

## HSBC Investment Funds

# Europe Ex-UK Equity Fund

Monthly report 31 March 2024 | Share class Inst A Acc



## Investment objective

The fund aims to provide growth over the long term, which is a period of five years or more.



## Investment strategy

To achieve its objective, the Fund will invest at least 80% of its value in the shares (equities) of European companies, including preference shares. European companies are deemed to be those that are domiciled or incorporated in Europe excluding the UK, or earn at least 80% of their revenue from Europe. The Fund may also invest up to 10% of its value in shares of companies listed on a European stock exchange that are not European companies (as defined above). The Fund is managed with reference to the MSCI Europe Ex-UK Index (Net). The fund manager is not limited to investing in shares of companies that are part of MSCI Europe Ex-UK Index (Net). The MSCI Europe Ex-UK Index (Net) is considered as part of our investment risk monitoring process, to check that the overall level of risk taken by the fund manager is not inconsistent with the European equities market (excluding the UK equity market). To enable investors to assess the performance of the Fund it is shown against the performance of the MSCI Europe ex-UK Net Index (Net).



## Main risks

- The value of investments and any income from them can go down as well as up and you may not get back the amount originally invested.
- Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up.
- 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.

## Share class details

### Key metrics

NAV per share	<b>GBP 9.84</b>
Performance 1 month	<b>1.66%</b>

### Fund facts

UCITS V compliant	<b>Yes</b>
UK reporting fund status (UKRS)	<b>Yes</b>
ISA eligible	<b>Yes</b>
Dividend treatment	<b>Accumulating</b>
Dealing frequency	<b>Daily</b>
Valuation time	<b>12:00 United Kingdom</b>

Share class base currency	<b>GBP</b>
Domicile	<b>United Kingdom</b>
Inception date	<b>10 September 2021</b>
Fund size	<b>GBP 101,443,101</b>
Reference benchmark	<b>100% MSCI Europe Ex-UK Index (Net)</b>
Managers	<b>Patrick Gautier</b>

### Fees and expenses

Minimum initial investment <sup>1</sup>	<b>GBP 1,000,000</b>
Ongoing charge figure <sup>2</sup>	<b>0.810%</b>

### Codes

ISIN	<b>GB00BNYFWB68</b>
Bloomberg ticker	<b>HEEUKAG LN</b>
SEDOL	<b>BNYFWB6</b>

<sup>1</sup>Please note that initial minimum subscription may vary across different distributors

<sup>2</sup>Ongoing Charges Figure is an estimate due to a change of fee structure.

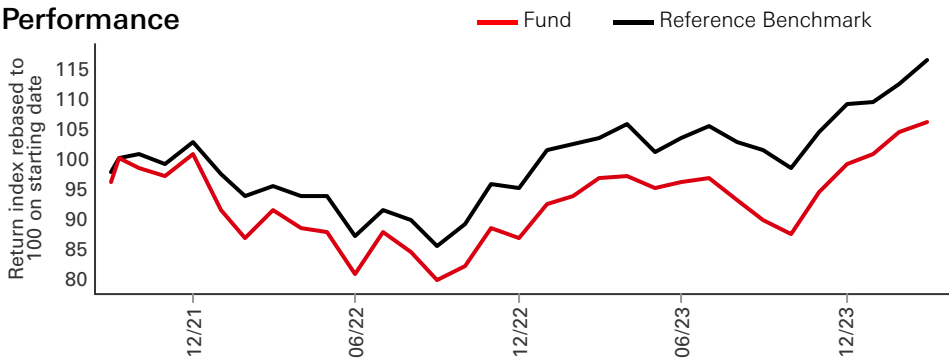
Past performance does not predict future returns. The figures are calculated in the share class base currency, dividend reinvested, net of fees.

This is a marketing communication. Please refer to the prospectus and to the KID before making any final investment decisions.

For definition of terms, please refer to the Glossary QR code and Prospectus.

Source: HSBC Asset Management, data as at 31 March 2024

Performance

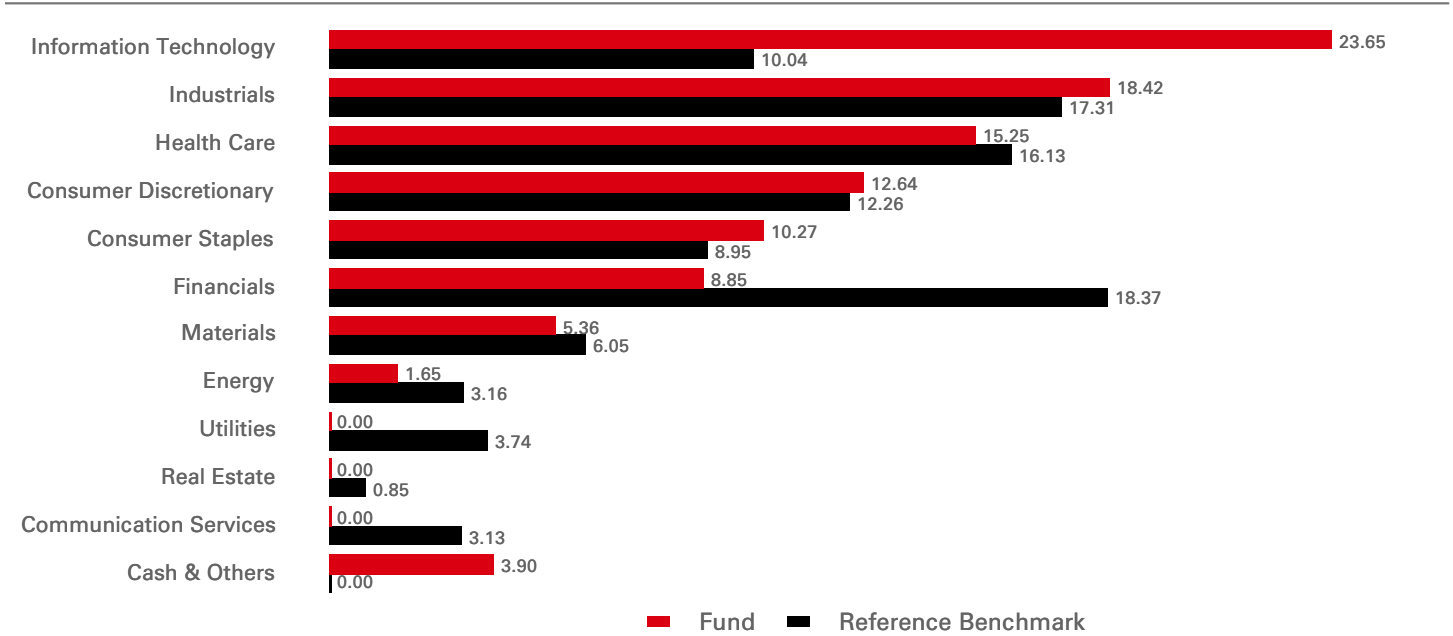


Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
Inst A Acc	7.19	1.66	7.19	18.29	9.73	--	--	2.34
Reference Benchmark	6.83	3.67	6.83	14.90	12.65	--	--	6.16

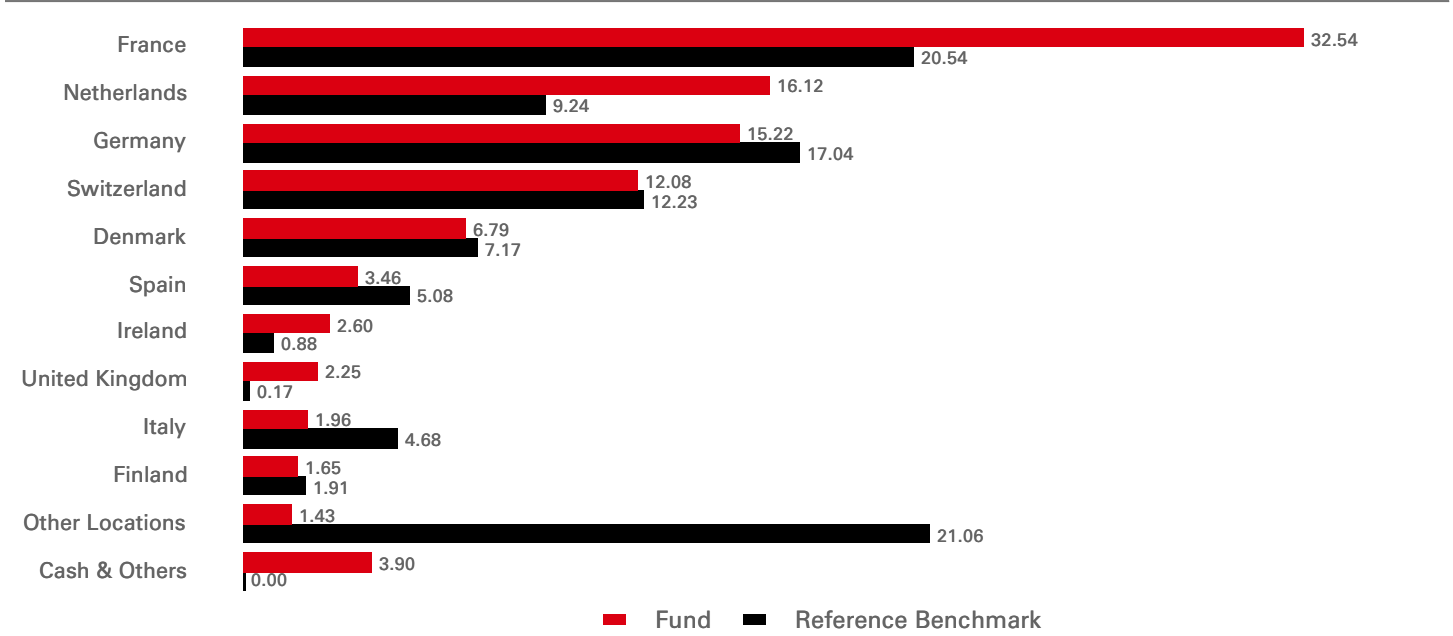
Rolling performance (%)	31/03/23-31/03/24	31/03/22-31/03/23	31/03/21-31/03/22	31/03/20-31/03/21	31/03/19-31/03/20
Inst A Acc	9.73	5.77	--	--	--
Reference Benchmark	12.65	8.62	--	--	--

Equity characteristics	Fund	Reference Benchmark	3-Year Risk Measures	Inst A Acc	Reference Benchmark
No. of holdings ex cash	38	338	Volatility	--	--
Average market cap (GBP Mil)	141,210	104,695	Information ratio	--	--
			Beta	--	--

Sector allocation (%)



Geographical allocation (%)



Top 10 holdings	Sector	Weight (%)
ASML Holding NV	Information Technology	7.56
Novo Nordisk A/S	Health Care	5.57
SAP SE	Information Technology	5.27
LVMH Moet Hennessy Louis Vuitton	Consumer Discretionary	5.00
Nestle SA	Consumer Staples	4.34
Hermes International SCA	Consumer Discretionary	4.18
Air Liquide SA	Materials	4.14
Schneider Electric SE	Industrials	4.00
Wolters Kluwer NV	Industrials	3.55
L'Oreal SA	Consumer Staples	3.36

## Monthly performance commentary

### Environment

Stock markets continued to rally in March, with the Stoxx Europe 600 index rising +4% and the S&P500 up +3.1% (net total return, in EUR). During the quarter, the performances posted by market indices - with many beating their all-time records - reflected the steady bullish trend. The MSCI World index rose +8.85% during the quarter, despite a few regional disparities. Investors continued to favour a “soft landing” macroeconomic scenario. They are betting on a gradual inflation retreat, economic growth, a resilient labour market, and corporate earnings growth. The most recent statistics seem to confirm this scenario although some risks persist, including geopolitical risk and fiscal tensions. Emerging countries delivered positive performances, up by an overall +2.2% during the month (MSCI Emerging Markets index). Performance dispersion across different regions was lower in March. The Chinese economy benefited from the new lunar year in February, against a persistently sluggish economic backdrop as the property crisis drags on. The Indian economy, on the other hand, has continued to expand at a fast pace, supported by infrastructure spending and investment. During the month, short-term sovereign rates remained broadly stable. European and American central bank policy makers issued statements suggesting potential rate cuts towards the middle of the year. The erratic drop in inflation, which is retreating towards its 2% target, explains this prudence. Consequently, in the US, the core consumer price index was up +3.8% in February year-over-year, down from +3.9% in January, but up +0.4% month-over-month compared to +0.3%. Long-term US sovereign rates rose slightly as the slowdown in inflation lost some momentum. Labour market statistics pointed to the resilience of the US economy. The job market remained dynamic, though the unemployment rate came in at 3.9%, versus 3.7% a month ago. The number of job vacancies is still high. In Europe, long-term rates were rather stable as data releases did not surprise the market. Leading indicators provided by purchasing manager surveys - PMIs - still indicate a dichotomy between the manufacturing and services sectors. In Europe, the manufacturing PMI came in at 45.7, below the 50-threshold implying a recession. Conversely, the PMI services index rose from 50.2 to 51.1, still in expansion territory. This gap between these indicators of economic activity can also be observed in the United States. Few changes are to be noted on the geopolitical front. The war in Ukraine and the Israeli-Palestinian conflict are dragging on, while the disruptions in the Red Sea continue.

### European equity market performance

During the month, the MSCI Europe index rose +3.9% in euros (total return, in EUR) while the MSCI EMU gained +4.5%. The MSCI Europe index was driven by the strong performances posted by the durable consumer goods (retail sales up +12.4%) and banking (+10.5%) sectors. In contrast, the corporate services and capital goods sectors (+0.2% and -0.9% respectively) both underperformed. Value stocks outperformed in March, led by banks. The latter benefited from their relative undervaluation against a backdrop of favourable interest rates for the sector, while credit risk remains contained. Conversely, several quality growth stocks suffered from a slowdown due to the Chinese market. Turning to individual stocks, Téléperformance tumbled -21.4% during the month on concerns over the development and use of artificial intelligence within the industry, which would weigh on the company's revenue. Vallourec stocks rallied +22.6% over the period after ArcelorMittal acquired Apollo's 28.4% stakes in Vallourec's capital. WTI oil prices rose +6.3% in March to around USD 84 per barrel following supply restrictions and growing demand. The Organization of the Petroleum Exporting Countries (OPEC) had indeed decided to cut production at the end of last year in order to increase the price per barrel. Russia has also reduced its production volumes. Gas prices rose +11.1% to €28/MWh and are now down -6.4% year-to-date.

### Fund performance

HSBC Europe ex-UK underperformed the MSCI Europe ex-UK Index. The sector allocation was negative over the month. The fund benefited from its underweights transportation and automobiles, as well as its overweight consumer durables. These gains in terms of sector allocation were offset by the fund's underweights banks, and the overweights services, semiconductors and luxury. Stock selection was negative in terms of relative performance over the month. Inditex outperformed. The group reported upbeat annual earnings, cementing its status as mainstream fashions stellar performer. For 2023, Inditex reported a 10% rise in annual sales, achieved against the backdrop of shaky consumer confidence and geopolitical uncertainty. The company also said it had made a good start to the new year, suggesting Zara is continuing to offer the right products to its growing customer base. Adyen outperformed. The fintech company may surprise positively in the next quarters, expanding in Latin America and North America, and may benefit from higher revenue growths. CapGemini underperformed. The group was penalized by a negative read-across in the sector coming from Accenture following its Q2 2024 results. Accenture is hurt by a sequential growth deterioration in consulting revenues. Dassault Systemes underperformed. Its Medidata branch is under increasing competitive pressure with Veeva, which announced two recent contracts with pharmaceutical companies. Teleperformance underperformed after full-year results below expectations, while its margin steer was also viewed as disappointing.

Risk disclosures

- 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.
- Liquidity is a measure of how easily the Fund’s holdings can be quickly converted to cash. The value of the Fund’s holdings may be significantly impacted by liquidity risk during adverse market conditions.
- Further information on the potential risks can be found in the Key Information Document (KID) and/or the Prospectus or Offering Memorandum.

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Source: HSBC Asset Management, data as at 31 March 2024

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Glossary



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