HSBC Global Investment Funds - European Equity

Share Class AD

30 Sep 2019

Risk Disclosure

- The Fund invests mainly in European equities.
- 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 seeks long-term total return (meaning capital growth and income) by investing primarily in shares (or securities that are similar to shares). These are shares issued by companies that have a registered office and official stock-market listing in Europe.

Investment Strategy

The Fund holds a range of sectors and stocks, providing diversification. The Fund can also invest up to 10% of its assets in Real Estate Investment Trusts (shares in property companies) and up to 10% of its assets in collective investment schemes including other sub-funds of HSBC Global Investment Funds. There aren't restrictions on the market values (also known as market capitalisation) of the companies held in the Fund. Please see the Prospectus for a full description of the investment objectives and derivative usage.

Performance (%)	YTD	1M	3M	1Y	3Y[1]	5Y[1]
AD	14.16	4.50	1.27	-2.27	8.05	15.99
Reference Benchmark	19.24	3.76	2.58	5.74	24.75	30.31

Calendar Year Performance (%)[2]	2014	2015	2016	2017	2018
AD	5.35	13.50	-5.44	10.79	-17.07
Reference Benchmark	6.84	8.22	2.58	10.24	-10.57

3-Year Risk Measures	AD	Reference Benchmark
Volatility	11.73%	10.46%
Information Ratio	-1.63	-
Beta	1.09	-

Characteristics	Fund	Reference Benchmark
Number of Holdings ex Cash	56	442
Avg Market Cap (EUR mil)	48,399	66,715

Share Class Details	
UCITS V Compliant	Yes
Distribution Type	Distributing
Distribution Frequency	Annually
Dealing Frequency	Daily
Min. Initial Investment	EUR 1,000
Max. Initial Charge	4.50%
Management Fee	1.50%
Share Class Base Currency	EUR
Domicile	Luxembourg
ISIN	LU0149719808
Share Class Inception Date	25 Nov 2002
NAV per Share	EUR 38.64
Fund Size	EUR 65,803,793
Bloomberg Ticker	HSBPEUA LX
Reference Benchmark	MSCI Europe Net
Manager	Samir Essafri Francois Chacun

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 30 September 2019

[1]Result is cumulative when calculation period is over one year.

[2]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.

Reference Performance Benchmark: MSCI Europe Net since 1 Jul 2013. Before that, the benchmark was FTSE Europe Gross. Prior to 31 Dec 1993 was FTSE Europe Price.

Fund changes that may have material impact on performance: 1 Jan 2011 – investment objective changed. 30 Sep 2016 - investment adviser changed. 16 Nov 2018 - Change in the manner of charging sales charge / switching charge.

To download the offering documents from http://services.assetmanagement.hsbc.com.hk/site/media/pdf/documents/English/AMHK_HGIF.pdf

HSBC Global Asset Management

Monthly Performance Commentary

Performance

European equities rallied in September as the Fed eased monetary policy and the ECB cut again the deposit rate and reintroduced QE, markets also being helped by improving sentiment towards trade war negotiations. The policy stimulus offset the weaker US manufacturing PMI which fell below 50 for the first time in this cycle. Interestingly, despite additional liquidity measures from global central banks, we witnessed a jump in bond yields driving the outperformance of Financials and the Value style, and the underperformance of Momentum and Growth / Quality. In this context, the fund outperformed significantly in September helped by our Value positioning, the fund benefited from the sharp rotation in the market and has been able to fully capture the outperformance of the Value Style over the month. Over the month, sector allocation is positive. Positive contributions came from our value bias led by our Overweight Industrials and Financials as bond yields jumped. Likewise, we benefited from our underweight Consumer Staples as the "bond proxy" category suffered from the rebound in bond yields, the space was also penalized by its expensive valuation and logically by the Value rotation over the month. On the other side we suffered from our underexposure to expensive cyclicals especially in the Technology space helped by progress in US-China trade talks. Our underweight Healthcare is also a detractor in September. The stock selection is positive over the month. Main positives being Casino (French Food Retail) which is a significant contributor in September helped by a supportive news flow and a clear acceleration in the restructuring process of the group with the launch of a second phase of the asset disposal plan (2 bn€ to be completed by Q1 21) as well as further steps towards the simplification of the organizational structure in Latin America and finally the acquisition of a 4.63% stake in the French retailer by Czech investor Daniel Kretinsky. We continue to see significant upside in the Sum of the parts valuation of the group. Thyssenkrupp is also a positive contribution over the month helped by increasing interests (trade buyers and private equity) in its key Elevator business, which could unlock massive value from the conglomerate. The group remains under increasing pressure from activist funds and other shareholders to crystallize value from the portfolio restructuring. We also benefited from Royal Dutch Shell helped by the bounce in the oil price. Likewise, our selected exposure to Financials also worked very well in September with Prudential which keeps benefiting from the demerger of Pru's UK and International businesses, necessary step to kick start the stock's re-rating as we continue to think the stock is significantly undervalued. Axa also behaved positively over the month and finally ING and KBC in the banking space, logically benefited from the steepening of the yield curve as mentioned above. On the other hand, we suffered from Iliad in the Telecoms space impacted by disappointing Q2 results and notably a negative surprise on Italy, despite clear signs of improvement in France (adding credibility to the recovery of the core French operations). Concerns around Italy are clearly overdone, despite higher start-up losses, we continue to strongly believe in Italy as a LT value accretive investment. We continue to see a deep value opportunity on Iliad.

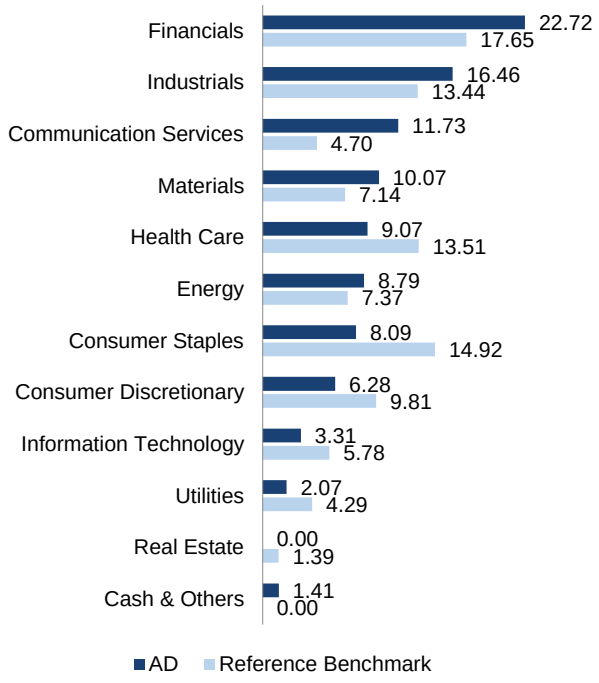
Portfolio adjustments

Over the month, we took advantage of the volatility in the market to selectively add on weakness on a few names and notably on Iliad. We took profits on Casino and Philips after an impressive performance for both names.

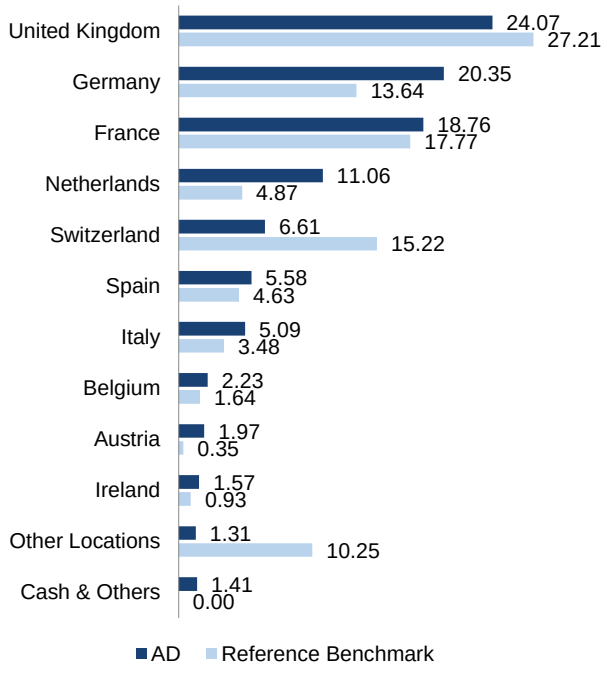
Outlook

Macroeconomic fears are still taking centre stage. The global economic picture remains fragile after weak US and German manufacturing PMI's as well as poor industrial data coming out of Asia, adding to the concerns that a global manufacturing contraction is underway. But we still believe the current market backdrop has similarities to 2015-2016 mid cycle correction episode. In our view, European equities are overpricing growth risks, as classic recession indicators are far from flashing red at the moment. We expect growth momentum to improve over the coming months, helped by a reduced drag from credit conditions and an improving inventory cycle, the Euro area M1 (liquidity measure) impulse, which tends to lead the PMI by six months, is also consistent with positive Euro area PMI momentum. We also still think that there is room for fiscal stimulus in Europe and especially in Germany. On top of that, in the US, we now have some early evidence that the improvement in liquidity might be starting to have an impact. Housing market activity now appears to be recovering. We also think that August and September marked the climax of the price of duration as LT rates seems to be close to their bottom, very interestingly the rates didn't really react to the ECB and Fed actions in September as their end-cycle policy responses have become so thoroughly discounted. We remain convinced that the fair value for US 10 year yields are much higher than the current level, we thus expect an upward normalization of 10 year yields which would be clearly positive for our Value positioning. As a reminder we mentioned in August the unprecedented gap between equity and bond yields as well as between the Value factor and the consensual, over-owned, Quality/Growth factor, thus September could a major inflexion point. We see an accelerating leadership rotation in favor Value at the expense of "bond proxiness" as price momentum, quality and growth names are still extraordinarily expensive. We thus stick to our selective pro-value tilt and confirm our overweight positioning on Financials, late-cyclical Industrials, Basic Materials and Telecoms, and we keep avoiding peak earnings, peak valuation Luxury Goods names and Consumer Staples and also the Technology segment.

Sector Allocation (%)



Geographical Allocation (%)



Top 10 Holdings (%)	Location	Sector	Weight (%)
Reckitt Benckiser Group PLC	United Kingdom	Consumer Staples	3.38
Royal Dutch Shell PLC	United Kingdom	Energy	3.37
Novartis AG	Switzerland	Health Care	3.18
Prudential PLC	United Kingdom	Financials	2.66
ING Groep NV	Netherlands	Financials	2.44
Deutsche Post AG	Germany	Industrials	2.44
Allianz SE	Germany	Financials	2.38
Siemens AG	Germany	Industrials	2.37
AXA SA	France	Financials	2.35
Deutsche Telekom AG	Germany	Communication Services	2.29

Source: HSBC Global Asset Management, data as at 30 September 2019

Index Disclaimer

Important Information

HSBC Global Investment Funds - European Equity

Supplement Information Sheet 30 Sep 2019

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)
AD	EUR	Annually	11 Jul 2019	0.784087	2.05%
PD	EUR	Annually	11 Jul 2019	0.969361	2.57%

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: ((1 + (dividend amount / 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.