

HSBC GIF Asia ex Japan Equity Smaller Companies

Undervalued late boomer

March 2022



Management company	HSBC Investment Funds (Luxembourg) S.A.
Investment advisor	HSBC Global Asset Management (Hong Kong) Limited

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HSBC

Opening up a world of opportunity

Why consider investing in Asia small caps?



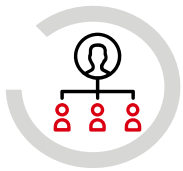
Small cap investing is all about stock selection

- ◆ The under-coverage of small-cap stocks in Asia creates inefficiencies and untapped opportunities for investors
- ◆ Fundamental research by experienced analysts is crucial
- ◆ Small cap investing is about identifying and investing early in attractive companies



Small caps offer growth potential at attractive valuation

- ◆ With a string of solid corporate earnings releases and signs of recovery in the region, Asian small caps have consistently offered a valuation discount than its large cap peers. In terms of price-to-book ratio, the small caps trade at a 25% discount against its large cap peers, according to MSCI data as of December 2021



Uncovering hidden gems with structural growth themes

- ◆ The asset class captures investment opportunities that offer growth in Asia, while maintaining diversification
- ◆ Structural opportunities emerging within sectors that used to be small – better access via small caps

Past performance is no guarantee of future returns. Future returns will depend inter alia on market developments, the fund manager's skill, the fund's level risk and management costs and if applicable subscription and redemption costs. The return, the value of money invested in the fund may become negative as a result of price losses and currency fluctuations. There is no guarantee that all of your invested capital can be redeemed. Unless stated otherwise, inflation is not taken into account.

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Why consider investing in this Fund?



Solid fund performance to peers

- ◆ HGIF Asia ex Japan Equity Smaller Companies is ranked in the first or second quartile against its peers for most major time periods, based on Morningstar ranking data as of December 2021

Fund's Morningstar quartile ranking against peers

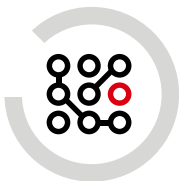
IC share class as of December 2021

Time period	1M	3M	1Y	3Y
Quartile ranking ⁽¹⁾	1	1	2	2



Stellar long-term performance

- ◆ As of December 2021, the Fund delivered a return of 61% and 70% over the 3-year and 5-year periods, respectively
- ◆ In its most recent calendar year of 2021, the Fund delivered a return of 16%, showing its resilience amidst market volatility



Small cap focused investment team

- ◆ Dedicated and experienced small cap team solely focus on managing the small cap strategy, with the support from the broader Asian equity team

Source: HSBC Asset Management, as of 31 December 2021

Notes: 1. The Morningstar quartile ranking ranks the fund's performance against its peers in the Morningstar category = Asia ex-Japan Small/Mid-Cap Equity, offshore territories; corresponding to the specified time horizon. The rating is based on the performance of the IC share class of the fund. The Morningstar data covers the fund performance for the periods ended in 31 December 2021. 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.

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Investment objective & philosophy

Clear, sound, and time-tested

The Fund aims to provide long-term capital growth by investing in shares (or securities that are similar to shares) of Asian (excluding Japanese) smaller companies.



Asian small caps are under researched and hence often mispriced, creating opportunity to generate alpha.



We leverage on own proprietary and differentiated fundamental research to identify opportunities.



Overweight quality companies with sustainable profitability and structural growth at attractive valuations will enhance returns.



ESG is fully integrated into our general investment process as these issues can impact not only long-term performance of companies but can impact our societies and planet adversely.

Fund manager



Elina Fung

Years of experience:

Elina has been working in the industry since 1995; HSBC since 2007. She has been a portfolio manager of the fund since 2012.

Previous roles:

Elina worked as the Financial Controller at a listed Chinese auto-parts manufacturer. Previously, Elina worked in equity research for six years and financial audit for 4 years.

Source: HSBC Asset Management, For illustrative purposes only.

Representative overview of the investment process, which may differ by product, client mandate or market conditions. Characteristics and weightings are for information only, are not guaranteed and are subject to change over time, and without prior notice, taking into account any changes in markets. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. The views expressed above were held at the time of preparation and are subject to change without notice.

HSBC GIF Asia ex Japan Equity Smaller Companies

Fund performance and other details

Fund performance (December 2021)

IC share class (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fund	27.48	25.53	10.5	1.51	11.27	38.48	-23.63	4.45	33.02	15.85
Benchmark ⁽¹⁾	22.4	6.89	2.26	-3.52	-2.28	33.52	-18.87	7.23	26.20	20.72
Difference	5.08	18.64	8.24	5.03	13.56	4.96	-4.76	-2.78	6.83	-4.87
	YTD		1M	3M	1Y	3Y	5Y			
Fund	15.85		4.08	3.58	15.85	60.97	70.24			
Benchmark ⁽¹⁾	20.72		3.59	2.54	20.72	63.37	76.97			
Difference	-4.87		0.48	1.03	-4.87	-2.40	-6.72			

Top 5 regions by exposure

Geography	Weight
India	24%
Taiwan	23%
South Korea	16%
Hong Kong (SAR)	12%
Mainland China	9%

Top 5 sectors by exposure

Sector	Weight
Information Technology	28%
Consumer Discretionary	23%
Materials	13%
Industrials	12%
Health Care	8%

Fund details

Inception date:	21 Nov 1997
Fund size:	USD968 million
Base currency:	USD
Minimum investment:	USD1,000
Dealing Frequency:	Daily
Management fee:	1.50%/0.75% per annum (Retail/Institutional)
Fund manager:	Elina Fung
Benchmark:	MSCI AC Asia ex Japan Small Cap
Fund domicile:	Luxembourg

Source: HSBC Asset Management, as at 31 December 2021.

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Key risks

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- ◆ **Concentration Risk:** The Fund may be concentrated in a limited number of securities, economic sectors and/or countries. As a result, it may be more volatile and have a greater risk of loss than more broadly diversified funds.
- ◆ **Counterparty Risk:** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.
- ◆ **Derivatives Risk:** Derivatives 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.
- ◆ **Emerging Markets Risk:** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- ◆ **Exchange Rate Risk:** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.
- ◆ **Index Tracking Risk:** To the extent that the Fund seeks to replicate index performance by holding individual securities, there is no guarantee that its composition or performance will exactly match that of the target index at any given time ("tracking error").
- ◆ **Investment Fund Risk:** Investing in other funds involves certain risks an investor would not face if investing in markets directly. Governance of underlying assets can be the responsibility of third-party managers.
- ◆ **Investment Leverage Risk:** 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.
- ◆ **Liquidity Risk:** Liquidity Risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors.
- ◆ **Operational Risk:** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.
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SRRI: 6 out of 7. The rating is based on price volatility over the last five years, and is an indicator of absolute risk. Historical data may not be a reliable indication for the future. The rating is not guaranteed to remain unchanged and the categorisation may shift over time. The lowest rating does not mean a risk-free investment. Do not run any unnecessary risk. Read the Key Investor Information Document.

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