

# HSBC Global Investment Funds - Chinese Equity

Share Class IC

30 Sep 2019

## Fund Objective and Strategy

### Investment Objective

The Fund seeks long-term capital growth by investing in a portfolio of shares (or securities that are similar to shares). The Fund can also invest in companies based in the Hong Kong Special Administrative Region (SAR).

### Investment Strategy

There aren't restrictions on the market values of the companies held in the Fund. The Fund may invest in shares of Chinese companies, including up to 70% of its assets in China A-shares through the Shanghai and/or Shenzhen Hong Kong Stock Connect and up to 50% of its assets in China A-shares Access Products. The Fund's maximum exposure to China A-shares (through the Shanghai-Hong Kong Stock Connect or China A-shares Access Products) and China B-shares is 70% of its assets. In addition, the Fund may invest up to 10% of its net assets into other funds. 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	9.20	-0.96	-2.21	-2.56	22.48	42.48
Reference Benchmark	7.24	0.22	-4.72	-4.45	22.31	29.73

Calendar Year Performance (%) <sup>2</sup>	2014	2015	2016	2017	2018
IC	12.84	-5.69	-0.89	51.69	-19.95
Reference Benchmark	8.38	-8.01	0.43	49.33	-18.25

3-Year Risk Measures	IC	Reference Benchmark	Characteristics	Fund	Reference Benchmark
Volatility	18.30%	18.21%	Number of Holdings	57	501
Information Ratio	0.01	-	ex Cash		
Beta	0.99	-	Avg Market Cap (USD mil)	120,517	105,909

Share Class Details	
UCITS V Compliant	Yes
Distribution Type	Accumulating
Dealing Frequency	Daily
Min. Initial Investment	USD 1,000,000
Max. Initial Charge	5.00%
Management Fee	0.75%
Share Class Base Currency	USD
Domicile	Luxembourg
ISIN	LU0164867441
Share Class Inception Date	27 Jul 2005
NAV per Share	USD 120.10
Fund Size	USD 1,121,062,832
Bloomberg Ticker	HSBCHIC LX
Reference Benchmark	MSCI China 10/40 Net
Manager	Mandy Chan

**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

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

<sup>2</sup>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.

## 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.
- The Fund may invest in Emerging Markets, these markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- 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.

Reference Performance Benchmark: MSCI China 10/40 Net since 1 Feb 2009. From 1 Jun 2005 - 31 Jan 2009, the benchmark was MSCI China Gross. Before that was CLSA China World Price. Prior to 31 Dec 1997 was Peregrine Greater China Price.  
Fund change that may have material impact on performance: 20 Jun 2016 – investment objective changed. 16 Nov 2018 - Change in the manner of charging sales charge / switching charge.

## Monthly Performance Commentary

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### Market review

The Chinese equity market fell slightly with the MSCI China 10/40 Index gaining 0.22% in USD terms. The market initially rallied at the beginning of the month on the back of loosening measures such as required reserved ratio (RRR) cut of 50bps, and an additional 100bp cut targeted for city commercial banks. China also further opened up domestic markets with SAFE announcing the scrapping the QFII and RQFII quotas, as well as the US announcement of delaying the 5% tariff hike on US\$250bn of Chinese goods from Oct 1 to Oct 15. Market subsequently pared back amid soft activity data, with (a) IP at +4.4%yoy (vs consensus at +5.2%); (b) retail sales at +7.5% (vs consensus at +7.9%); (c) Aug exports turning negative to -1.0%yoy; and (d) Aug CPI inflation remain elevated at +2.8%yoy driven by high pork prices. Trade tension concerns also resurfaced again towards the end of the month.

### Portfolio review

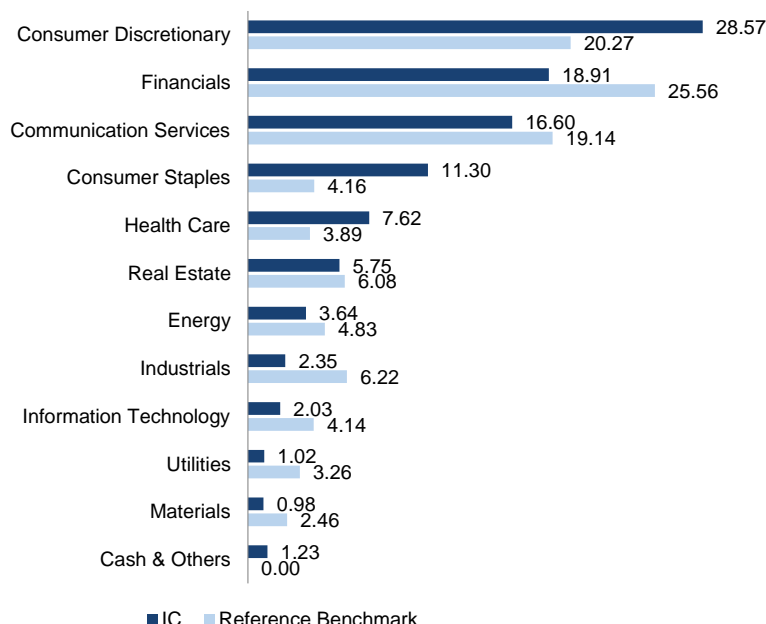
The fund underperformed the benchmark in September driven by both negative allocation effect and stock selection effect. We had a positive stock selection effect in our overweight sectors consumer discretionary, consumer staples and healthcare, but a negative allocation / stock selection effect in the old economy sectors – financials, communication and materials.

The market geared back towards value / old economy sectors post Chinese government announcing loosening measures announcing RRR cut, and as a result our fund performance is detracted as we are more geared towards growth. This is seen by the bottom stock contributors to our fund – with Sinobiopharm (healthcare), CR Beer (staples), and New Oriental Education all reversing their gains in September. Selective consumer stocks still outperform tho such as Meituan which rallied hard in Sep, and is one of our top stock contributors to fund performance of the month. Our selective overweight of old economy stocks such as China Merchants Bank also contributed to overall fund performance.

### Outlook

With US tariff hikes on Chinese goods kicking in, the timing and the terms of the final deal have become more uncertain, and potential negative surprises from trade negotiation remain a key risk to the market. In long term, however, domestic growth and policy support will play a more important role.

Recent policy moves have sent clear loosening signals which should bode well for near-term market sentiment amid lingering macro uncertainties. Looking ahead though we are still concerned about an economy slowdown, and would expect investors to shift the focus back to corporate earnings. Companies with strong fundamentals and growth are expected to outperform. Short term uncertainties on trade tension could introduce more volatility to the market but this could also create more mispricing opportunities for disciplined investors to capture. We stick to our sector overweights on healthcare and the consumer sectors.

**Sector Allocation (%)**

Top 10 Holdings (%)	Sector	Weight (%)
Alibaba Group Holding Ltd	Consumer Discretionary	9.33
Tencent Holdings Ltd	Communication Services	8.75
Kweichow Moutai Co Ltd-A	Consumer Staples	5.70
China Construction Bank Corp	Financials	5.17
New Oriental Education & Tec	Consumer Discretionary	5.01
Ping An Ins Grp Co of China Ltd	Financials	4.75
China Merchants Bank	Financials	3.36
China Resources Enterprise Ltd	Consumer Staples	3.28
Indl and Comm Bank of China Ltd	Financials	3.17
Sino Biopharmaceutical Ltd	Health Care	3.06

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

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### **Important Information**

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# HSBC Global Investment Funds - Chinese 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)
IC	USD	-	-	-	-
AC	USD	-	-	-	-
AD	USD	Annually	11 Jul 2019	0.321748	0.32%
ADHKD	HKD	Annually	11 Jul 2019	0.040034	0.32%

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:  $((1 + (\text{dividend amount} / \text{ex-dividend NAV}))^n) - 1$ , 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.