

HSBC Fund Update

- HSBC Global Investment Funds - Russia Equity ("the Fund")

November 2011



Summary

- ▶ Positive macroeconomic news from the US and China drove Russian markets higher in October, and the Fund returned 17.1% (bid-bid, 11% offer-bid)
- ▶ The rally across the global markets saw our large overweight exposure to the pro-cyclical sector of financials impacted positively.
- ▶ Underperformance during the month was attributable to our underweight in consumer staples and our overweight energy sectors
- ▶ Within this volatility we are still seeing valuation opportunities; the Fund is overweight materials, energy and financials and remains underweight utilities and consumer staples

Market review

October saw a sharp rebound in global equity markets post the market sell-off in Q3. During the month the main drivers behind the rebound were; positive macroeconomic news coming out of the US (real GDP grew by 2.5%) and China, where the data indicated a 'soft' landing; also the release by European policy makers of a plan to resolve the sovereign debt crisis, which has been one of the root causes of market uncertainty. The plan outlined by the Euro zone indicated the steps to be taken to tackle the Greek debt problem, the insolvency of banks and the risk of contagion to other Euro zone countries. These factors alleviated some of the macroeconomic fears.

The MSCI Russia Index rose 18.9% in October, significantly outperforming the MSCI Europe, Middle-East and Africa Index, which rose 11.6% in the same month. Russian economic data was broadly positive during the month. The monthly Purchasing Managers' Index (PMI) improved from 49.9 to 50.0 for September, retail sales grew 9.2% year-on-year in September and unemployment remained stable at 6.6%.

Portfolio strategy

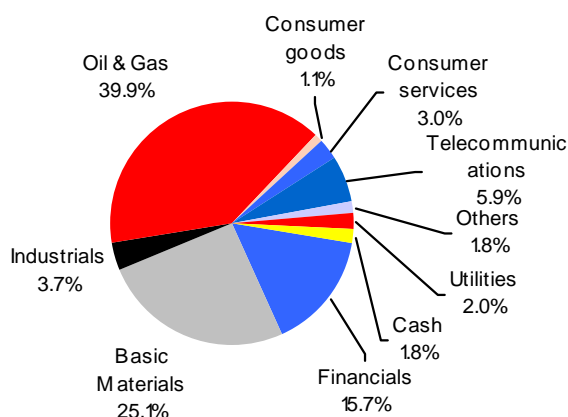
October was a positive month for the Fund on an absolute basis, but on a relative basis the Fund underperformed the benchmark. The rally across the global markets saw our large overweight exposure to the pro-cyclical sector of financials impacted positively. Our positions in Sberbank and Nomos Bank Jsc were the main contributors to performance; both of which the Fund holds an overweight position relative to the benchmark. Also, our stock selection in telecommunications was a positive contributor to performance, specifically our overweight to Sistema Jsc and our exclusion of Rostelecom were the main driver of this outperformance. Underperformance during the month was attributable to our underweight in consumer staples and our overweight energy sectors. Within the energy sector our exposure to Tnk-Bp Holding Ojsc (a non-benchmark stock) hurt performance with it losing over 5% during the month compared to the sector gain of over 18%.

Outlook

Market direction continues to be very difficult to predict in the short term, as much depends on factors external to Russia, most recently the Greek debt and political situation, but in time other factors such as US data and Chinese growth will also dictate the path taken by markets. The developing European sovereign debt issue will continue to be the main driver of market performance in the coming weeks. Volatility level is likely to remain very high. The volatility index (VIX) index remains above 30, but has fallen from the elevated level reached at the start of October of 45. Within this volatility we are still seeing valuation opportunities; the Fund is overweight materials, energy and financials and remains underweight utilities and consumer staples.

Source of macroeconomic data: Bloomberg & HSBC Global Asset Management (Hong Kong) Ltd, as of 31 Oct 2011. For illustrative purposes only and does not constitute investment recommendation to buy or sell in the above-mentioned securities and sectors.

Sector allocation^



Top 10 holdings^

Name	Sector	Weight (%)
Lukoil	Oil & gas producers	9.9
Sberbank of Russia	Banks	9.9
Gazprom ADR	Oil & gas producers	9.6
JSC MMC Norilsk Nickel	Industrial metals	5.9
Severstal	Industrial metals	4.9
Novatek	Oil & gas producers	4.8
AO Tatneft	Oil & gas producers	4.8
OAo Rosneft Oil	Oil & gas producers	4.7
Uralkali	Chemicals	4.6
Surgutneftegaz	Oil & gas producers	3.8

Performance#

Class AD	Annualised					
	1 mth	3 mths	6 mths	1 yr	3 yrs	Inception (20/12/2007)
NAV	17.1	-21.7	-23.8	-6.3	27.1	-8.9
NAV*	11.0	-25.9	-27.8	-11.2	24.8	-10.1
MSCI Russia 10/40	18.9	-20.8	-21.5	-1.7	28.5	-6.6

^Source: HSBC Investment Funds (Hong Kong) Limited as at 31 Oct 2011. For illustrative purposes only and does not constitute investment recommendation to buy or sell in the above-mentioned sectors/securities.

#Source: HSBC Global Asset Management & Morningstar, as at 31 Oct 2011 dividend reinvested in USD terms. *Net of sales charge. Past performance is not indicative of future returns.

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