HSBC Asset Management

HSBC Investment Funds

Europe Ex-UK Equity Fund

Monthly report 29 February 2024 | Share class Inc C

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.

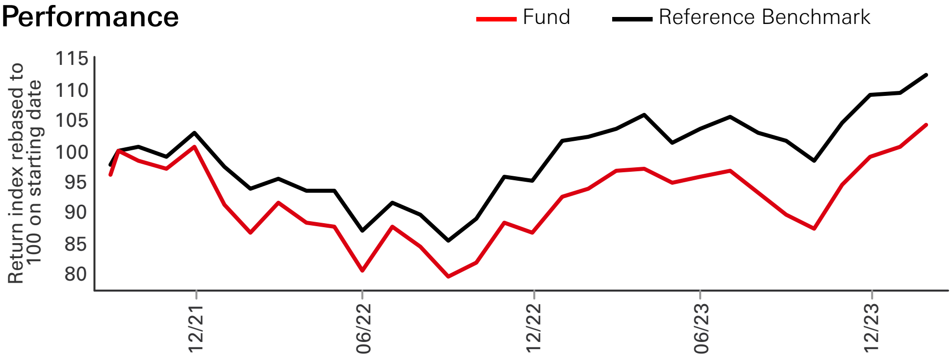
Share class details

Key metrics	
NAV per share	**GBP 8.15**
Performance 1 month	**3.63%**
Fund facts	
UCITS V compliant	**Yes**
UK reporting fund status (UKRS)	**Yes**
ISA eligible	**Yes**
Dividend treatment	**Distributing**
Distribution frequency	**Annually**
Dividend ex-date	**16 January 2024**
Dividend yield[1]	**0.84%**
Last paid dividend	**0.068100**
Dealing frequency	**Daily**
Valuation time	**12:00 United Kingdom**
Share class base currency	**GBP**
Domicile	**United Kingdom**
Inception date	**10 September 2021**
Fund size	**GBP 100,372,849**
Reference benchmark	**100% MSCI Europe Ex-UK Index (Net)**
Managers	**Patrick Gautier**
Fees and expenses	
Minimum initial investment[2]	**GBP 1,000,000**
Ongoing charge figure[3]	**0.850%**
Codes	
ISIN	**GB00BNYFWC75**
Bloomberg ticker	**HEEUKCG LN**
SEDOL	**BNYFWC7**

[1]Dividend Yield: represents the ratio of distributed income over the last 12 months to the fund's current Net Asset Value.
[2]Please note that initial minimum subscription may vary across different distributors
[3]Ongoing Charges Figure is based on expenses over a year. The figure includes annual management charge but not the transaction costs. Such figures may vary from time to time.

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 29 February 2024

Performance



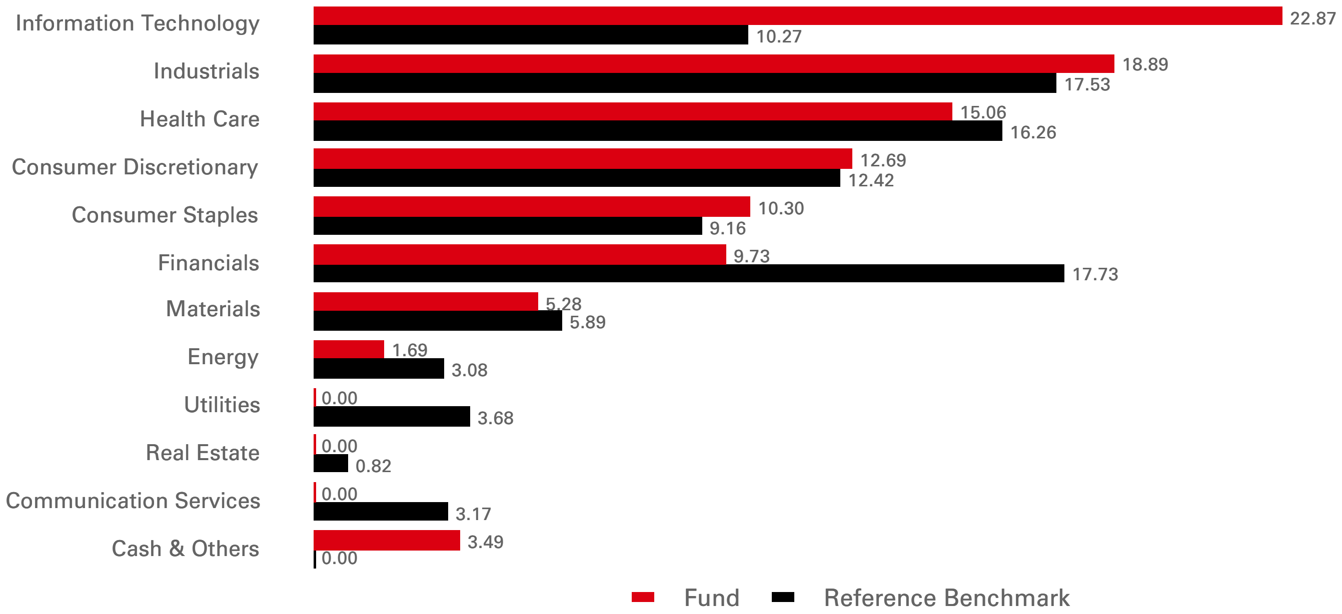
Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
Inc C	**5.48**	**3.63**	**10.58**	**12.14**	**11.29**	**--**	**--**	**1.70**
Reference Benchmark	3.05	2.69	7.58	9.44	9.88	--	--	4.84

Rolling performance (%)	28/02/23-29/02/24	28/02/22-28/02/23	28/02/21-28/02/22	29/02/20-28/02/21	28/02/19-29/02/20
Inc C	**11.29**	**8.22**	**--**	**--**	**--**
Reference Benchmark	9.88	9.28	--	--	--

Equity characteristics	Fund	Reference Benchmark
No. of holdings ex cash	37	342
Average market cap (GBP Mil)	137,698	102,000

3-Year Risk Measures	Inc C	Reference Benchmark
Volatility	--	--
Information ratio	--	--
Beta	--	--

Sector allocation (%)



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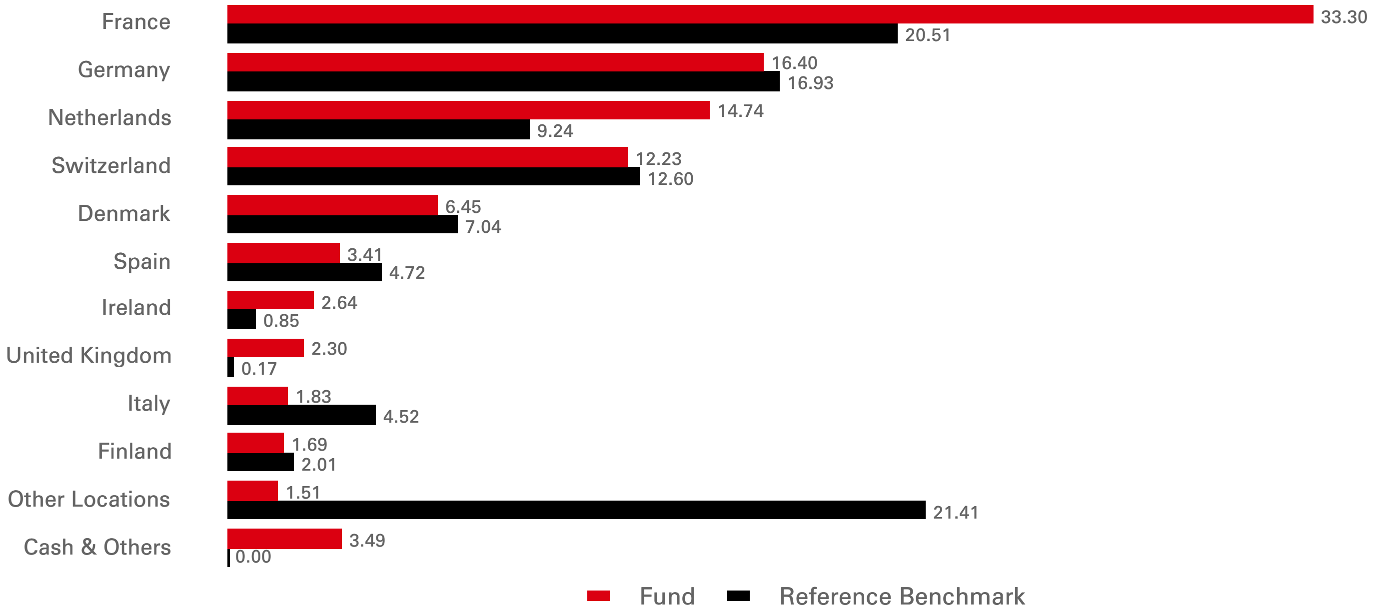
Geographical allocation (%)



Top 10 holdings	Sector	Weight (%)
ASML Holding NV	Information Technology	7.49
Novo Nordisk A/S	Health Care	5.26
LVMH Moet Hennessy Louis Vuitt	Consumer Discretionary	5.13
SAP SE	Information Technology	5.13
Nestle SA	Consumer Staples	4.31
Hermes International SCA	Consumer Discretionary	4.15
Air Liquide SA	Materials	4.09
Schneider Electric SE	Industrials	4.07
Allianz SE	Financials	3.92
Wolters Kluwer NV	Industrials	3.62

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Monthly performance commentary

Environment
Stock markets continued to rally in February, with the Stoxx 600 and S&P 500 indices closing the month up +1.6% and +5.3% respectively (total return, in USD). Several market indices beat their record highs: the S&P 500 topped 5,000 points and the Nikkei 225 climbed past its all-time high after a 34-year wait. In Europe, indices also reached fresh heights, with the CAC40 breaking through 7,900 points and the DAX surpassing the 17,000-point mark. Hopes of a soft landing for the economy, amid disinflation and declining key interest rates, has continued to fuel a groundswell of investor optimism. In February, the better-than-expected earnings season combined with the hype around artificial intelligence (AI) reinforced this market sentiment. The excitement around AI was boosted by Nvidia's outstanding quarterly earnings. In emerging countries, the MSCI Emerging Markets index rose +4.7% (total return, in USD) driven by the rebound in China (CSI 300 +9.3%, total return, in renminbi), after government authorities imposed restrictions on capital markets (trading limits on short-selling, stock purchases by state-affiliated funds). This market rally took place despite rising sovereign yields in the US following the release of inflation data that proved higher than expected by the consensus. Inflation readings for January came in at 3.1% (above expectation of 2.9%), with a rebound in core inflation. Producer prices also came in higher than forecast. This upturn in inflation has not worried investors so far. The rise is partly down to seasonal factors and to statistical changes. Against this background, the US yield curve has flattened. These inflation "surprises" in the US had repercussions for European rate markets. German 10-year yields rose 25 basis points (bp) to 2.41% despite inflation levels in line with expectations, at 0.9%. From a macroeconomic perspective, European PMI indices rose by one point to 48.9, while the US economy continued to deliver positive surprises, with the country's GDP (gross domestic product) increasing at an annual rate of 3.3% in the final quarter of 2023. In China, economic data remained lackluster after Chinese New Year. Travel spending has risen 7% (compared to 2019) but deflation is persisting in the newbuild industry, with prices falling 0.4% month-over-month. 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. The quarterly earnings season is now drawing to a close: 98% of companies in the US and 76% in Europe have published their earnings so far. The earnings surprise rate stands at 151 bp in the US versus -360 bp in Europe. Several factors explain the outperformance of American companies: more resilient margins thanks to better operating efficiency, lower financial costs, weaker impact of negative earnings from the real estate and commodity sectors.

European equity market performance
During the month, the MSCI Europe index rose +1.9% in euros (total return, in EUR) while the MSCI EMU gained +3.3%. The MSCI Europe index benefited from the strong performances recorded within discretionary consumer spending (+7.4%, auto, luxury) and technology (+6.1%, semiconductors and IT services). Meanwhile, utilities (-5.7%) and real estate (-7.3%) underperformed. Growth and quality stocks once again outperformed value stocks and small caps. Investors continued to favor companies displaying robust balance sheets and reassuring earnings. The appeal of artificial intelligence also prompted investors to make massive purchases in semiconductors and several software players, such as SAP, as an indirect means of exposing their portfolios to the theme of AI in Europe. Looking at individual stocks, Volvo soared +39% after announcing its withdrawal from Polestar. Stocks in the defense sector also continued to outperform amid a persistently favorable environment (new orders and strong earnings). Rheinmettal surged by 32% while Kongsberg climbed 25%. Conversely, Temenos fell 26% following a report from short-sellers and Moller Maersk dropped 24.1% on the back of poor earnings and the situation in the Red Sea. Oil closed the month on a modest rise (+3.2%) at USD 78/bbl thanks to the decline of the dollar, while gold remained above the USD 2,000/ounce threshold despite rising yields and the dollar's slight recovery. Natural gas prices are plummeting, falling below EUR 25/Mwh due to abundant supply, weak demand from industrials and mild temperatures in Europe.

Fund performance
HSBC Europe ex-UK outperformed the MSCI Europe ex-UK Index. The sector allocation was positive over the month. The fund benefited from its overexposures on the software, semiconductors, and consumer durables & apparel sectors. It also benefited from its underweights utilities and pharmaceuticals. These gains in terms of sector allocation were partially offset by the fund's underexposure on auto. Stock selection was negative in terms of relative performance over the month. Hermes outperformed. Hermes's strong revenue report powered the luxury company's stock to record highs. Hermes, thanks to its top-tier positioning, is defying a broader slump in the high-end goods market. Adyen rose after the payment-processing company's net revenue beat estimates in the second half on higher consumer spending, a sign that the company is winning back investor confidence. Adyen staged a comeback after facing a record slowdown in revenue last year, which resulted in a stock meltdown. Since then, the payments giant has sought to regain investor confidence with more transparency, by unveiling new growth targets in November and committing to providing quarterly trading updates. Schneider Electric outperformed. The global drive to net zero incentivizes capital investment in decarbonizing solutions is set to drive multiyear structural demand growth for large electrical companies like Schneider, Siemens and ABB. Their sustainability offerings enable customers to extract greater efficiency gains including energy, while allowing increased scope for electrification. ASML outperformed. Shares of semiconductor companies rose, following another blowout forecast from Nvidia, among the chipmakers most tied to artificial intelligence. Air Liquide rose after reporting 2023 earnings. The French industrial gas manufacturer pleased investors by doubling its mid-term margin target and also had a "very healthy" order backlog, with more than 40% connected to the energy transition. Neste underperformed. The Finnish refining and marketing company reported fourth-quarter results where renewable product earnings were below expectations. Dassault Systemes underperformed after the software company reported weaker-than-expected operating income, dragged down by a decline in license revenue after a pull-in of large deals a quarter earlier.

The stocks mentioned are for illustrative purposes only and are not investment advice, investments have risks.
Source: HSBC Asset Management, data as at 29 February 2024

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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Glossary

Index disclaimer

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