

HSBC Global Investment Funds

GLOBAL EQUITY SUSTAINABLE HEALTHCARE

Monthly report 31 July 2023 | Share class AC

Investment objective

The Fund aims to provide long term capital growth and income by investing in a portfolio of shares of companies that may benefit from increasingly constrained healthcare budgets anywhere in the world, while promoting ESG characteristics. The Fund qualifies under Article 8 of SFDR.

Investment strategy

The Fund is actively managed. In normal market conditions, the Fund will invest at least 70% of its assets in shares (or securities similar to shares) of Sustainable Healthcare Companies of any size, that are based in, or carry out the larger part of their business activities in developed and emerging markets. The Fund will not invest in shares of companies which have material exposure, exceeding a revenue exposure threshold, to specific Excluded Activities that will not be higher than 30% of the relevant company's total revenue. The Fund can invest up to 40% in China A and China B-shares. For China A-shares, up to 20% through the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect, and up to 20% in CAAPs. The Fund may invest in money market instruments and up to 10% of its assets in other funds, including HSBC funds. See the Prospectus for a full description of the investment objectives and derivative usage.

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 investible securities can change over time due to a wide variety of factors, including but not limited to: political and economic news, government policy, changes in demographics, cultures and populations, natural or human-caused disasters etc.
- The Fund may be concentrated in a limited number of securities, economic sectors and/or countries and as a result, may be more volatile and have a greater risk of loss than more broadly diversified funds.

Share Class Details

Key metrics

NAV per Share	USD 9.31
Performance 1 month	0.74%

Fund facts

UCITS V compliant	Yes
Dividend treatment	Accumulating
Dealing frequency	Daily
Valuation Time	17:00 Luxembourg
Share Class Base Currency	USD
Domicile	Luxembourg
Inception date	28 July 2021
Fund Size	USD 155,357,645
Reference benchmark	100% MSCI World Health Care Index (USD)
Managers	Michael Schroter Nathalie Flury

Fees and expenses

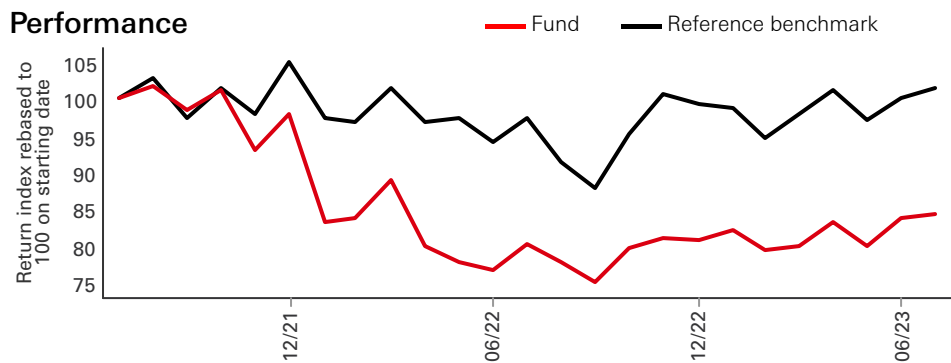
Ongoing Charge Figure ¹	1.850%
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Codes

ISIN	LU2324357040
Bloomberg ticker	HSESHAU LX

¹Ongoing 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

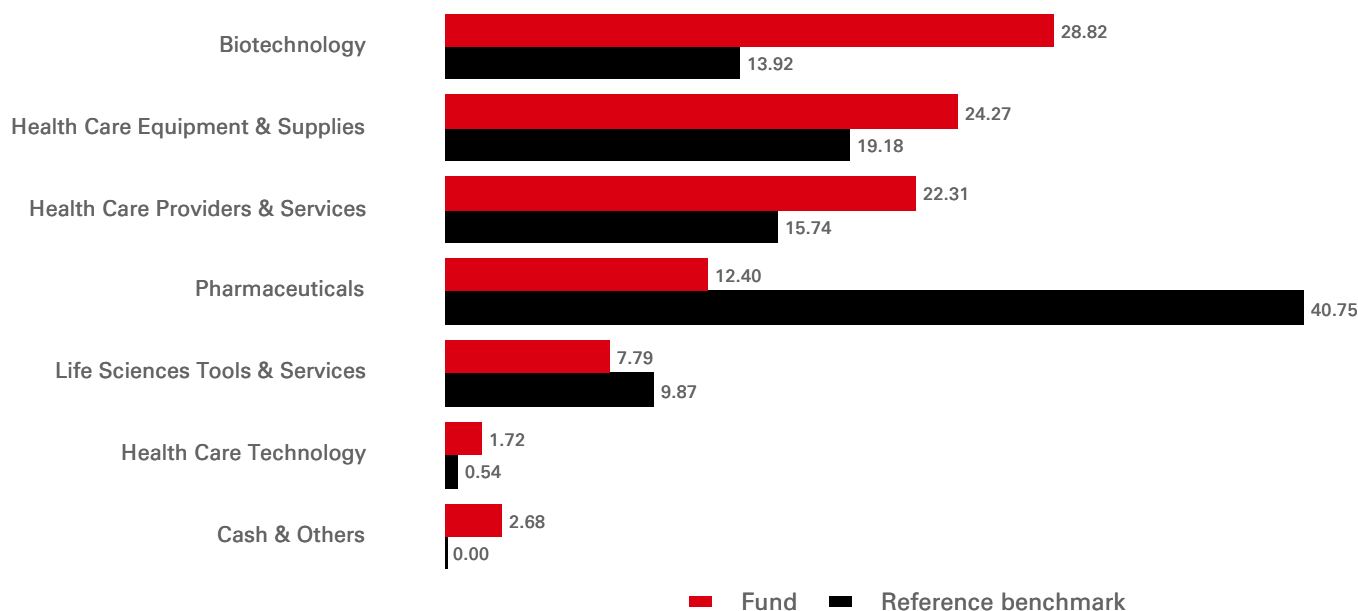


Performance (%)	YTD	1 month	3 months	6 months	1 year	3 years ann	5 years ann	Since inception ann
AC	4.44	0.74	1.25	2.85	5.00	--	--	-7.99
Reference benchmark	2.08	1.29	0.24	2.75	4.27	--	--	0.86

Calendar year performance (%)	2018	2019	2020	2021	2022
AC	--	--	--	--	-17.39
Reference benchmark	--	--	--	--	-5.41

Equity characteristics	Fund	Reference benchmark	3-Year Risk Measures	AC	Reference benchmark
No. of holdings ex cash	37	140	Volatility	--	--
Average Market Cap (USD Mil)	98,990	186,820	Information ratio	--	--
			Beta	--	--

Sector Allocation (%)



Geographical Allocation (%)



Top 10 Holdings	Sector	Weight (%)
UNITEDHEALTH GROUP INC	Health Care Providers and Services	4.94
VERTEX PHARMACEUTICALS INC	Biotechnology	4.04
ELI LILLY & CO	Pharmaceuticals	3.97
MCKESSON CORP	Health Care Providers and Services	3.97
NOVO NORDISK A/S-B	Pharmaceuticals	3.66
ELEVANCE HEALTH INC	Health Care Providers and Services	3.37
DEXCOM INC	Health Care Equipment and Supplies	3.35
BOSTON SCIENTIFIC CORP	Health Care Equipment and Supplies	3.27
THERMO FISHER SCIENTIFIC INC	Life Sciences Tools and Services	3.25
ROIVANT SCIENCES LTD	Biotechnology	3.14

Monthly performance commentary

The healthcare sector has underperformed the broader market in 1H2023. This move was largely driven by sector rotation into more tech/AI specific stocks. From a valuation point of view, the healthcare group now sits at a ~20% discount to the S&P500, vs. ~10% at the start of the year, and overall sector valuations are looking increasingly attractive.

We continue to be constructive on the healthcare industry based on a combination of solid core product growth, new launch trends, and a healthy late-stage pipeline more than offsetting headwinds from the IRA. These dynamics should support topline growth through 2030.

The sector faces a 2026-2028 patent expiration cycle and investors are already very focused on growth through this period. Continued pipeline traction should gradually ease these concerns. We are not invested in companies facing important expirations during this period.

Pricing remains another key controversy and we await clarity on IRA drug negotiations. The first 10 drugs selected for negotiation should be announced by Sept. '23 with price cuts for these drugs announced by Sept. '24. We expect a manageable overall impact with low to mid-single digit on EPS of affected companies.

Recent new product launches and ongoing pipeline success represent potential upside drivers to estimates. Broadly speaking, pipelines across the group improved over the past few years and we see further potential upside from pipeline de-risking and emerging new categories (obesity, Alzheimer's, renewed cardiovascular innovation, a range of new molecules with new 'mode of actions' across oncology, etc.).

Major pharmaceutical and medical technologies companies remains highly defensive with little exposure to macroeconomic pressures, apart from above mentioned IRA exposer.

Deal flow has picked up in 2023, and we continue to see the group with ample balance sheet capacity for additional bolt-on acquisitions and dividend increases, despite higher interest rates and higher FTC scrutiny.

Investment highlights

Argenx, last month we reported that the Belgium biotech company received FDA approval for Vyvgart subcutaneous "Hytrulo". This month Argenx announced that its highly anticipated study of Vyvgart in CIPD hit all major endpoints. Data is close to best case with the potential to unlock an additional \$1.5-2B in global sales. Furthermore, the positive data provides for a potential read-through to a competitor anti-FcRN drug (same class as Vyvgart) from Immunovant/Roivant (also in the portfolio) which is anticipated to reveal its Ph2b data in 1H24.

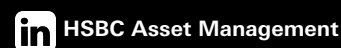
Eli Lilly, a top 5 position, was for once not in the news for its game changing weight loss drug but, the company presented full Phase 3 data from donanemab for treatment of Alzheimer's. The data was highly consistent across all endpoints, showing that discontinuing dosing once plaque clearance has been achieved did not appear to impact efficacy. An important fact for payers who otherwise might be faced with life-long reimbursement of the drug as is the case of the competitor drug. Furthermore, the data suggests that treating patients earlier in the disease has an even greater benefit with regards to slowing down the cognitive decline associated with the disease as compared to later stage treatment. Safety (ARIA) will have to be monitored but physicians seem comfortable with this.

Arcutis, as US biotech company, announced that Zoryve (topical cream for treatment of psoriasis) is now reimbursed by the three largest US commercial payers now that CVS has been secured. This makes Zoryve accessible to 130M commercially insured patients i.e. ~80% of all covered lives. Prior authorization is not required for ~90% of patients, and access as well as the GTN (gross-to-net ratio) should improve from here. Increased reimbursement should accelerate the launch, and label expansion to address patient needs in pediatric psoriasis and foam formulation for scalp psoriasis could further grow its market.

Risk Disclosure

- 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.
- 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



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Benchmark disclosure

The Investment Advisor will use its discretion to invest in securities not included in the reference benchmark based on active investment management strategies and specific investment opportunities. It is foreseen that the reference benchmark will not be used as a universe from which to select securities.

Source: HSBC Asset Management, data as at 31 July 2023

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