

HSBC Specialist Investment Funds

European Growth Fund

Monthly report 31 August 2021 | Share class Acc C

Investment objective

The Fund aims to provide growth over the long term, which is a period of five years or more. The Fund intends to provide higher returns (before charges and tax are deducted from the Fund) than the FTSE Developed Europe Excluding UK Index plus 2% per year, over three-year periods.

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 those that are based in Europe excluding the UK, or earn at least 80% of their revenue from Europe. The Fund is managed with reference to the FTSE Developed Europe Excluding UK Index. The fund manager aims to generate returns in excess of the FTSE Developed Europe Excluding UK Index plus 2% per year, over three year periods, before charges and tax are deducted from the Fund. This is based on our current view of returns the Fund may potentially achieve, which may change. The fund manager is not limited to investing in shares of companies that are part of the FTSE Developed Europe Excluding UK Index. The FTSE Developed Europe Excluding UK Index 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 FTSE Developed Europe Excluding UK Index plus 2% per year, over three-year periods, before charges and tax are deducted from the Fund, where permitted by regulation.

Main risks

- The Fund's unit value can go up as well as down, and any capital invested in the Fund may be at risk.
- 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.

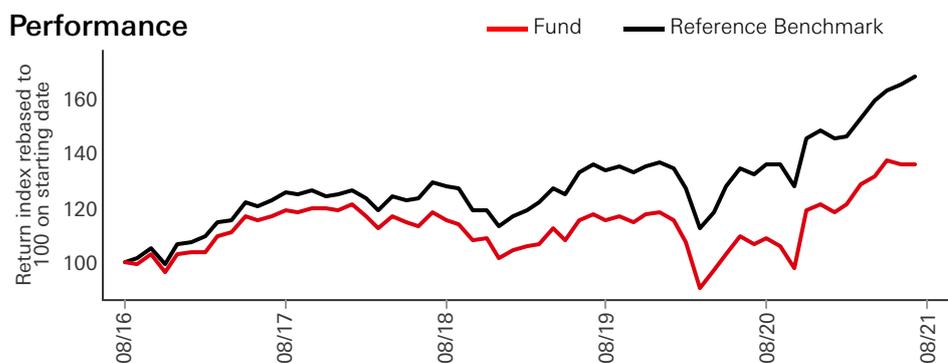
Share class details

| Key metrics | |
|---|--|
| NAV per share | GBP 10.48 |
| Performance 1 month | 2.94% |
| Fund facts | |
| UCITS V compliant | Yes |
| ISA eligible | Yes |
| Dividend treatment | Accumulating |
| Dealing frequency | Daily |
| Valuation time | 12:00 United Kingdom |
| Share class base currency | GBP |
| Domicile | United Kingdom |
| Inception date | 3 December 2012 |
| Fund size | GBP 137,056,102 |
| Reference benchmark | 100% FTSE Developed Europe ex UK Index plus 2% per year |
| Managers | Frederic Leguay Samir Essafri |
| Fees and expenses | |
| Minimum initial investment ¹ | GBP 1,000,000 |
| Ongoing charge figure ² | 0.860% |
| Codes | |
| ISIN | GB00B6Q95412 |
| Bloomberg ticker | HSBEGCA LN |
| SEDOL | B6Q9541 |

¹Please note that initial minimum subscription may vary across different distributors

²Ongoing 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.

Performance

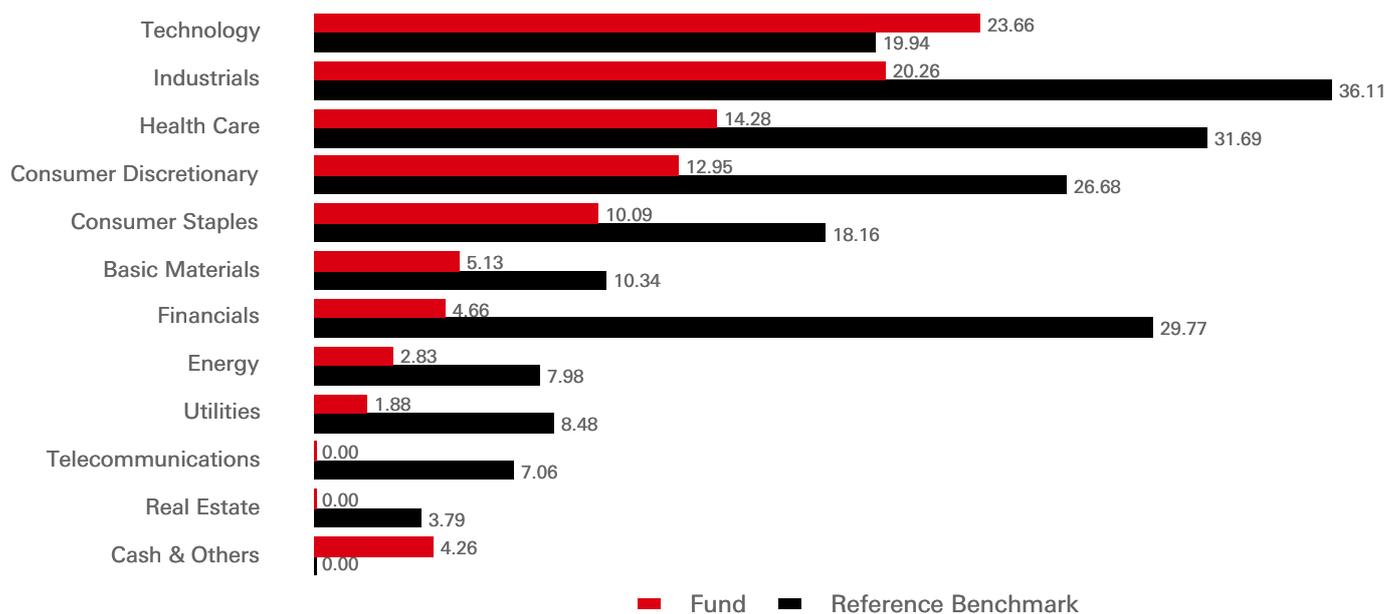


| Performance (%) | YTD | 1 month | 3 months | 6 months | 1 year | 3 years ann | 5 years ann |
|---------------------|--------------|-------------|-------------|--------------|--------------|-------------|-------------|
| Acc C | 15.53 | 2.94 | 1.84 | 15.14 | 28.05 | 6.48 | 6.93 |
| Reference Benchmark | 17.47 | 2.94 | 6.84 | 19.36 | 29.85 | 12.67 | 13.72 |

| Rolling performance (%) | 31/08/2020-31/08/2021 | 31/08/2019-31/08/2020 | 31/08/2018-31/08/2019 | 31/08/2017-31/08/2018 | 31/08/2016-31/08/2017 |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Acc C | 28.05 | -5.40 | -0.34 | -2.72 | 19.04 |
| Reference Benchmark | 29.85 | 3.05 | 6.90 | 3.44 | 28.52 |

| Characteristics | Fund | Reference Benchmark | 3-Year Risk Measures | Acc C | Reference Benchmark |
|--------------------------|----------------|---------------------|----------------------|-------|---------------------|
| No. of holdings ex cash | 48 | 910 | Volatility | -- | -- |
| Average market cap (GBP) | 96,490,360,000 | 69,440,820,000 | Information ratio | -- | -- |
| | | | Beta | -- | -- |

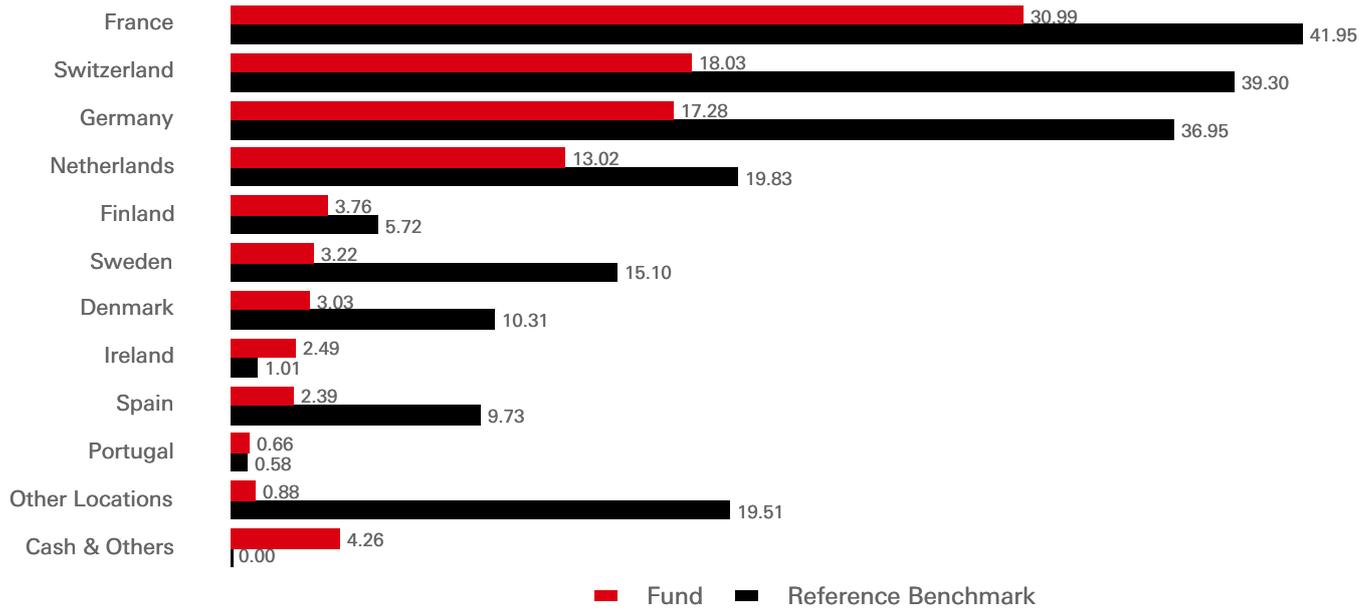
Sector allocation (%)



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

Source: HSBC Asset Management, data as at 31 August 2021

Geographical allocation (%)



| Top 10 holdings | Location | Sector | Weight (%) |
|----------------------------------|-------------|------------------------|------------|
| ASML Holding NV | Netherlands | Technology | 7.01 |
| LVMH Moet Hennessy Louis Vuitton | France | Consumer Discretionary | 5.09 |
| Nestle SA | Switzerland | Consumer Staples | 4.56 |
| Novartis AG | Switzerland | Health Care | 3.31 |
| Roche Holding AG | Switzerland | Health Care | 3.17 |
| L'Oreal SA | France | Consumer Discretionary | 2.93 |
| SAP SE | Germany | Technology | 2.90 |
| Air Liquide SA | France | Basic Materials | 2.86 |
| Siemens AG | Germany | Industrials | 2.78 |
| Airbus SE | France | Industrials | 2.78 |

Monthly performance commentary

Market performance

Logically, this environment was good for growth or “quality” market compartments. The financial sector profited from the stabilisation of long-term rates against a backdrop of solid quarterly earnings releases. Geographically, the markets deemed defensive or quality tended to outperform: The Dutch market gained +7.34%, the Danish market +4.14%. Note the underperforming French market, dragged down by luxury goods stocks. On the sector level, apart from semiconductors (+10.40%), sectors deemed defensive led the pack. Food retail rose +6.85%, insurance +4.37%, and pharmaceuticals +3.91%. At the bottom of the table, we find automotive (-1.73%) and basic industries (+0.19%). Note the substantial underperformance of durable goods (-5.50%), affected by the Chinese government’s announcements. In terms of styles, value stocks underperformed for the fifth consecutive month compared to quality. Small caps were the big winners: the MSCI Europe Small Index gained more than +3.5%, driven by strong quarterly earnings, often in niche markets, as well as announcements of capital transactions (acquisitions, asset disposals, etc.). The US market continues to break records, also supported by financials and defensive stocks.

Fund’s Performance and positioning

The sector allocation made a slight positive contribution to this relative performance. Investors continued to fret over the public health situation, yet, despite very good earnings reports in the second quarter, they also reacted to the visible slowdown by the Chinese economy and its administration’s more interventionist attitude toward the operation of certain business sectors. It was confirmed that market operators were repositioning into more defensive or growth sectors. As such, our overweighting of food retail, in which some names are drawing the interest of private investment funds and telecoms had a positive impact on the fund’s relative performance. Likewise, our overweighting of the banking sector, whose results came in above expectations, was good for us. But the biggest boost to the fund was its underweighting of the luxury goods sector, which was hit hard by the Chinese president’s announcements, especially those in favour of greater distribution of wealth. On the other hand, technology’s under-representation in the fund, specifically its semiconductor component, cost us once again. Our overweighting in Automobile and underweighting in pharmaceuticals were also detractors. Stock-picking made an unfavourable contribution to the fund’s relative performance over the month. These picks weighed down pharmaceuticals (Grifols), transport (Bpost), capital goods (Metso-Outotec, Thales), basic industries (Arcelor), telecoms (Iliad) and insurance (Allianz). We did well from our picks in automotive (Stellantis), banking (ING), utilities (Engie) and food retailing (Carrefour) but to an insufficient degree. There were, however, measurable increases in some of the other bets we made in Axa, Ahold, Faurecia, CapGemini, KBC, Veolia, Siemens Energy and Teleperformance. We made no major changes to the broad lines of your portfolio in August. They continue to be dictated by an investment approach that focuses on stocks that are undervalued with regard to the profitability that they generate over the course of a cycle. We continue to overweight financials, energy, telecoms, and industrial stocks. In contrast, we are underweighted in consumer stocks, both staples and discretionary, along with techs, real estate, health care and to a lesser extent, utilities. In August, our non-financial focus was on RELX, a global supplier of analysis and decision-making tools for business, which is in the top quartile of its industry. The company operates in four major market segments: Scientific, Risk, Legal and Exhibitions. In 2020, it generated GBP 7 billion in revenue. It does business in 40 countries, mainly in North America (61% of its revenues). It has more than 33,000 employees.

Outlook

The markets have begun to register a positive shift in earnings dynamics. As these are still quite strong, indices can climb without affecting valuations, which are close to their long-term averages. The central banks will remain accommodating as long as the recent inflationary jump is, as it says, transitory. The accelerating vaccination campaign will do a better job of absorbing any fourth wave. Lastly, thanks to the major fiscal policies in place, a dip in growth should also be temporary. In fact, stimulus plans will be implemented over several years, and should therefore provide strong and lasting support. Together with investors’ rather cautious take on European equities, these factors prompt us to hold on to our constructive view of this asset class for the second half of the year. Only if inflation goes out of control would the situation go into a tailspin.

Risk disclosures

- 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.
- 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 Fund's potential risks can be found in the Key Investor Information Document and Prospectus.

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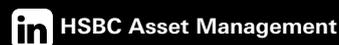
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Further Information can be found in the prospectus and in our Key Investor Information Documents published in our Fund Centre at www.assetmanagement.hsbc.co.uk

Source: HSBC Asset Management, data as at 31 August 2021

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Glossary

