

HSBC Fund Update

- HSBC Global Investment Funds – BRIC Equity (“the Fund”)

November 2011



Summary

- ▶ All BRIC markets performed well in October and the Fund rose by 16% (bid-bid, 9.9 offer-bid)
- ▶ Russia was the best performing country with the cyclical sectors of energy (benefitting from the oil rebound)
- ▶ Our exposure in China to the financial names all impacted performance positively
- ▶ Our bottom-up value orientated approach will continue to benefit from the attractive valuations
- ▶ In the short term it is very difficult with any certainty to determine the direction of markets. Investors should brace for further volatility as the EU debt crisis plays out and on further global growth downgrades

Market review

October saw a sharp rebound in global equity markets post the market sell-off off in Q3. The HSBC GIF BRIC Fund outperformed the MSCI Emerging Markets index. October marked the best monthly performance for emerging market equities since May 2009. 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 Eurozone indicated the steps to be taken to tackle the Greek debt problem, the insolvency of banks and the risk of contagion to other Eurozone countries. These factors alleviated some of the macroeconomic fears of the global economy falling back in to recession.

Within BRIC, Russia (+19.1%) was the best performing country with the cyclical sectors of energy (benefitting from the oil rebound) and financials responsible for a large portion of this performance. Brazil (+18.8) also had a strong month, outperforming the MSCI Emerging Markets index. China also outperformed the benchmark, rising 15.1% with the sector leadership coming from materials (+24.7%). India was the laggard this month underperforming the MSCI Emerging Markets with a return of +8.5%. During the month the Indian government decreased the country’s growth estimate for Fiscal Year 2011 to 7.6%, down from a previous estimate of 8% which raised concerns amongst investors.

Portfolio strategy

During October, the Fund had a positive month both on an absolute basis and a relative basis, outperforming its reference benchmark (25% equal weighting to each of the respective MSCI country indices) by 50 basis points (bps).

In India, our large underweight position contributed to outperformance, specifically our underweight to industrials which was one of the worst performing sectors within the benchmark. Our exposure in China to the financial names; Agriculture Bank of China, China Overseas Land & Investment Ltd. and Industrial and Commercial Bank of China all impacted performance positively. Also, the overweight to Chinese materials had a positive effect on performance.

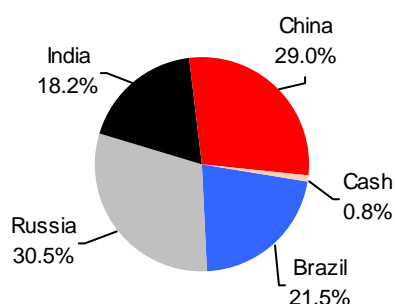
Within Brazil, our overweight to consumer discretionary; especially our overweight in Mrv Engenharia provided positive performance with the stock rising over 35%. Russia was less positive from a performance perspective; our position in Cherkizovo Gp Ojsc (a non-benchmark name) was a cause of underperformance. However, our overweight position to the procyclical sectors of energy and financials helped make up some lost ground. Our exposure to Sberbank and Nomos Bank Jsc within the financial reaped the rewards of a more positive economic outlook.

Outlook

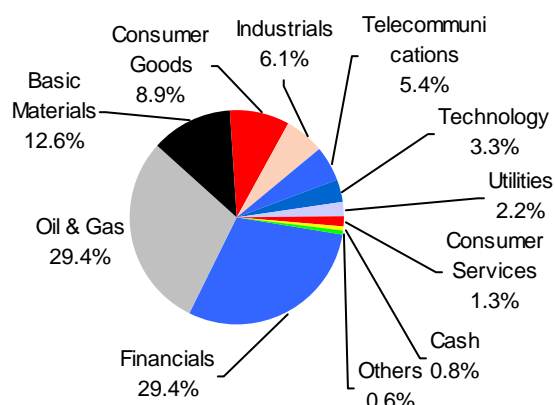
In the short term it is very difficult with any certainty to determine the direction of markets. In November, the headlines will undoubtedly be dominated by the Greek bailout. This along with the continued fears of the US economy and the 'hard landing' of China will continue to cause increased volatility within markets. In spite of this uncertainty we are positive that our bottom-up value orientated approach will continue to benefit from the attractive valuations on offer in certain countries and sectors. The dislocation in the market has created a valuations gap between emerging markets and developed markets, which reduced in October, but we still see opportunities and we are confident that the positioning of the Fund will benefit in the medium term. We remain overweight China and Russia, and underweight Brazil and India.

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 countries, sectors or securities.

Geographic allocation^



Sector allocation^



Top 10 holdings^

Name	Sector	Country	Weight (%)
Gazprom	Oil & gas producers	Russia	5.4
Lukoil	Oil & gas producers	Russia	4.5
Sberbank of Russia	Banks	Russia	4.4
Gazprom ADR	Oil & gas producers	Russia	4.3
Industrial and Commercial Bank of China	Banks	China	3.6
China Mobile	Telecommunications	China	3.1
Cairn Energy Plc	Oil & gas producers	India	2.8
Maruti Suzuki India	Automobiles & parts	India	2.4
China Construction Bank	Banks	China	2.2
OAO Rosneft Oil	Oil & gas producers	Russia	2.0

Performance#

Class AC					Annualised		
%	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Inception (1 Dec 09)
NAV	16.0	-16.9	-23.2	-15.1	22.7	3.7	12.6
NAV*	9.9	-21.3	-27.2	-19.6	20.5	2.6	11.7

^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 countries, sectors or securities.

#Source: HSBC Global Asset Management & Morningstar as of 31 Oct 2011, dividend reinvested in USD terms. *Net of sales charge. Performance quoted prior to 1 Dec 2009 refers to that of the Class M1C of HGIF BRIC Equity. The Class M1C and AC have the same investment objective but different fee structures. Past performance is not indicative of future returns.



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