Invest for positive change that lasts for generations

HSBC Global Equity Climate Change Fund of Fund

An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

NFO Deck

NFO: 3 March 2021 to 17 March 2021

Reopening Date: 30 March 2021

HSBC
Global Asset
Management

Date: 15 February 2021

Index

Underlying Fund: 'HSBC Global Investment Funds – Global Equity Climate Change';- 'HGIF – Global Equity Climate Change'

E.S.G

What is an ESG concept?

ESG investing is guided by Environmental, Social and Governance (ESG) criteria to generate better risk adjusted returns over a long term.

Environmental

How companies manage their impact on the environment:

- Climate change
- Greenhouse gas (CO2) emissions
- Resource depletion (Conserve energy)
- Water and Energy use
- Waste and pollution
- Deforestation

Invest in eco friendly companies

Social

How companies manage relationships with employees, clients and communities:

- Regard for human rights
- Development and treatment of staff
- Oversight of their supply chain
- Health and safety of stakeholders
- Product liability
- Diversity and equality

Invest with those who invest for the greater good

Governance

How companies are governed or managed:

- Transparency and Executive pay
- Business ethics and culture
- Political lobbying and donations
- Board structure
- Regard for shareholder rights
- Policy on anti bribery and corruption

Invest, where there is transparency

ESG helps focus on businesses which have low risk of penalties, higher taxes and frauds

Source: HSBC Global Asset Management

ESG in corporates

E	Air Pollution	Deforestation	Water Contamination	Climate Change	Waste Management	Corporate with efficient processes and alternatives to save environment or prevent/reduce climate change will have advantage over other companies.
Alternative to save Environment	Shift to electric vehicles	Shift to Digital, find alternatives	Water treatment	Shift to mass transportation	Waste treatment	
Gainers/Losers	Electric car makers	Digital,Innovative startups	Water Management COs	Metro,Hyperloop, Waterway COs	Losers - waste generator Cos	
S	Employee strikes	Employee management	Products that give what people need	Data Security	Eco Products	The companies with sense of Social responsibility and those who create trustworthy brands are expected to gain over a long term.
Social angle	Employee management	Corporate: Unfair employee policy	Affordable Housing	Shift to trusted brands	Recycle, Reusable product	
Gainers/Losers	Best employers	Losers - Worst employers	Customer centric Real estate COs	Corporate that follow social duty	CO's focused on reusable product	
G	Regulatory issues	Whistleblower complaints	Money laundering & corruption	Financial frauds	Independent Directors	Entities which apply strict positive internal controls, remain transparent and follow government regulations seriously are expected to gain in coming years.
Follow strict Governance	Internal, External policies	Internal guidelines	No processes to avoid misuses	Internal & External Audits	Strong governance	
Gainers/Losers	CO's with strong internal controls	Transparent process COs	Losers – Cos No policy to stop corruption	Strong audit driven corporate	COs with strong governance	

Portfolio overweight on companies with best ESG practices could be a potential gainer over a long term

Source: Morgan Stanley ESG report as at 2020, Cos – Companies, HSBC Asset Management India

Climate Change – Wall of worry!

Climate – One Change We Need To STOP

Climate

The composite weather conditions of a region or a planet.

Major types of climate on earth

- Tropical
- Dry
- Temperate
- Continental
- Polar

Alteration causes

Causes of Climate Change

- Human activities
- The earth's temperature imbalance
- The greenhouse gases effect
- Sun's energy intensity
- Temperature of ocean currents
- Air pressure imbalance
- Volcanic eruptions

Climate Change

The long-term change of typical weather patterns on a planet

Impact of Climate Change

- Global warming/temperature rise
- Extreme climate events
- Changes in rainfall pattern
- Snowfall pattern changes
- Heavy rainstorms
- Longer droughts
- Sea level changes
- Extreme flooding
- Melting Glaciers

Source: HSBC Asset Management India

Change the World – Not the Climate

Causes of Climate Change due to human activities, which we can aim to control or find alternatives


Deforestation


Fossil fuels burning – coal, petroleum, greenhouse gases.


Conversion of forests to agriculture/urban cities


Production and use of petrol, diesel, coal and gas


Residential heating and cooling


Generation and usage of electricity


Water wastage and water pollution


Plastic pollution

Why STOP Climate Change and support tools which can help avoid it?

To maintain Earth's balance

- Extreme changes in temperature, rainfall, snowfall and Sun's energy can disturb earth's balance
- Humans need well balanced atmosphere

To adhere to Government regulations

- Globally, governments have initiated actions to stop Climate Change
- Corporates subject to regulations to reduce impact on climate

To gain from climate compliant Corporates

- Corporates have started planning to reduce negative impact on climate due to their activities
- These Corporates rewarded with lower taxes, risks and have potential to generate better risk adjusted performance

How long do we have to stop climate change?

- 1/3rd of all plant and animal species could be extinct by 2070 due to climate change[2]
- To limit global warming by 2100 involves cutting net human carbon dioxide (CO_2) emissions 45% by 2030 and then to zero by 2050[1]
- Next 10 years are crucial to avoid beginning of climate change
- Corporates, people and tools which can help achieve above targets to retain climate balance are likely to provide big opportunities

Climate Change needs a co-ordinated global action and investment planning

Source: HSBC Asset Management India
1. Climate science body – 2018
2. National Academy of Sciences of USA (NAS), 2020, Other source – HSBC Asset Management India

Climate Change - The opportunities beckon

Renewable Energy

Sustainable transition away from fossil fuels will need to be USD110trn of investment in renewable energies cumulatively to 2050.[1]

Green buildings

In emerging markets alone, Green Buildings are expected be a USD24.7trn investment opportunity by 2030.[4]

Pollution & waste prevention and control

Air pollution kills 7 million people each year, costing USD5tn/year. [7]

Energy Efficiency

Globally enhanced energy efficiency investments could boost cumulative economic output by USD18tr to 2035, increasing growth by 0.25-1.1% per year.[2]

Sustainable Water & Wastewater Management

Water productivity improvements could cost USD60bn annually over the next two decades. Many of these investments yield positive returns in just three years.[5]

Circular economy and resource efficiency

Switching to a circular economy could unlock an additional USD4.5trn of global GDP by 2030. [8]

Resource-efficient packaging and distribution

Industrial carbon capture and storage technology

Clean Transport

Improved and digitalised planning in shipping could lead to fewer kilometers travelled, allowing for industry revenue benefits of USD1.5trn by 2025.[3]

Climate Change Adaptation

Research has shown that spending USD1.8trn on specific adaptation areas between 2020 and 2030 could generate USD7.1trn in total net benefits.[6]

Flood defences systems and related infrastructure information support systems, such as climate observation and early warning systems

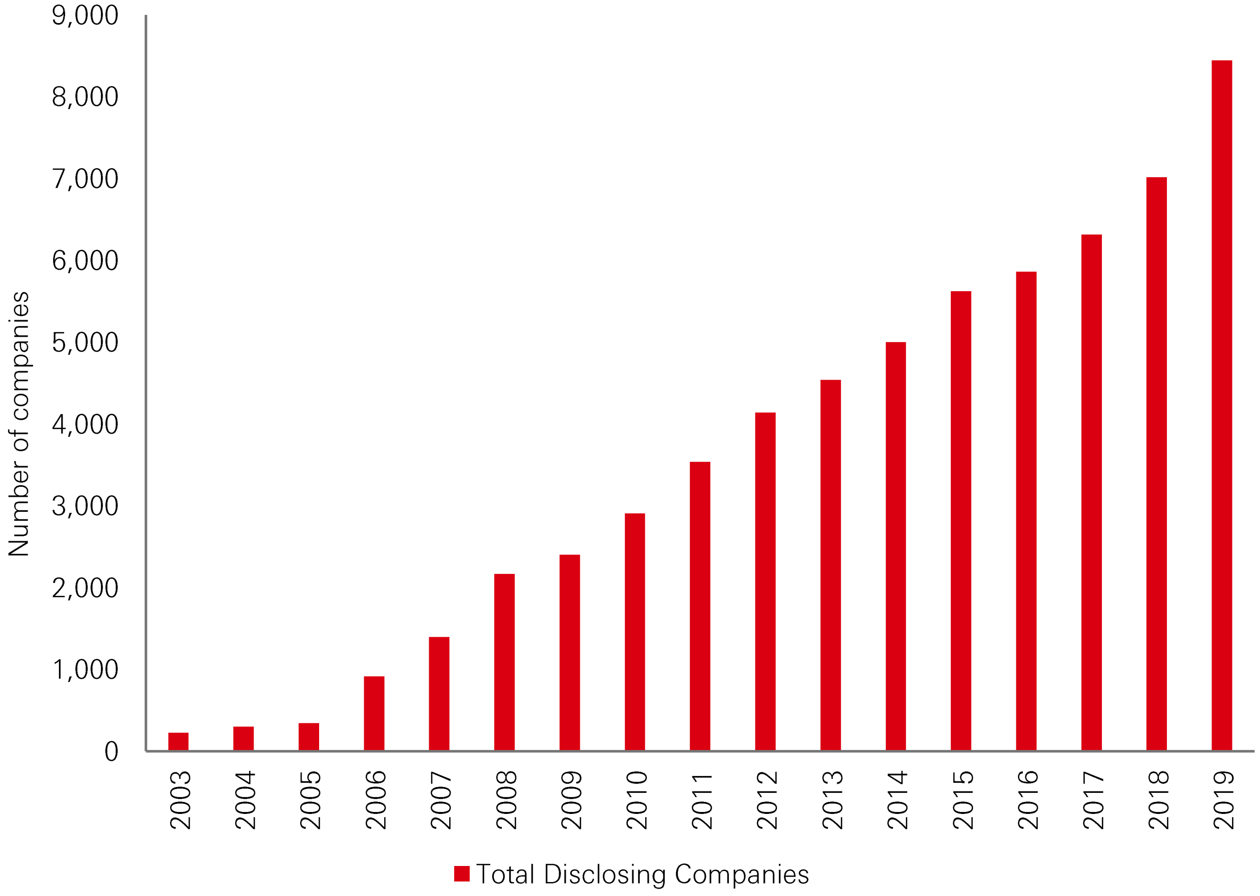
Natural capital & ecosystems

Enhancing coastal wetlands could save the insurance industry USD52bn a year in reduced losses from storms and flood damage. [9]

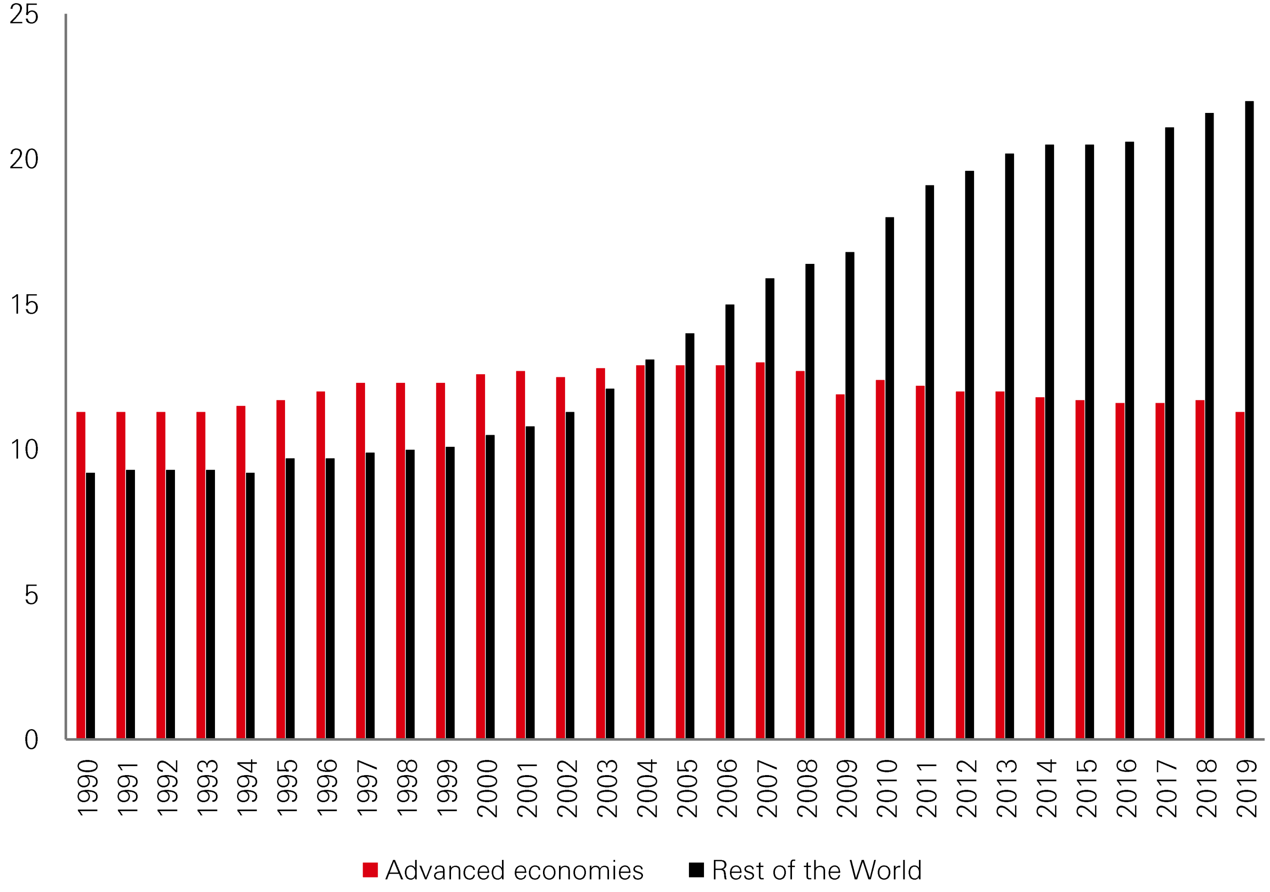
Source: HSBC Global Asset Management
1. IRENA 2019, 2. New Climate Economy 2016, 3. Danfuss 2020, 4. FC 2019, 5. McKinsey 2019, 6. Global Commission on Adaptation 2019, 7. BAML 2020, citing UN 2019, 8. World Economic Forum, 9. Barbier et al 2019

The Sensitivity to Climate Change

Companies disclosing to CDP



Energy Related CO2 Emissions (in giga tonnes)



Climate change opportunities have increased manifold

Source: HSBC Global Asset Management, CDP - Carbon Disclosure Project (global numbers), December 2020 For illustrative purposes only.

Risk Numero UNO – Climate Change!

Top 10 risks in terms of Likelihood

Environmental	1	Extreme weather
Environmental	2	Climate action failure
Environmental	3	Natural disasters
Environmental	4	Biodiversity loss
Environmental	5	Human-made environmental disasters
Technological	6	Data fraud or theft
Technological	7	Cyberattacks
Societal	8	Water crises
Geopolitical	9	Global governance failure
Economic	10	Asset bubbles in a major economy

Top 10 risks in terms of Impact

Environmental	1	Climate action failure
Geopolitical	2	Weapons of mass destruction
Environmental	3	Biodiversity loss
Environmental	4	Extreme weather
Societal	5	Water crises
Technological	6	Information infrastructure breakdown
Environmental	7	Natural disasters
Technological	8	Cyberattacks
Environmental	9	Human-made environmental disasters
Societal	10	Infectious diseases

Categories Economic Geopolitical Technological Environmental Societal

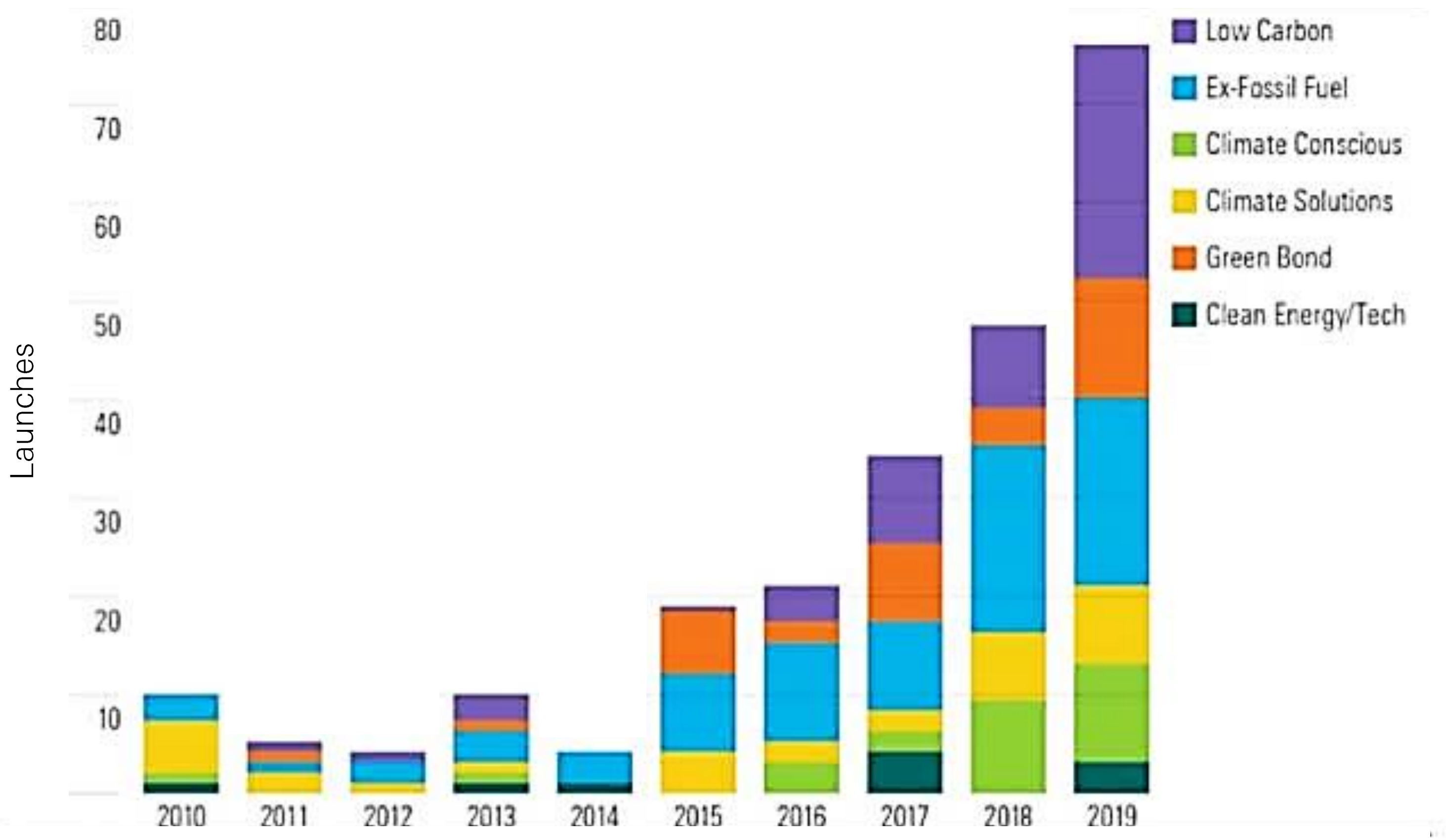
- Climate action failure made it to the top five risks
- Data from the reinsurer SwissRe shows a clear upward trend in insured losses
- Regulatory change acts as a key driver for responsible investment

Climate change to impact corporate business models and earnings in three likely ways: Regulation or policies; Direct, Physical impacts and liability

Note:
1. World Economic Forum Global Risks Perception Survey 2020, 15h edition

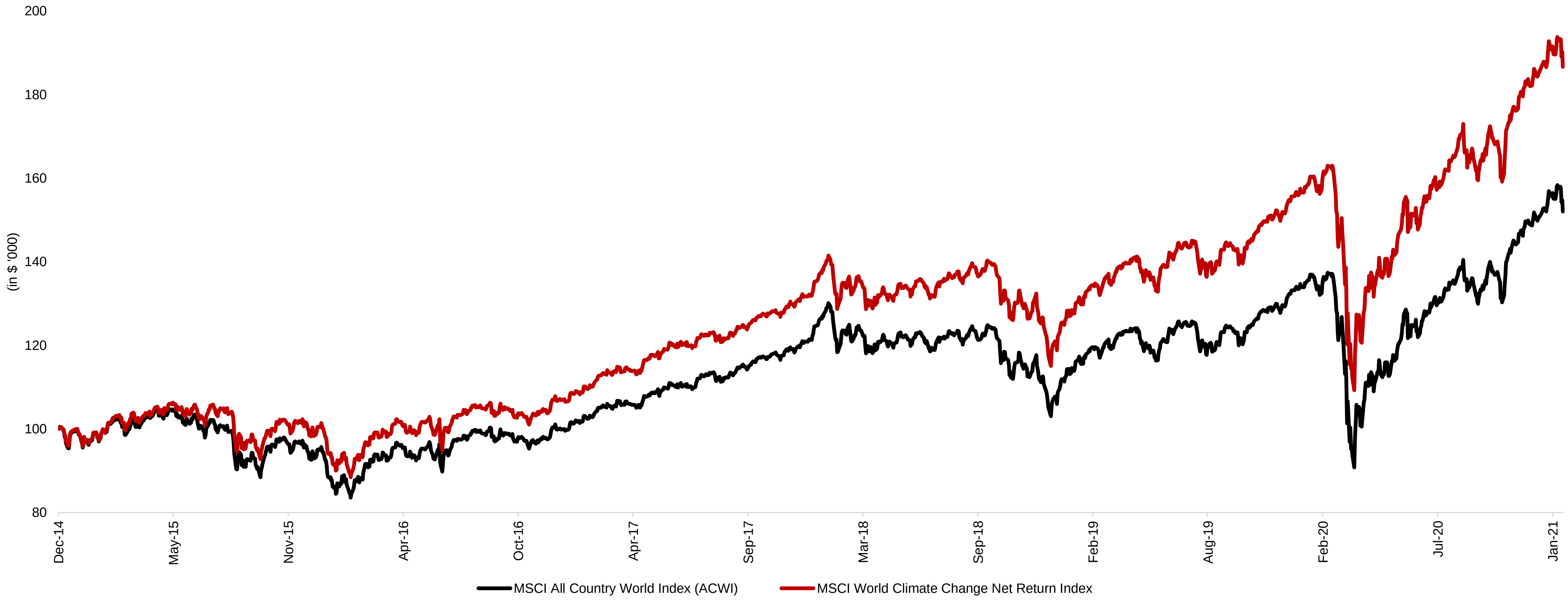
The climate is changing….so are the investments

Launches of Climate aware funds



Source: Morningstar Direct, Data as at December 2019, Global numbers, For illustrative purposes only.

Responsible Investing = Profitable Investing



Climate change world index continues to outperform world index from over last five years

MSCI All Country World Net Return Index (MSCI ACWI NR) = MSCI ACWI TRI
Source: Bloomberg, CRISIL, Data as of January 2021

Past performance is no guarantee of future returns

Big changes bring Big opportunities

Summary: Why invest in Climate Change and ESG themes?

- Ease of setting up
- Resource utilisation
- Brand building
- Better valuations
- Better risk adjusted performance

Climate Change theme with diversification benefit has potential to deliver better risk adjusted performance over a long term

Source: HSBC Global Asset Management

Presenting

HSBC Global Equity Climate Change Fund of Fund

An open-ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

HSBC
Global Asset
Management

HSBC Global Equity Climate Change Fund of Fund (HGECF)[1]

HSBC Global Equity Climate Change Fund of Fund [2] aims to provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds – Global Equity Climate Change (HGECC). The Underlying fund aims to provide long-term total return by investing primarily in companies, listed in either developed or developing countries, that are positioned to benefit from efforts to adapt to climate change.

Climate Change Theme (ESG approach)

ESG can lead to effective utilisation of resources, cost savings and reduction in various risks.

+

Global Diversification

Benefit from global diversification.

=

HSBC Global Equity Climate Change Fund of Fund (HGECF)[1]

Climate Change theme with ESG approach of underlying fund (HGECC) has potential to deliver better risk adjusted performance over a long term.

HGECF provides potential benefit of opportunities arising from Climate Change theme supported by ESG investment approach and global diversification

1. An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change
2. The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there is no assurance that the investment objective of the Scheme will be achieved.

HSBC Global Equity Climate Change Fund of Fund (HGECF) [Feeder Fund]

Investment Objective	◆ To provide long term capital appreciation by investing predominantly in units of HSBC Global Investment Funds – Global Equity Climate Change (HGECC). The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/ liquid mutual fund schemes, in order to meet liquidity requirements from time to time. However, there is no assurance that the investment objective of the Scheme will be achieved
Benchmark	◆ MSCI AC World TRI[1]
Where will the scheme invest?	◆ The corpus of the Scheme will be predominantly invested in the units of HSBC Global Investment Funds - Global Equity Climate Change. The Scheme may also invest a certain proportion of its corpus in money market instruments and/or units of overnight/liquid mutual fund schemes, in order to meet liquidity requirements from time to time
Fund Manager	◆ Priyankar Sarkar

1. The Fund reserves the right to change the benchmark for evaluation of the performance of the Scheme from time to time, subject to SEBI Regulations and other prevailing guidelines, if any.

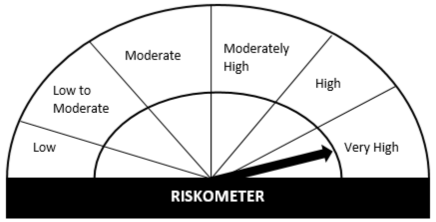
Note: For complete details on where scheme will invest, please refer to the Scheme Information Document of HSBC Global Equity Climate Change Fund of Fund.
MSCI ACWI TRI = MSCI All Country World Net Return Index (MSCI ACWI NR)

HSBC Global Equity Climate Change Fund of Fund

An open-ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

Asset Allocation

Type of Instruments	Indicative asset allocation (% of total assets) Minimum	Maximum	Risk Profile
Shares of the underlying Fund i.e. HSBC Global Investment Funds – Global Equity Climate Change	95%	100%	High
Money Market instruments (including TREPS & reverse repo in government securities) and units of liquid & overnight mutual funds	0%	5%	Low to Medium

Scheme Name	Riskometer
HSBC Global Equity Climate Change Fund of Fund (An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change) This product is suitable for investors who are seeking[1]: ◆ To create wealth over long-term ◆ Investment predominantly in companies positioned to benefit from climate change through fund of funds route	 Investors understand that their principal will be at Very High risk

1. Investors should consult their financial advisers if in doubt about whether the product is suitable for them

Product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

Note: For complete details on asset allocation of the scheme, please refer to the Scheme Information Document of HSBC Global Equity Climate Change Fund of Fund.

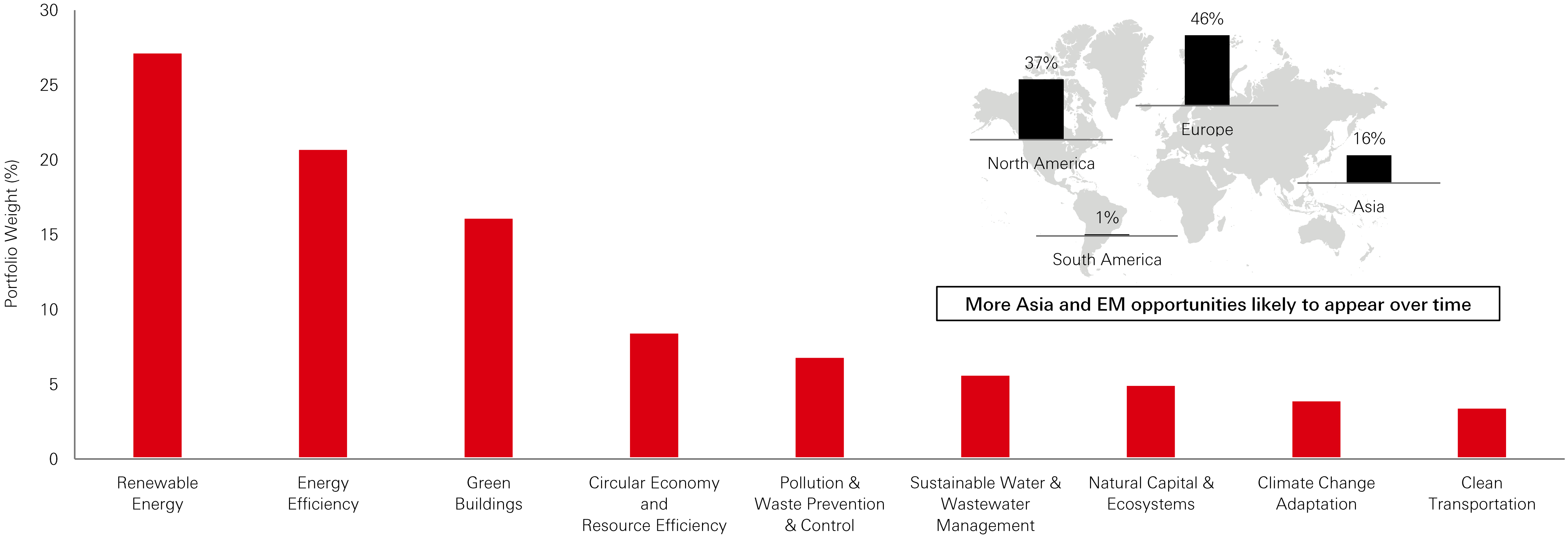
HSBC Global Investment Funds – Global Equity Climate Change [HGIF – Global Equity Climate Change] (HGECC)

Underlying Fund

HSBC
Global Asset
Management

HGIF Global Equity Climate Change – Thematic portfolio positioning

◆ Broad thematic/geographic exposure of 40-50 companies



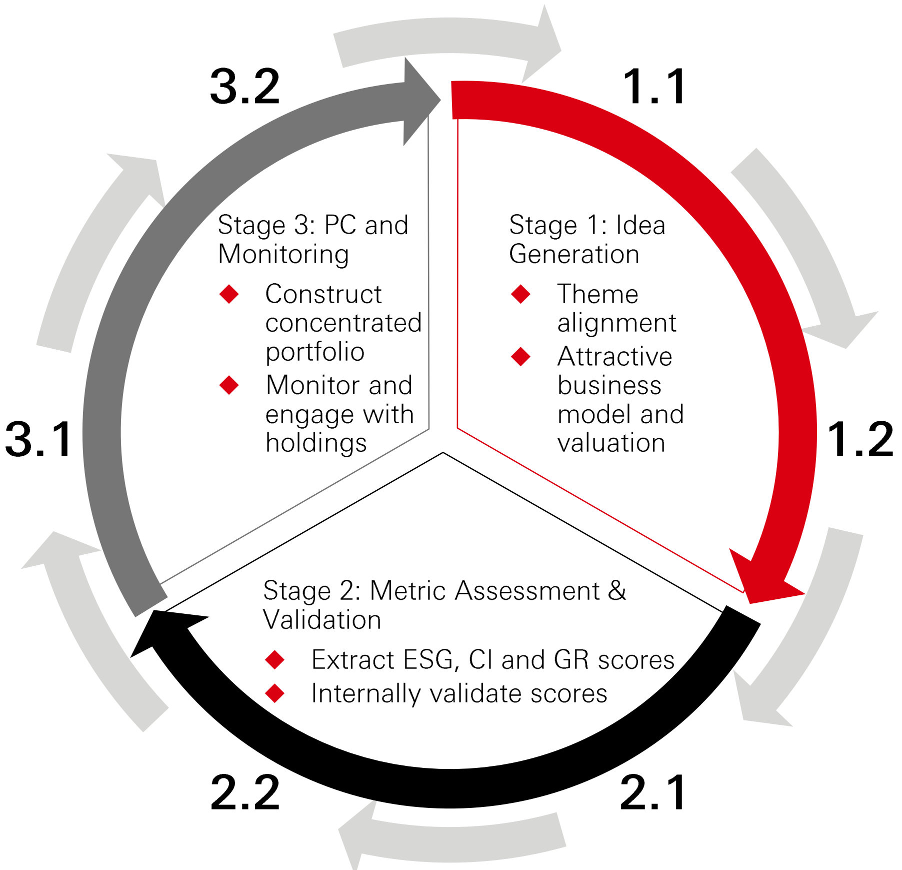
More Asia and EM opportunities likely to appear over time

Energy efficiency remains bigger part of the portfolio but other themes are expected to gain

Source: HSBC Global Asset Management, Data as on 31 December 2020. For illustration purpose only.
The information provided is for informational purposes only and should not be construed as a recommendation or solicitation for any security in the sectors referenced.

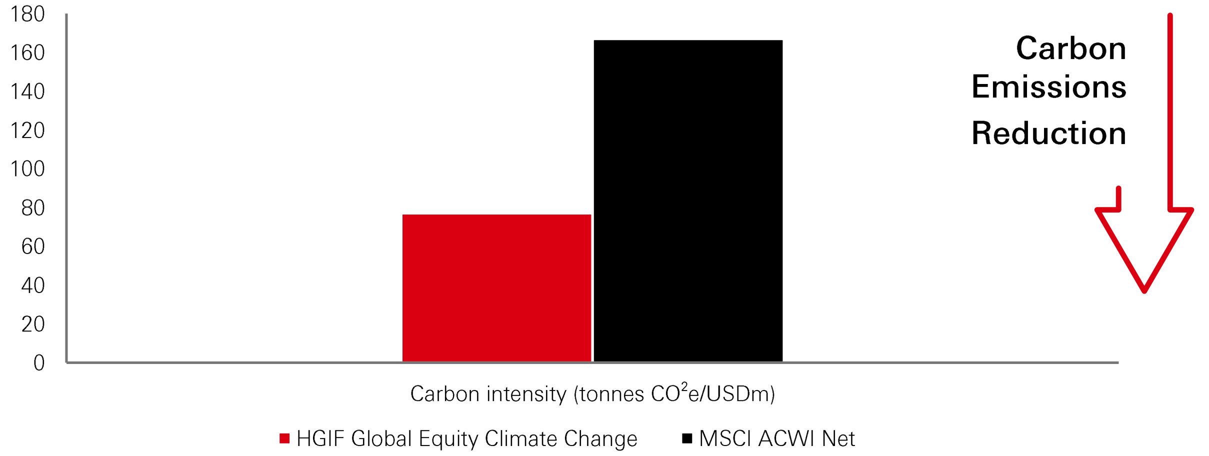
Portfolio construction & monitoring - HGECC – Underlying Fund

Delivering energy transition and decarbonisation solutions

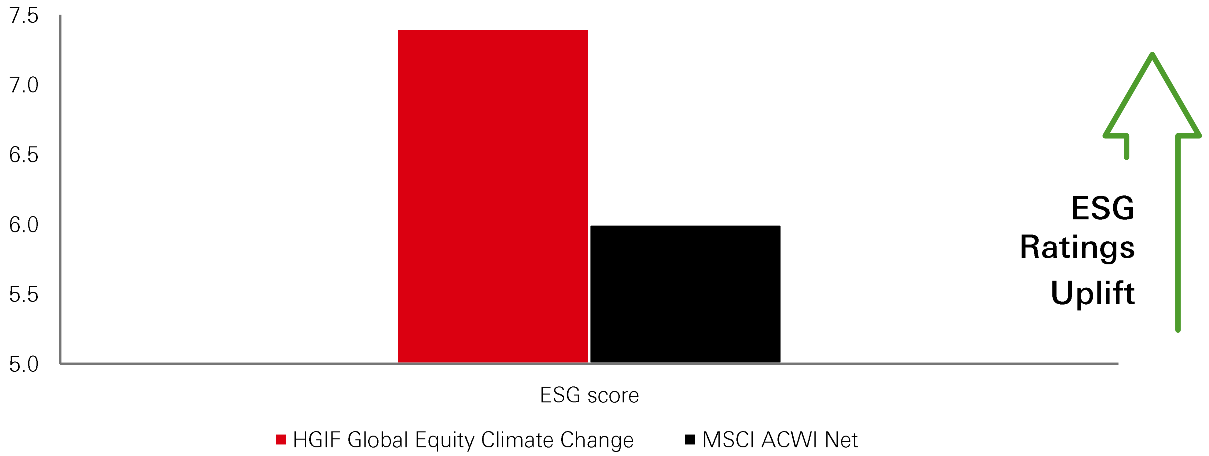


A robust investment process supervised by an experienced investment team of 7 dedicated specialists with over 19 years of average experience

Carbon footprint vs Benchmark



ESG score vs Benchmark



Source: HSBC Global Asset Management, Data as on 31 December 2020.

HGIF Global Equity Climate Change - HGECC – Underlying Fund

Top 10 holdings

	Portfolio Weight	Subtheme	SDG Alignment	Net Zero Commitment
Prysmian	3.5	Renewable Energy	6, 13, 14	✓
Infineon Tech	3.3	Energy Efficiency	7, 15	✓
Schneider Electric	3.3	Energy Efficiency	6	✓
Ecolab	3.2	Sustainable Water & Wastewater Management	11, 12, 13	✓
Neste	3.2	Pollution & Waste Prevention & Control	14, 15	✓
EDP Renovaveis	3.0	Renewable Energy	2, 11	✓
Azbil	2.9	Green Buildings	12, 15	✓
Deere & Co	2.9	Natural Capital & Ecosystems	7, 6, 13, 14	✓
Ball	2.8	Circular Economy and Resource Efficiency	15, 12	✓
Trane Technologies	2.7	Green Buildings	6, 14	✓

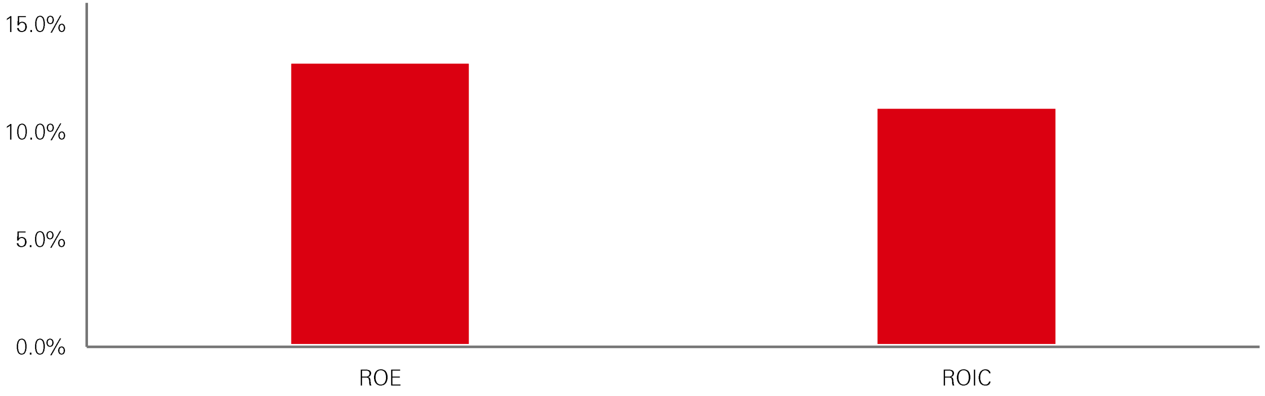
Sustainable investment ideas from a range of subthemes

Source: HSBC Global Asset Management, Data as on 31 December 2020. SDG - Sustainable Development Goals.
2) Zero hunger, 6) Clean water and sanitation, 7) Affordable and clean energy, 11) Sustainable cities and communities, 12) Responsible consumption, 13) Climate Action, 14) Life below water, 15) Life on land
Past performance should not be seen as an indication of future returns.
The above details should not be construed as an investment advice or research report or recommendation to buy or sell any stocks mentioned above.

HGIF Global Equity Climate Change - HGECC – Underlying Fund

Portfolio characteristics

Profitability



Valuation

EV/EBIT	12.08
P/B	2.4
P/E	16.4
Forward Revenue growth %	9.3
Forward EPS growth %	7.87

HGECC Snapshot

Investment universe	Global
Benchmark[1]	MSCI ACWI NR
Number of holdings	40-50
Country exposures	Unconstrained
Sector exposures	Unconstrained
Market capitalisation	Unconstrained
Fund Manager	Angus Parker

Any performance information shown refers to the past and should not be seen as an indication of future performance.

1. The fund is benchmark agnostic in nature.

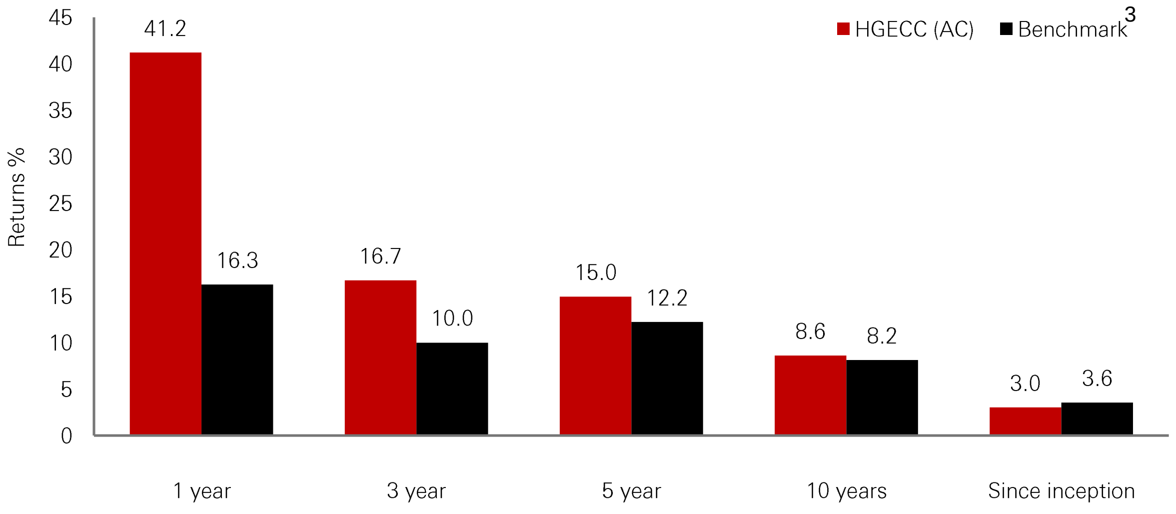
Source: HSBC Global Asset Management as at end of June 2020. MSCI All Country World Net Return Index (MSCI ACWI NR) = MSCI ACWI TRI

For illustrative purposes only and does not constitute any investment recommendation

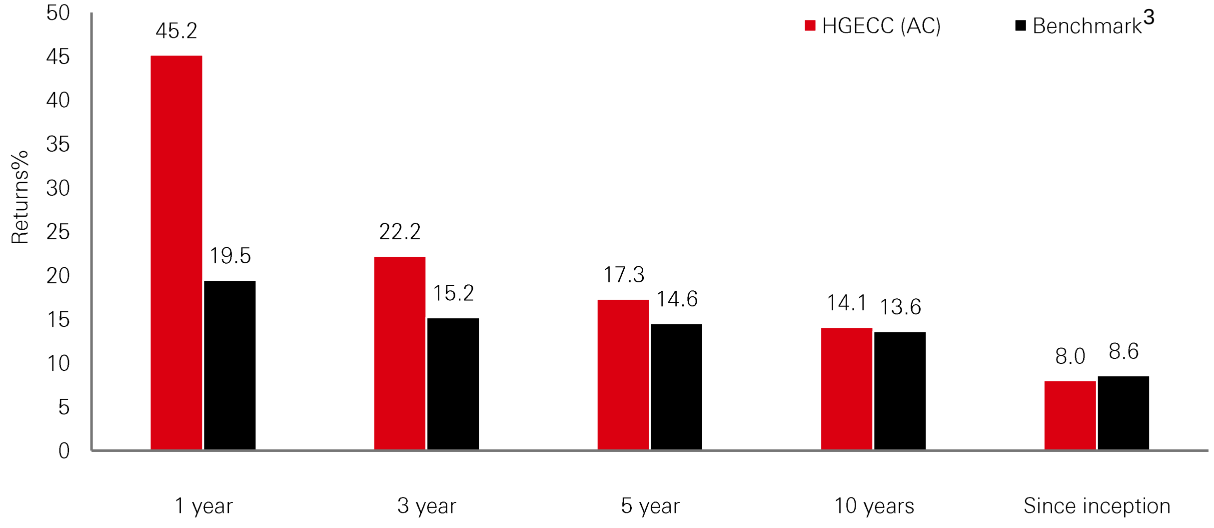
P/E – Price to earnings, EV - Enterprise Value, EBIT - Earnings Before interest and Taxes, P/B – Price to book value, EPS – Earnings Per Share, ROE – Return on equity, ROIC – Returns On Invested Capital

HGIF Global Equity Climate Change - HGECC – Underlying Fund

HGECC Performance (USD%) as of 31 Dec 2020 [1]



HGECC Performance (INR%) as of 31 Dec 2020 [2]



- Target the energy transition/decarbonisation theme
- Portfolio carbon intensity less than 50% of MSCI ACWI
- Portfolio ESG score 20% greater than MSCI ACWI

1. Performance figures are shown in USD for share class AC - Inception date: 9 November 2007. Returns for more than one year are Compounded Annualized Growth Rate (CAGR). Sources: HSBC Global Asset Management
Note: Underlying Fund offers various share classes. Each share class has different expense ratio and different minimum amount for investments. The portfolio of Underlying Fund for all the share classes is common. Currently while HSBC Global Equity Climate Change Fund of Fund (the Scheme) intends to invest in Share Class J. The share class is chosen for investments considering various factors, including minimum investment amount requirement of the share classes, expense ratio, etc. The Scheme may be eligible to subscribe to other share classes of Underlying Fund based on its net assets. Accordingly, the Scheme retains flexibility to invest in different share classes of Underlying Fund. Since Share Class J has no performance history, the performance details of Share Class AC is given.
The returns of Underlying Fund should not be construed as returns of the Scheme, as recurring expenses will be also charged to the Scheme and Scheme may not be fully invested in Underlying Fund at all points of time.

2. Source – HSBC Global Assert Management, USD/INR conversion - Bloomberg.
Disclaimer: For calculating returns of Underlying Fund in INR terms, USD / INR currency conversion rate prevailing as on the respective date is considered for conversion of NAVs of Underlying Fund as well as conversion of index values. The difference in returns (in % terms) of Underlying Fund in USD and INR over different time periods is largely attributable to movement of USD vis-à-vis INR. There is no guarantee that similar trend of movement in currency exchange rates of USD vis-à-vis INR will continue in future. The returns of Underlying Fund in INR terms should not be construed as returns of the Scheme as recurring expenses will be also charged to the Scheme and Scheme may not be fully invested in Underlying Fund at all points of time. The Scheme may invest in Underlying Fund in different points of time and there is no assurance or guarantee that the Scheme will always be able to capture favorable currency exchange rates while investing in the Underlying Fund. INR rate applied to the performance do not represent the real performance of the underlying fund. Further, the performance shown above in INR terms will always fluctuate depending on the INR valuations and in future if there is INR appreciation/depreciation.

3. Benchmark = MSCI All Country World Net Return Index (MSCI ACWI NR) = MSCI ACWI TRI. This benchmark is indicative only and is not guaranteed in any way. HSBC Asset Management India accepts no liability for any failure to meet this benchmark.

Data as on 31 December 2020
Past performance may or may not be sustained in future. It should not be seen as indication to future returns and considered as a basis for comparison with other investments.

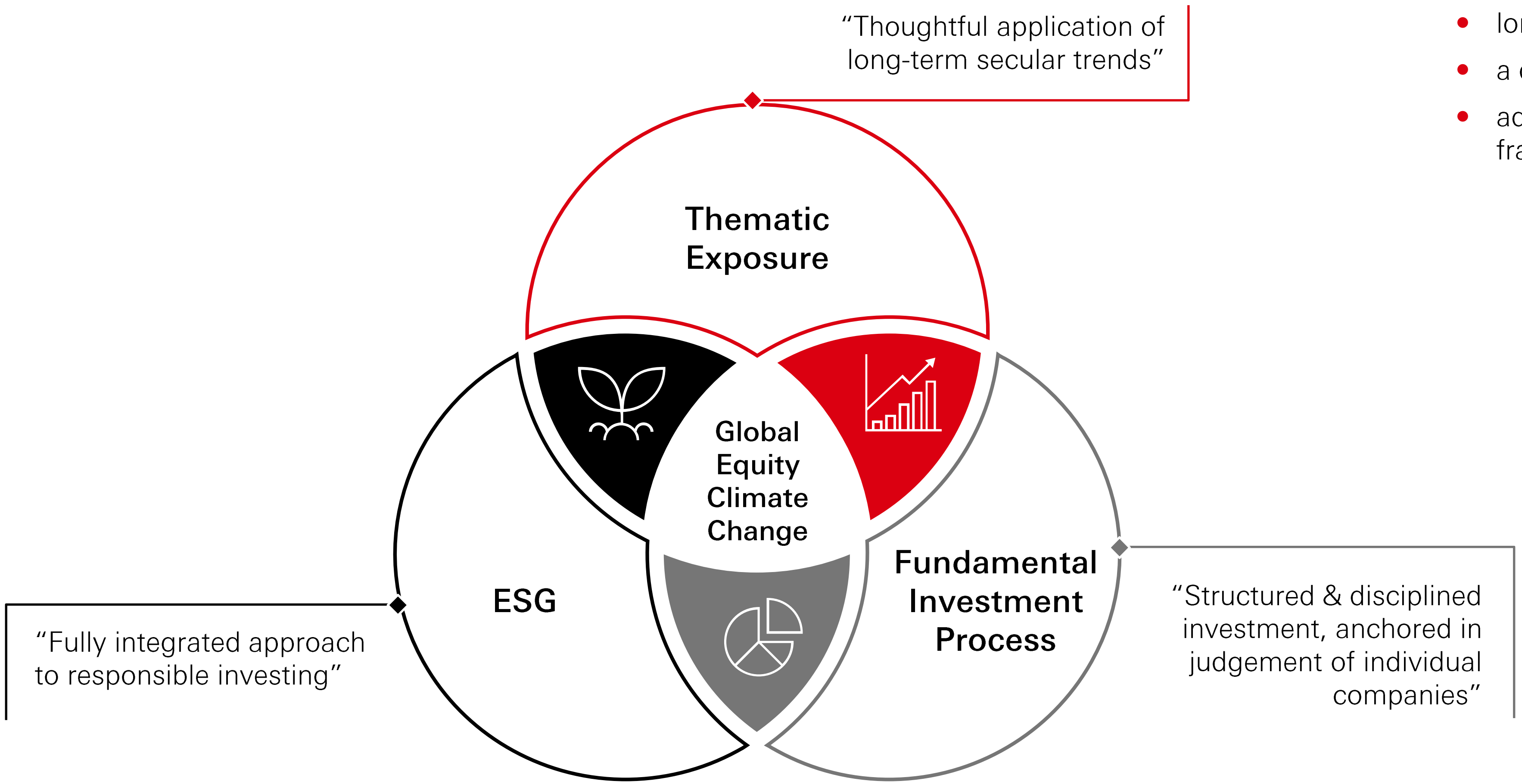
HSBC Global Investment Funds – Global Equity Climate Change (HGECC)

Underlying Fund's Investment process summary

HSBC
Global Asset
Management

HGIF Global Equity Climate Change – Investment approach

- Global
- Active
- Bottom-up
- Long-term

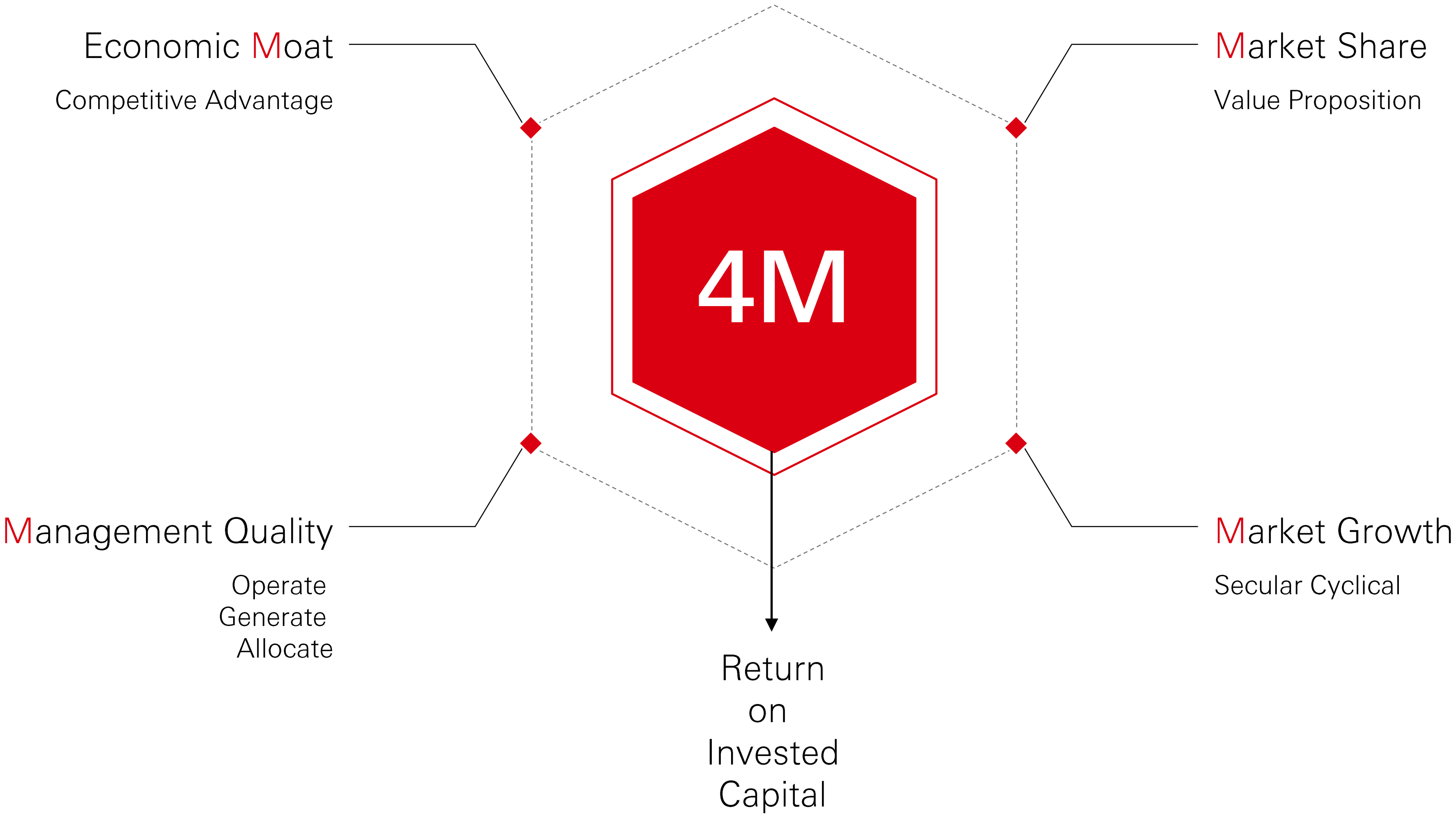


- Achieves three objectives:
  - long-term investment product
  - a desired thematic exposure
  - adherence to a responsible framework

The information above is provided by and represents the opinions of HSBC Global Asset Management and is subject to change without notice.
For illustrative purposes only.

HGECC Business model analysis – 4M approach

Can the company achieve its purpose



Source: HSBC Global Asset Management
For illustrative purposes only.

The Investor benefits…

Global investments offer multiple benefits

1

Geo Diversification

- Different geographical economies may deliver varying and contrasting risk adjusted performance in various economic and investment cycles

2

Risk Diversification

- Provides geographical and sectorial diversification leading to risk reduction
- Helps in diversifying a predominantly domestic portfolio

3

Themes diversification

- Provides opportunities to invest in various themes

4

Access global brands

- Broader access to different markets & global brands. e.g. Samsung, Google, Apple, Alibaba, etc.

5

Investment ratings

- Countries have different investment rating grades
- Investing in highly rated countries in volatile times may benefit

6

Contra Beneficiaries

- Access contra investments e.g. Export oriented – Non export oriented, Oil Exporters – Non Oil importers

7

Impact of Economic Indicators

- Interest rates, Inflation and Liquidity affects the consumption of the Global Economy
- This effect could be variable and may have varied effect on different economies

8

Benefit from developed & emerging economies

- Developed economies have substantial investment capital but depend more on the global growth due to relatively lower internal consumption
- Emerging/developing economies are more dependent on external investments to support strong internal consumption

9

Currency benefit

- Currency adjusted investment performance may vary from country to country
- Investors may access potential currency adjusted performance benefit through global investments

Inclusion of Global investments in the portfolio offers necessary risk diversification over the long term and can support the delivery of sustainable risk adjusted performance

Diversify to achieve a smoother ride

Single asset class performance can vary significantly from year to year

Diversification means investing in various asset classes at the same time – allowing your investment to be less exposed to large fluctuations than if invested in a single asset class

Best performing asset class in year

The best-performing asset class in one year...

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Annualised return	Annualised volatility
Global Government Bond	9.21	78.51	19.63	8.15	27.73	26.68	15.02	1.30	16.21	37.28	2.60	27.67	8.00	31.42
Cash	3.84	60.70	18.88	5.49	18.89	7.10	8.35	0.63	11.19	22.40	2.08	21.91	6.78	20.93
Global Corporate Bond	-5.09	37.13	15.68	4.79	18.30	3.67	7.60	0.23	9.94	15.21	-1.00	18.42	5.52	19.38
EMD Local Currency	-5.22	30.46	15.39	3.18	18.22	2.29	7.31	-0.24	9.48	12.47	-1.90	14.78	5.28	19.20
EMD Hard Currency	-10.19	29.99	12.50	0.27	16.76	0.29	4.94	-0.79	7.67	10.36	-4.22	14.54	5.10	12.06
Diversified	-19.63	27.24	11.76	-1.14	15.83	0.22	4.23	-0.87	7.51	10.01	-4.63	14.31	4.09	11.96
Global High Yield Bond	-27.01	21.98	11.64	-1.75	14.63	0.07	2.53	-2.03	6.22	8.02	-5.63	13.47	3.93	10.29
DM Equity	-40.71	16.60	7.24	-5.54	10.92	-2.60	0.23	-3.51	4.06	5.70	-6.21	12.51	3.49	5.97
Property	-48.16	1.01	3.36	-6.46	4.50	-5.79	-2.19	-14.92	3.75	2.14	-8.71	7.59	1.50	2.85
EM Equity	-53.33	1.00	0.34	-18.42	0.51	-8.98	-5.72	-14.92	0.66	1.10	-14.58	2.61	1.09	1.11

Worst performing asset class in year

...can be the worst-performing the following year

Any performance information shown refers to the past and should not be seen as an indication of future returns.

Source: Morningstar, HSBC Global Asset Management, data as at 31 December 2019. All returns in USD, total return. Indices used: MSCI World Index; MSCI Emerging Market Equity; JPMorgan GBI-EM Global Diversified (EMD local currency); Bloomberg Barclays Global Aggregate Corporate Bond Index; ICE Bank of America Merrill Lynch Emerging Market Bond Index (EMD hard currency); ICE Bank of America Merrill Lynch Global High Yield, Citi World Government Bond Index, FTSE EPPRA/NAREIT Listed Property Index, ICE LIBOR 3 Month. Bond indices are hedged, ex EMD local currency (i.e. global government, global corporate, global high yield, EMD hard currency). Equities are unhedged. The 'Diversified' performance was calculated from the average performance across all of the stated indices.

HGIF Global Equity Climate Change

Summary

- Climate change is creating new markets and investment opportunities
- Investment candidates are found across Asia, Europe and North America, in Developed Markets and Emerging Markets, within all industries, and across the market cap spectrum
- We are confident that we can aim to deliver on the fund's objective
- Clear thematic exposure
- Better risk adjusted returns over a long term
- Appropriately risk managed

Being part of HSBC Group brings unique scale, reach, resources and commitment

Past performance should not be seen as an indication of future returns.
The views expressed above were held at the time of preparation and are subject to change without notice.
Source: HSBC Global Asset Management. For illustrative purposes only.

Annexure

HSBC
Global Asset
Management

Climate transition themes – HGECC (Underlying Fund)

Solutions and opportunities

Theme	Examples	Opportunity
Renewable Energy	◆ Renewable electricity generation - wind, solar, marine power ◆ Manufacture of components of renewable energy ◆ Construction/maintenance/expansion of associated distribution and transmission networks	◆ To achieve a sustainable transition away from fossil fuels there will need to be USD110tn of investment in renewable energies cumulatively by 2050[1] ◆ For every $1 spent for the energy transition, there would be a payoff of between $3 and $7 to 2050
Energy Efficiency	◆ Development of products or technology that reduces energy consumption ◆ Manufacture of components to enable energy efficiency ◆ Digital solutions that meaningfully reduce energy/fuel consumption or material use	◆ USD18trn to 2035, increasing growth by 0.25-1.1% per year[2] ◆ Energy management technologies are growing and will be a USD30bn market by 2020[3] ◆ On average, every EUR1 invested in energy efficiency saves EUR 3 over the lifespan of a technology[4]
Clean Transport	◆ Low energy or emission transportation products, components and services including electric, hybrid, public, rail, and infrastructure for clean energy vehicles	◆ Low emission passenger car technologies are growing at 30% annually, and will be a near USD400bn global industry by sales in 2020[3] ◆ Improved and digitalised planning in shipping could lead to fewer km travelled, allowing for industry revenue benefits of USD1.5trn by 2025[5]

Low emission passenger car technologies are growing at 30% annually

Any forecast, projection or target when provided is indicative only and is not guaranteed in anyway. HSBC Global Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Source: HSBC Global Asset Management

1. IRENA 2019
2. New Climate Economy 2016
3. McKinsey 2019
4. Danfuss 2020
5. World Economic Forum 2019

Climate change themes (cont'd) – HGECC (Underlying Fund)

Solutions and opportunities

Theme	Examples	Opportunity
Green Energy	◆ New construction building developments or renovation of existing buildings, which meet recognised environmental standards ◆ Buildings management that target specific reduction in energy, water use (e.g. green leases) ◆ Building materials or technology (e.g. insulation) that reduce energy, and water use	◆ In emerging markets alone, Green Buildings are expected be a USD24.7trn investment opportunity by 2030[1] ◆ The market for building environmental efficiency products and services is expected to grow to USD360bn by 2040, up from USD134bn in 2016[2]
Sustainable water and wastewater management	◆ Water collection, treatment, recycling, re-use, technologies and related infrastructure ◆ We target a minimum water efficiency improvement of 20% compared to the baseline (where available)	◆ Closing the gap between water supply and demand by deploying water productivity improvements could cost USD60bn annually over the next two decades. Many of these investments yield positive returns in just three years[3] ◆ The number of people living in water scarce or water stressed areas is expected to rise from 1 billion in 2005 to 3.5 billion by 2025[4]
Climate change adaptation	◆ Flood defences systems and related infrastructure information support systems, such as climate observation and early warning systems ◆ Sustainable pest control	◆ Research has shown that spending USD1.8trn on specific adaptation areas between 2020 and 2030 could generate USD7.1trn in total net benefits through avoided losses, economic benefits, and socio-environmental gains[5] ◆ An analysis of 1,300 known invasive pests and pathogens estimated their potential cost to global agriculture at over USD540bn per year if they continue to spread in large part due to climate change[6]

The market for building environmental efficiency products and services is expected to grow to USD360bn by 2040

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Source: HSBC Global Asset Management

1. FC 2019
2. International Energy Agency 2018
3. McKinsey 2019
4. World Bank
5. Global Commission on Adaptation 2019
6. Kew 2017

Climate change themes (cont'd) – HGECC (Underlying Fund)

Solutions and opportunities

Theme	Examples	Opportunity
Pollution and waste prevention and control	◆ Products or technology contributing to (non-transport) reduction of air emissions (NOx, SOx, particulates etc.) ◆ Sustainable waste management – Waste minimisation, collection, management, recycling, re-use, processing, disposal (such as methane capture) products, technologies and solutions	◆ Air pollution kills 7 million people each year, costing USD5trn/year[1] ◆ Palladium, a metal used as a catalyst to reduce toxic fumes from car exhausts, has risen in price by 12% CAGR for the last decade and is now considerably more valuable than gold per Oz
Circular economy and resource efficiency	◆ Resource-efficient packaging and distribution ◆ Industrial carbon capture and storage technology	◆ Switching to a circular economy could unlock additional USD4.5trn of global GDP by 2030 as a result of resources being better utilised and more jobs being created in higher-skilled industries[2] ◆ Marine plastic alone is estimated to cost the world between USD250bn and USD2.5trn annually[3]
Natural capital and ecosystems	◆ Environmentally sustainable agriculture ◆ Environmentally sustainable fishery and aquaculture/products ◆ Environmentally sustainable forestry/forestry products ◆ Sustainably sourced food and meat alternatives	◆ USD44trn of global economic value is moderately or highly dependent on nature and its services[4] ◆ Enhancing coastal wetlands could save the insurance industry USD52bn a year in reduced losses from storms and flood damage[5]

Switching to a circular economy could unlock additional USD4.5trn of global GDP by 2030

Any forecast, projection or target when provided is indicative only and is not guaranteed in anyway. HSBC Global Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Source: HSBC Global Asset Management

1. BAML 2020, citing UN 2019
2. World Economic Forum
3. Beaumont et al 2019
4. WEF 2020
5. Barbier et al 2019

Sustainability themed investing: Illustration – HGECC (Underlying Fund)

Summary

Thematic Exposure

- Kingspan develops high performance insulation solutions that help customers reduce energy consumed by buildings across the world
- Regulation and incentives are accelerating this process

Business Model Analysis

- GDP + growth from carbon emission reduction requirements
- Competitive advantage derives from R&D and distribution
- Increasing market share as customers substitute high performance insulation for standard product due to its lower through-life cost
- Management ownership encourages long-term thinking and alignment with shareholders

Stakeholder Due Diligence

- Mission of the business is to accelerate a net zero emissions future with the wellbeing and planet at its heart

Valuation Framework

- Required return of 8%
- The business generates EUR624m of operating free cash flow, of which a substantial proportion is reinvested in the business to capture growth
- Underlying growth of GDP+ 3-4% driven by an improving mix towards faster growing end markets and higher value solutions
- Return on invested capital of ~30%

Performance information shown refers to the past and should not be seen as an indication of future returns. Any forecast, projection or target when provided is indicative only and is not guaranteed in anyway.

Source: HSBC Global Asset Management, as at August 2020. For illustrative purposes only and does not constitute any investment recommendation in the above mentioned companies. This example is historic, contains information that is not current and should not be construed as an offer to sell or a solicitation of an offer to purchase or subscribe to any investment.

Illustration of Stock (Kingspan) selection by HGECC (Underlying Fund)

Metric Assessment & Validation

Metric	Tools and Data Used	Kingspan
ESG Score	MSCI & HSBC Internal scores as first points of call Internal analyst verification of these scores, involving reading about company, researching its relationships with key stakeholders. Direct engagement with company and its stakeholders if required.	**36% higher**
Exclusion Criteria	HSBC Internal data (from Sustainalytics) on UNGC compliance Firm wide exclusions (cluster munitions etc) also applied	✓ ✓
Green Revenue	FTSE Russell Green Revenues Database as first point of call Internal analyst verification of FTSE analysis, and integration of internal sustainability research into our own view of whether FTSE analysis makes sense as part of one of our nine themes If candidate is not rated by FTSE Russell GR, internal assessment used, following conservative estimate of current revenue base and its link to one (or more) of the 9 themes	**91.7%**
Carbon Intensity	Trucost Data for entire global universe updated monthly. Trucost data for company is checked against MSCI and internal CO2 emissions estimates. Also, internal analyst work to sense check the data and anticipate if the CI could change significantly in future (eg a business division sale could lower revenues and thus increase CI)	**55% lower**

Source: HSBC Global Asset Management. For illustrative purposes only.

Illustration of stock (Infineon Technologies) by HGECC (Underlying Fund)

A world leader in semiconductor solutions

Investment case

- Infineon is a leading provider of power semiconductors, microcontroller, sensors and radio frequency components
- It has a top 3 market share position in each of their product segments

Idea generation

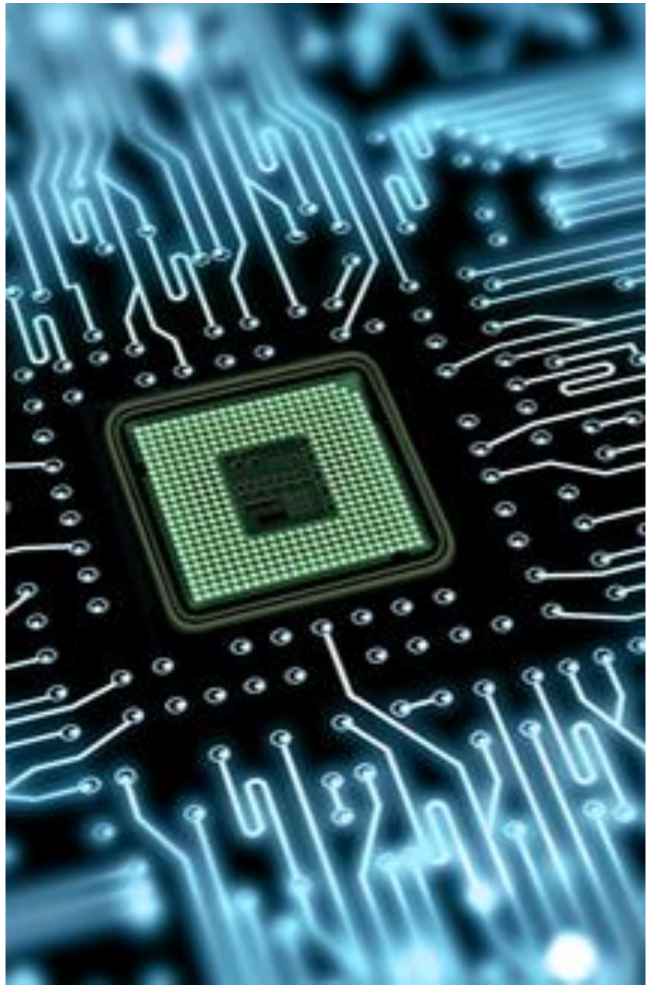
- The strength of their intellectual property creates barriers to entry, and longer design cycles adds stability to earnings
- Automotive: the rise of autonomous vehicles and the need to reduce CO_2 output has increased semiconductor demand
- Industrial power control: the increase in renewable energy projects and electric vehicle charging stations is likely to have benefits
- Smart devices: a supplier of key components in the production of smartphones, which has been a growth driver and will likely continue to with the rollout of 5G

Investment theme

- Energy Efficiency: semiconductors reduce the energy consumed by electronic devices
- Renewable Energy: leading power devices and subsystems for renewables enable efficient energy transmission and storage
- Clean Transportation: efficient semiconductors for electric drivetrains and CO_2 reduction

Valuation Framework

- ESG leader: Infineon has a very high ESG rating amongst ESG ratings providers, which we believe is justified
- A substantial proportion of the company's products are aligned with safer and greener products in transportation. These will be enduring trends to support revenue growth
- The company invests over 10% of revenue in R&D annually, and has industry leading employee attraction and retention policies. Both business strategies can support sustainable long term returns



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Investment process – HGECC (Underlying Fund)

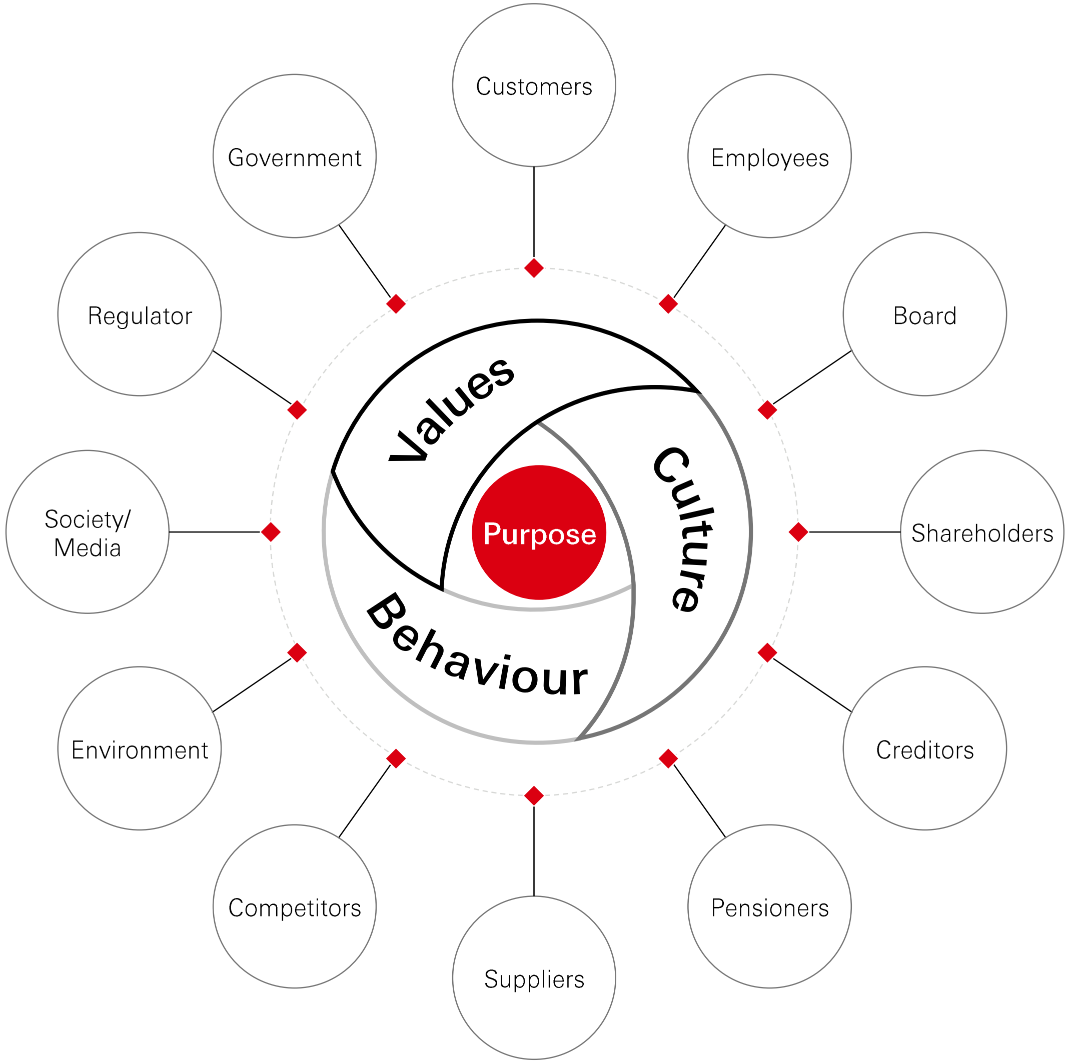
Quantitative discipline and qualitative judgement

	Universe Selection	Fundamental Analysis	Portfolio Construction and Risk Management	Monitoring and Engagement
Objective	◆ Target relevant stocks ◆ Ensure investability	◆ Stock driven investment returns ◆ Evidence based judgements	◆ Balanced + Diversified ◆ Explicit risk taking	◆ Appropriate sustainability
Tools	◆ MSCI/FTSE ◆ Sustainalytics ◆ Bloomberg ◆ Visualiser	◆ Investment checklist ◆ Business model analysis ◆ Stakeholder due diligence ◆ Valuation analysis	◆ Visualiser ◆ Bloomberg Port ◆ Quantitative Radar Framework ◆ CARP Report	◆ Visualiser ◆ Bloomberg Port ◆ Quantitative Radar Framework ◆ CARP Report
Output	◆ Restricted universe	◆ Stock review	◆ Long term sustainable equity exposure	

Source: HSBC Global Asset Management
The Financial Times Stock Exchange (FTSE)
Representative overview of the investment process, which may differ by product, client mandate or market conditions.
For illustrative purposes only.

Investment process - Stakeholder due diligence – HGECC (Underlying Fund)

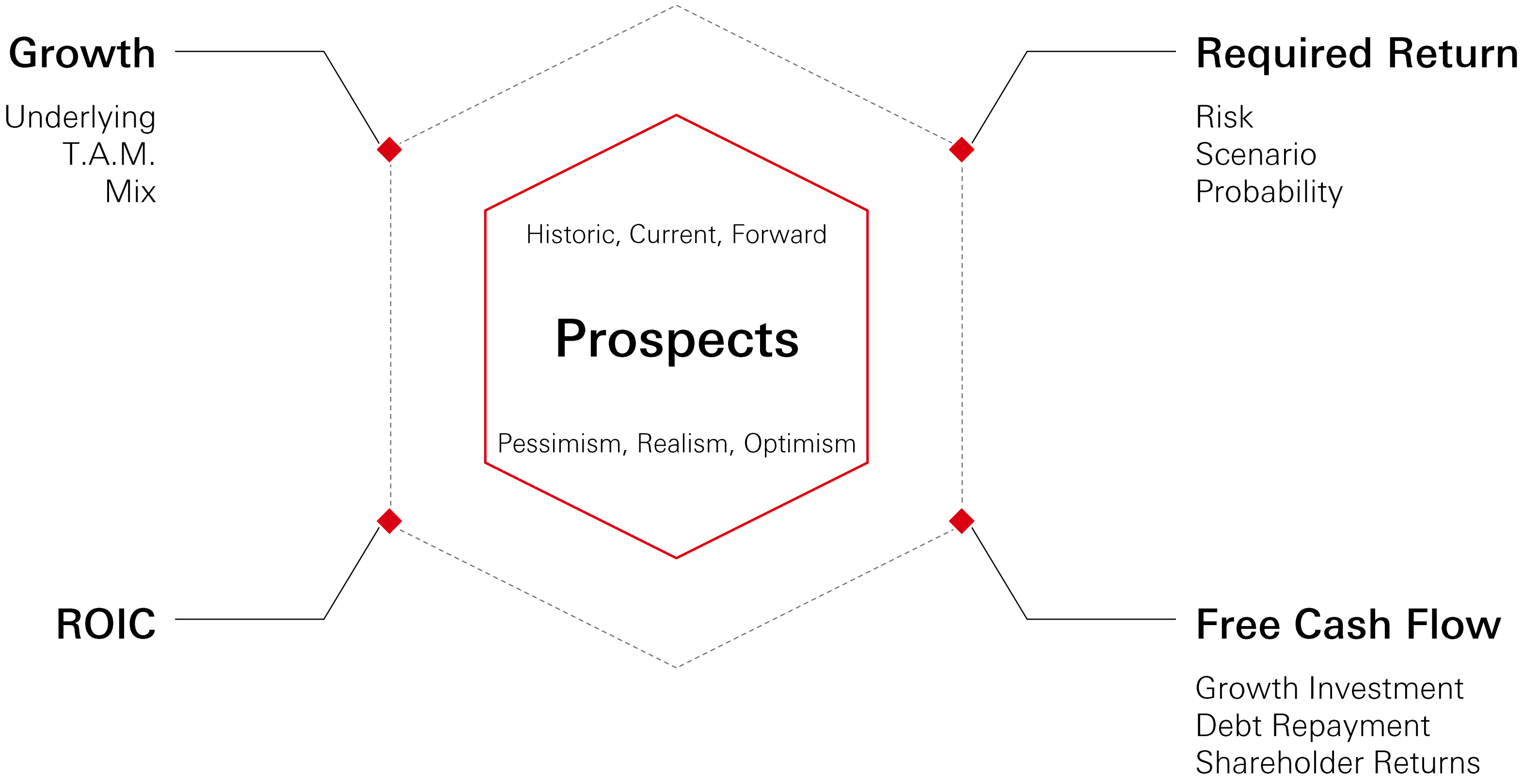
Assessing sustainability of ROIC[1]



Source: HSBC Global Asset Management,
1. ROIC – Return on Invested Capital
For illustrative purposes only.

Valuation framework – Underlying fund – HGECC (Underlying Fund)

Understanding what the current price assumes



Source: HSBC Global Asset Management, T.A.M. – Total Addressable Market,
For illustrative purposes only.

ESG integration in HSBC AMG's investment process

In-house ESG Ratings

Managing ESG integration in our investment process

Own analysis to evaluate company performance

+

Engagement with companies on ESG related issues

+

Information from third parties for comprehensive coverage of issuers and ESG data

ESG

A potential source of alpha generation alongside risk mitigation

ESG is integrated at every step of the investment process and supported by dedicated in-house experts

Active Ownership

- Engagement
- Global voting policy

Investment Research

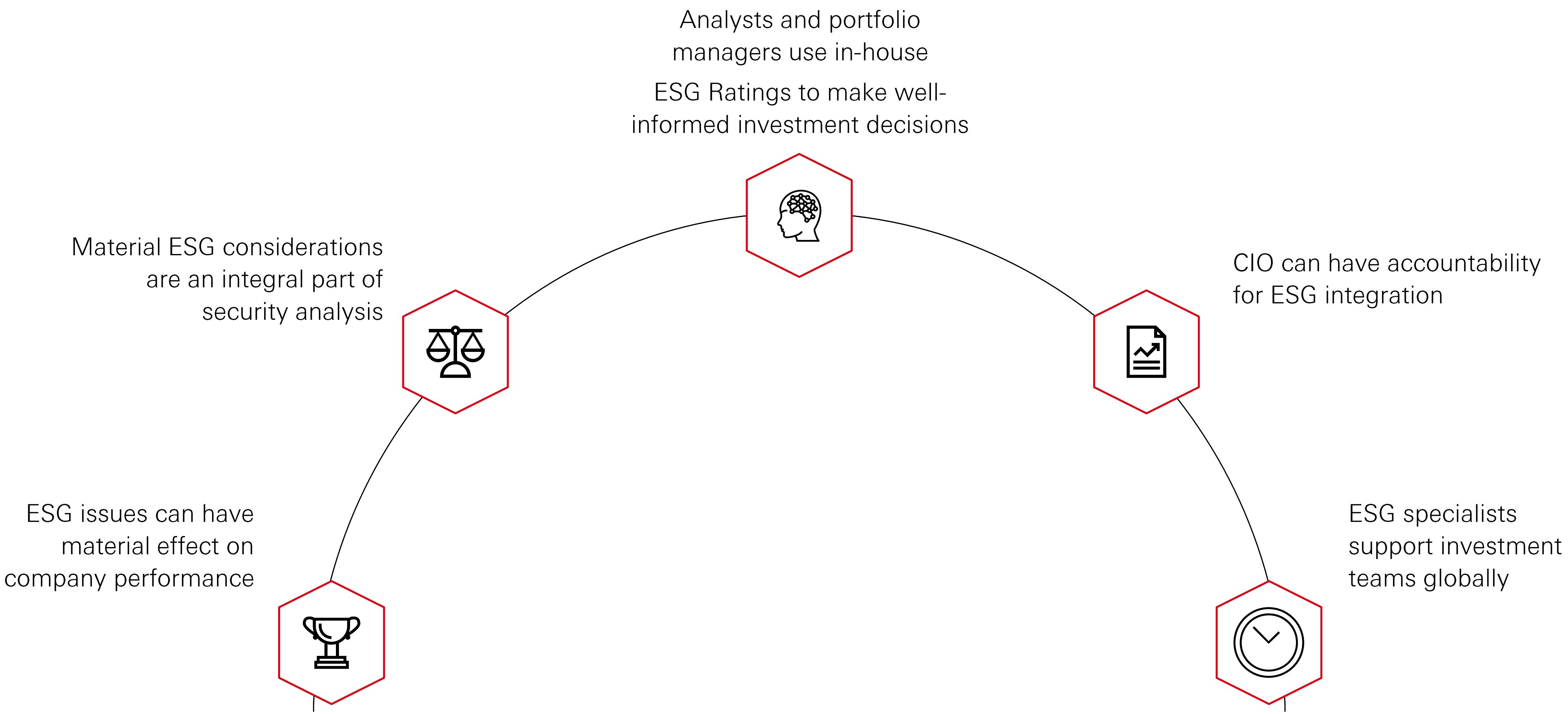
Focus on changes in material ESG factors as well as absolute score

Sustainability focus

- Differentiated approach focused on materiality and change
- Engagement & stewardship experts integrated into investment team

For illustrative purposes only. AMG – Global Asset Management
Representative overview of the investment process, which may differ by product, client mandate or market conditions.

How does ESG work – Approach to ESG based investing



Source: HSBC Global Asset Management

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