

Asia ex Japan Equity Smaller Companies

Undervalued late bloomer

February 2021



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Why consider investing in Asia small caps?



Historically strong post-crisis performance of asset class

- ◆ MSCI AC Asia ex Japan Small Cap Index rallied 196% over the last big economic recovery cycle (2009-10) post GFC – around 20% outperformance over Asian large caps during this period



Asia small cap undervalued vs large cap

- ◆ Asian small caps outperformed large caps in 2020 for the first time in 5 years, and earnings revisions are also expected to turn positive
- ◆ But still trading at a 30% discount to large caps on a PB ratio basis



High exposure to 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

Source: HSBC Asset Management, as of 31 January 2021

Past performance is not indicative of future performance. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target.

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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 major time periods, based on Morningstar ranking data

Fund's Morningstar quartile ranking against peers

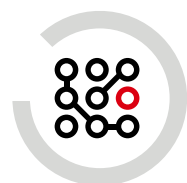
IC share class

Time period	1M	3M	6M	1Y	3Y	5Y
Quartile ranking ⁽¹⁾	1	1	1	1	3	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 a cumulative 10-year active return (net-of-fees; IC share class) of 78% (fund 112% vs benchmark 34%)



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 January 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.

Source: Morningstar, 31.12.2020

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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 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 the long-term performance of companies.

Fund manager



Elina Fung
*Investment Director,
Equities*

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 31 January 2021

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HSBC GIF Asia ex Japan Equity Smaller Companies

Fund performance and other details

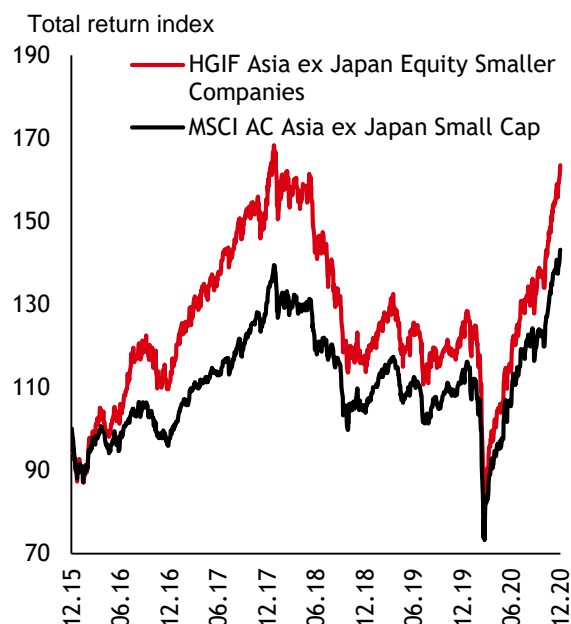
Fund performance (December 2020)

IC share class

	2016	2017	2018	2019	2020
Fund	11.27	38.48	-23.63	4.45	33.02
+/-Benchmark	13.56	4.96	-4.76	-2.78	6.83

	YTD	1Y	3Y (ann)	5Y (ann)
Fund	33.02	33.02	2.00	10.33
+/-Benchmark	6.83	6.83	-1.16	2.88

Quartile ranking ⁽¹⁾	1	1	3	1



Top 5 regions by exposure

Geography	Weight
Taiwan	22%
Mainland China	19%
India	18%
Korea	15%
Hong Kong (SAR)	9%

Top 5 sectors by exposure

Sector	Weight
Information Technology	24%
Consumer Discretionary	20%
Industrials	15%
Healthcare	12%
Materials	11%

Fund details

Inception date:	21 Nov 1997
Fund size:	USD 728.4 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 2020.

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 should not be seen as an indication of future returns. Net of fees. 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.

Key risks

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested.

- ◆ **Exchange rate risk:** Investing in assets denominated in a currency other than that of the investor's own currency perspective exposes the value of the investment to exchange rate fluctuations
- ◆ **Concentration risk:** Funds with a narrow or concentrated investment strategy may experience higher risk and return fluctuations and lower liquidity than funds with a broader portfolio
- ◆ **Emerging market risk:** Emerging economies typically exhibit higher levels of investment risk. Markets are not always well regulated or efficient and investments can be affected by reduced liquidity
- ◆ **Derivative risk:** The value of derivative contracts is dependent upon the performance of an underlying asset. A small movement in the value of the underlying can cause a large movement in the value of the derivative. Unlike exchange traded derivatives, over-the-counter (OTC) derivatives have credit risk associated with the counterparty or institution facilitating the trade
- ◆ **Operational risk:** The main risks are related to systems and process failures. Investment processes are overseen by independent risk functions which are subject to independent audit and supervised by regulators

Further information can be found in the prospectus and Key Investor Information Document (KIID).

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