Materials	3.73

Source: HSBC Global Asset Management, data as at 30 April 2018

## Index Disclaimer

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# HSBC Global Investment Funds - Russia Equity

Supplement Information Sheet

30 Apr 2018

Performance (%)	Return Currency	YTD	1M	3M	6M	1Y	3Y <sup>1</sup>	5Y <sup>1</sup>	Since Inception <sup>1</sup>
AC EUR	EUR	2.59	-4.08	-4.68	0.91	-2.01	6.55	2.53	-2.64
AC EUR (Net) <sup>2</sup>	EUR	-2.79	-9.12	-9.68	-4.39	-7.15	4.66	1.43	-3.14
AC SGD	SGD	2.27	-4.86	-6.50	1.71	3.00	9.25	2.23	-5.18
AC SGD (Net) <sup>2</sup>	SGD	-3.10	-9.85	-11.41	-3.63	-2.41	7.30	1.13	-5.67
AC USD	USD	3.23	-5.77	-7.55	4.65	8.73	9.26	0.76	-4.26
AC USD (Net) <sup>2</sup>	USD	-2.19	-10.72	-12.40	-0.84	3.02	7.32	-0.32	-4.75
AD EUR	EUR	2.61	-4.07	-4.66	0.91	-1.99	6.56	2.53	-2.74
AD EUR (Net) <sup>2</sup>	EUR	-2.78	-9.10	-9.66	-4.39	-7.13	4.66	1.43	-3.25
AD SGD	SGD	2.29	-4.84	-6.48	1.71	3.02	9.26	2.23	-5.25
AD SGD (Net) <sup>2</sup>	SGD	-3.08	-9.84	-11.39	-3.63	-2.39	7.31	1.13	-5.74
AD USD	USD	3.24	-5.76	-7.53	4.65	8.75	9.27	0.76	-4.34
AD USD (Net) <sup>2</sup>	USD	-2.18	-10.70	-12.39	-0.84	3.04	7.32	-0.32	-4.83

Calendar Year Performance (%)	Return Currency	2013	2014	2015	2016	2017
AC EUR	EUR	-6.41	-36.92	13.13	64.91	-8.65
AC EUR (Net) <sup>2</sup>	EUR	-11.32	-40.24	7.19	56.26	-13.45
AC SGD	SGD	1.11	-41.87	8.73	63.06	-3.80
AC SGD (Net) <sup>2</sup>	SGD	-4.20	-44.92	3.02	54.50	-8.85
AC USD	USD	-2.18	-44.61	1.56	60.12	4.00
AC USD (Net) <sup>2</sup>	USD	-7.32	-47.52	-3.77	51.72	-1.46
AD EUR	EUR	-6.42	-36.93	13.16	64.88	-8.66
AD EUR (Net) <sup>2</sup>	EUR	-11.34	-40.24	7.22	56.22	-13.45
AD SGD	SGD	1.09	-41.87	8.76	63.03	-3.81
AD SGD (Net) <sup>2</sup>	SGD	-4.22	-44.92	3.05	54.47	-8.86
AD USD	USD	-2.20	-44.61	1.59	60.09	3.99
AD USD (Net) <sup>2</sup>	USD	-7.33	-47.52	-3.75	51.69	-1.47

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

<sup>2</sup> Net of relevant prevailing sales charge

**Past performance is not an indicator of future returns. The figures are calculated in the share class base currency, dividend reinvested.**

Share Class	Base Currency	Distribution Frequency	Dividend ex-date	Last Paid Dividend	Annualised Yield
AD	USD	Annually	07 Jul 2017	0.071431	1.42%
AC	USD	-	-	-	-

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: (dividend value / NAV per share or unit as of ex-dividend date) x 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.

# HSBC Global Investment Funds - Russia Equity

Supplement Information Sheet

30 Apr 2018

Share Class	Inception Date	ISIN	Base Currency	Min. Initial Investment	NAV per Share	Annual Management Fee	Distribution Type
AD	20 Dec 2007	LU0329931173	USD	USD 1,000	5.89	1.75%	Distributing
AC	17 Dec 2007	LU0329931090	USD	USD 1,000	6.37	1.75%	Accumulating

Different classes may have different performances, dividend yields and expense ratios. For hedged classes, the effects of hedging will be reflected in the net asset values of such classes. Expenses arising from hedging transactions may be significant and will be borne by the relevant hedged classes. Hedged class performs the required hedging on a best efforts basis.

Source: HSBC Global Asset Management, data as at 30 April 2018