

HSBC GIF Asia ex Japan Equity Smaller Companies

Undervalued late bloomer

May 2021

Marketing communication related to HSBC GIF Asia ex Japan Equity Smaller Companies, a sub-fund of HSBC Investment Funds, a Luxembourg domiciled SICAV.

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HSBC
Asset Management



Why consider investing in Asia small caps?



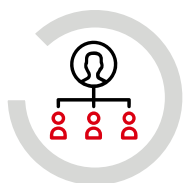
Small cap investing is all about stock selection

- ◆ The under-coverage of small-cap stocks 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



Valuation gap vs large cap remains high

- ◆ Positive earnings revisions have been observed in Asian small caps leading to a catch up in performance over large caps



Uncovering hidden gems with structural growth themes

- ◆ The asset class captures investment opportunities that offer growth in Asia, while maintaining diversification across countries/ territories
- ◆ Structural opportunities and earnings growth backed by solid cash flows in niche industries that are unaffected by global macroeconomic situations

Source: HSBC Asset Management, as of May 2021

Representative overview of the investment process, which may differ by product, client mandate or market conditions. The commentary and analysis presented in this document reflect the opinion of HSBC Global Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from HSBC Global Asset Management.

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Why consider investing in this Fund?



Superior fund performance to peers

- ◆ HGIF Asia ex Japan Equity Smaller Companies is ranked in the first quartile against its peers for most significant time periods, based on Morningstar ranking data

Fund's Morningstar quartile ranking against peers

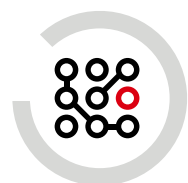
(USD) share class

Time period	3M	6M	1Y	3Y	5Y
Quartile ranking ⁽¹⁾	1	1	1	4	1



Fund consistently beating the benchmark over the long run

- ◆ The fund has outperformed the benchmark for 8 out of the last 10 calendar years
- ◆ Resulting in an annualized 10-year return of (net-of-fees; IC share class) 9.56% as of March 2021 (fund 149% vs benchmark 52% over the 10-year period)



Small cap focused investment team

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

Source: HSBC Asset Management, as of 31 March 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.

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.

The views expressed above were held at the time of preparation and are subject to change without notice. Representative overview of the investment process, which may differ by product, client mandate or market conditions.

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 opportunities 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 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, as of April 2021. The views expressed above were held at the time of preparation and are subject to change without notice. Representative overview of the investment process, which may differ by product, client mandate or market conditions.

HSBC GIF Asia ex Japan Equity Smaller Companies

Fund performance and other details

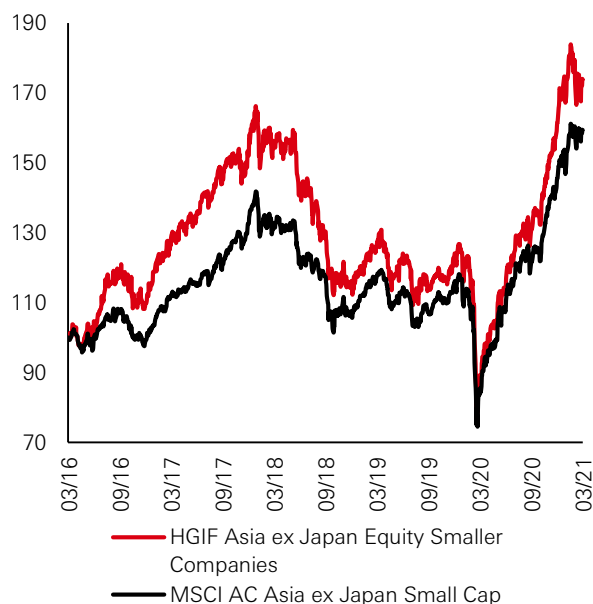
Fund performance (March 2021)

IC (USD) share class

	2017	2018	2019	2020
Fund	38.48	-23.63	4.45	33.02
+/-Benchmark	4.96	-4.76	-2.78	6.83

	YTD	1Y	3Y (ann)	5Y (ann)
Fund	7.67	94.68	3.86	11.69
+/-Benchmark	-1.85	86.61	--2.63	1.92

Quartile ranking ⁽¹⁾	1	1	4	1



Top 5 regions by exposure

Geography	Weight
Taiwan	21%
India	19%
mainland China	18%
Korea	16%
Hong Kong (SAR)	9%

Top 5 sectors by exposure

Sector	Weight
Information Technology	25%
Consumer Discretionary	18%
Industrials	15%
Materials	14%
Health Care	8%

Fund details

Inception date:	21 Nov 1997
Fund size:	USD 884.3 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

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Source: HSBC Asset Management, as at 31 March 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.

Fund performance is net of fees in USD. Benchmark is the MSCI AC Asia ex Japan Small Cap. This benchmark is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet this benchmark.

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Important information

Key risks

The value of an investment in the portfolios and any income from them can go down as well as up and as with any investment you may not receive back the amount originally invested.

- ◆ **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.
- ◆ **Real Estate Investments Risk:** Real estate and related investments can be negatively impacted by any factor that makes an area or individual property less valuable.

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