Global Infrastructure Equity

HSBC's approach to Listed Infrastructure Investing

October 2025

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HSBC Asset Management

Key Risks

There is no assurance that a portfolio will achieve its investment objective or will work under all market conditions. The value of investments may go down as well as up and you may not get back the amount originally invested. Portfolios may be subject to certain additional risks, which should be considered carefully along with their investment objectives and fees.

- **Alternatives Risk:** There are additional risks associated with specific alternative investments within the portfolios; these investments may be less readily realiable than others and it may therefore be difficult to sell in a timely manner at a reasonable price or to obtain reliable information about their value; there may also be greater potential for significant price movements.
- **Equity risk:** Portfolios that invest in securities listed on a stock exchange or market could be affected by general changes in the stock market. The value of investments can go down as well as up due to equity markets movements.
- **Interest rate risk:** As interest rates rise debt securities will fall in value. The value of debt is inversely proportional to interest rate movements.
- **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.
- **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.
- **Style risk:** Different investment styles typically go in and out of favour depending on market conditions and investor sentiment.
- **Model risk:** Model risk occurs when a financial model used in the portfolio management or valuation processes does not perform the tasks or capture the risks it was designed to. It is considered a subset of operational risk, as model risk mostly affects the portfolio that uses the model.

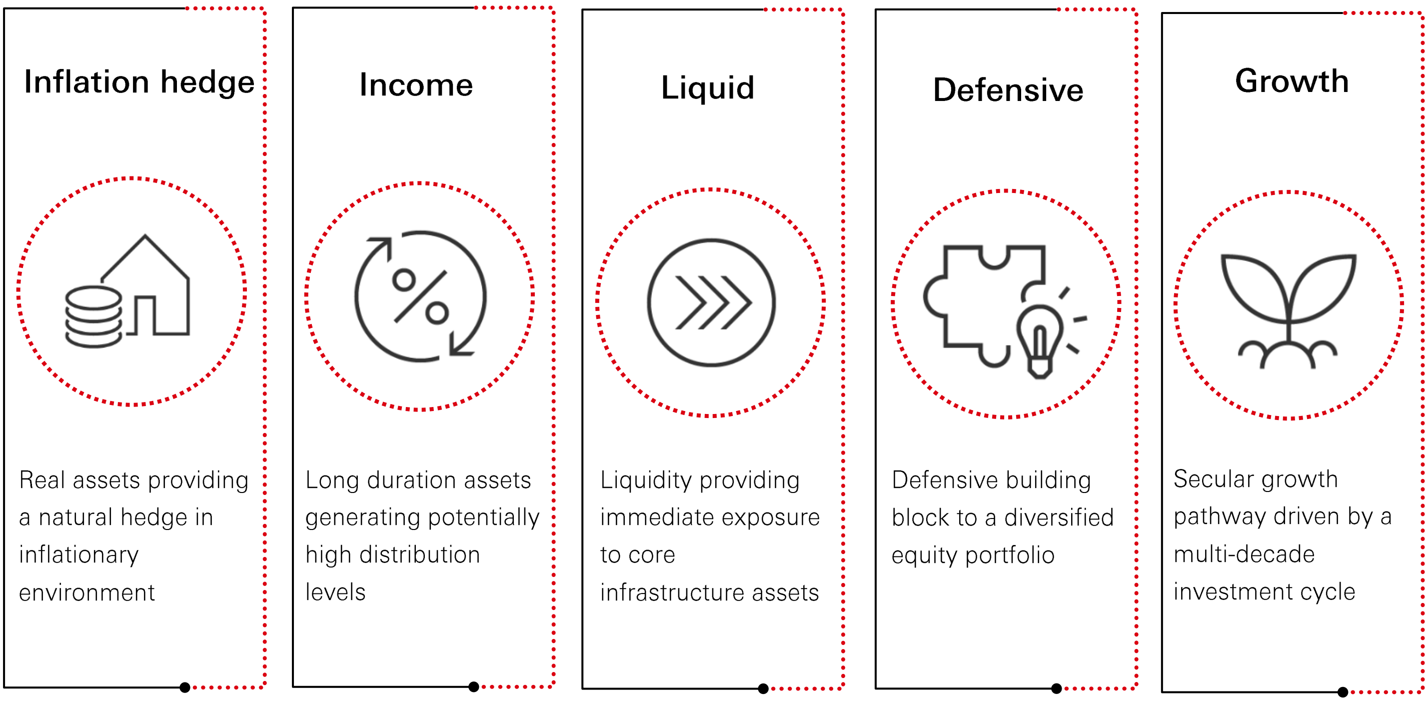
What we consider the benefits of investing in Infrastructure Equity

Infrastructure assets encompass public and private physical structures and facilities which are essential for the stability and growth of any economy in which they operate. These assets operate in industries with high barriers to entry or monopolistic characteristics, with revenues supported by long-term contracts and/or regulations thus potentially generating predictable and resilient income, whilst also preserving their value in real terms thanks to the direct or indirect passthrough of inflation.

Infrastructure equities (or Global Listed Infrastructure) refer to companies which are listed in the equity market and own and/or operate such infrastructure assets. Allocating to infrastructure equities can provide investors with a wide range of benefits such as:

- **Liquidity:** providing immediate exposure to core infrastructure assets.
- **Defensive:** representing a defensive building block to a diversified equity portfolio.
- **Income:** potentially generating high level of dividends.
- **Inflation hedge:** providing a natural hedge in inflationary environment.
- **Growth:** having exposure to long-term secular tailwind.

Chart 1. Benefits of investing in Infrastructure equities

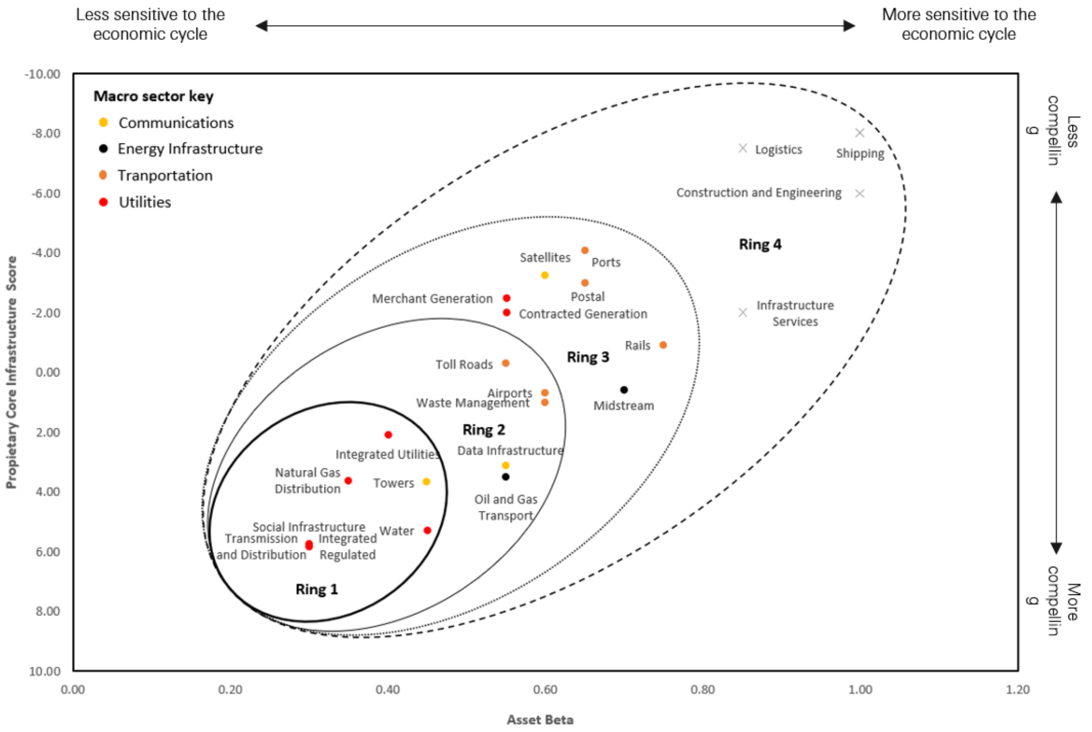


Past performance does not predict future returns Source: HSBC Asset Management, October 2025. Diversification does not ensure a profit or protect against loss.

Our framework to defining Infrastructure Equities' investment universe

We approach the definition of our infrastructure equities' investment universe in a rigorous way by applying a framework based on classifying companies using both a proprietary asset quality score and a long-term market implied asset beta to assess the strength of infrastructure-like characteristics, leading to an investable universe with predictable and resilient cash flow generation through various macroeconomic cycles.

Chart 2. HSBC AM Infrastructure equities' investment philosophy



Charactertics we look for

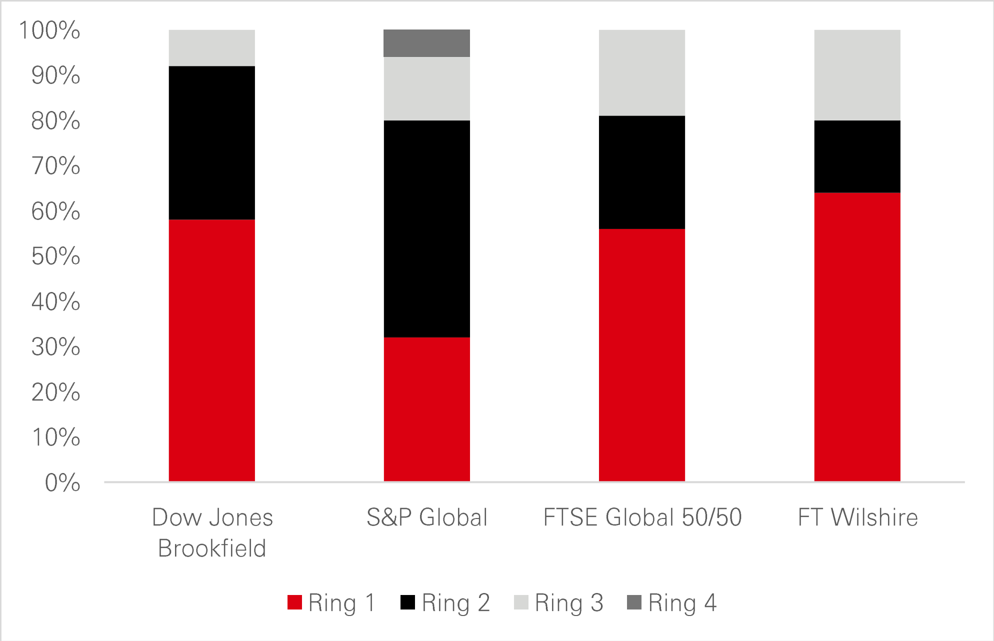
- Play a key role in providing essential services to society
- Assets operating in industries with high barriers to entry
- Sustainable and highly predictable cashflows
- Regular or long-term take-or-pay contracts with inflation protection

Unfavourable characteristics

- Assets operating in highly competitive industries
- Exposure to cyclicality with low visibility to cash flows due to short term contracts
- Unfavourable regulatory environment
- Exposure to demographic headwinds

Past performance does not predict future returns Source: HSBC Asset Management, October 2025

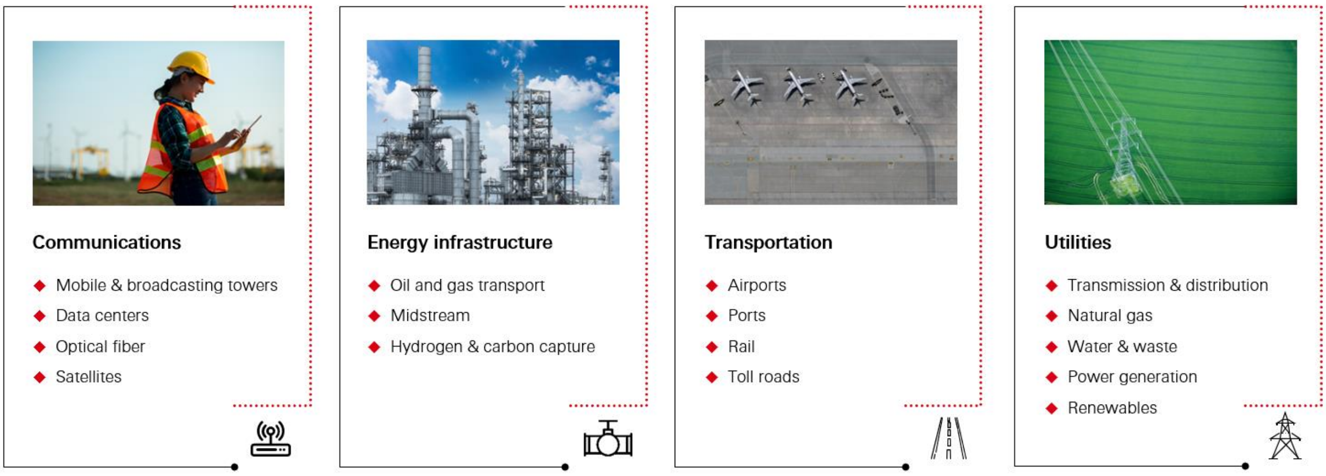
Thanks to this structured approach, we do not exclude any companies ex-ante from our investable universe, but we assess the validity of including them based on the quality of the underlying infrastructure assets (i.e. sectors primarily in Ring 1 and 2 of our framework). This has important implications regarding the adoption of our reference infrastructure benchmark as we seek alignment with the benchmark with higher exposure to Ring 1 and Ring 2 companies, the Dow Jones Brookfield Infrastructure index.



Our balanced approach in investing in Infrastructure Equities

Besides being aligned to our investment philosophy, our reference benchmark is also the infrastructure index with a more balanced exposure across the infrastructure equities' four main sectors, Communication, Energy infrastructure, Transportation and Utilities.

Chart 4. Infrastructure equities' macro sectors



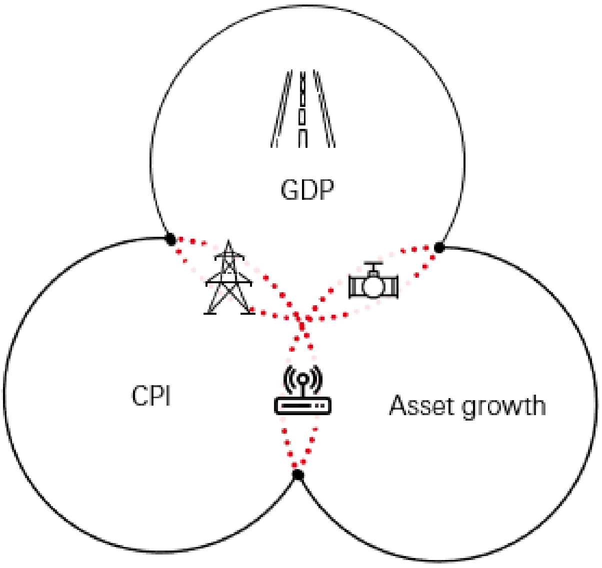
Reference benchmark is not a target performance indicator Source: HSBC Asset Management, Bloomberg, October 2025.

Although these sectors share the same infrastructure-like characteristics (i.e. resiliency and predictability of cash flow which result in a steady income stream, preservation of value in real terms thanks to the inflationary pass-through characteristics and exposure to secular growth trend) they can present differences in terms of:

- **Exposure and sensitivity to macroeconomic drivers**, particularly economic growth, interest rates and inflation.
- **Alignment to long-term secular tailwind**, such as digitalisation, electrification, urbanisation, and de-globalisation.
- **Correlation to equity markets,** with varying levels of equity beta.
- **Composition of total return**, between income and capital growth.

Given these differences, we believe that, when investing in infrastructure equities, it is important to adopt a balanced and diversified approach across these four sectors (and regions) to avoid being overly exposed to any specific macroeconomic factor and/or growth driver. As a result of our investment approach, this approach can play a complementary role to existing infrastructure equities' allocations with a less balanced exposure vs. four macro sectors.

Chart 5. Infrastructure sectors macroeconomic factors' exposure



Reference benchmark is not a target performance indicator Source: HSBC Asset Management, Bloomberg, October 2025.

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