

HSBC EUROPEAN INDEX FUND - GBP

INVESTMENT RESEARCH NOTE
MARCH 2024

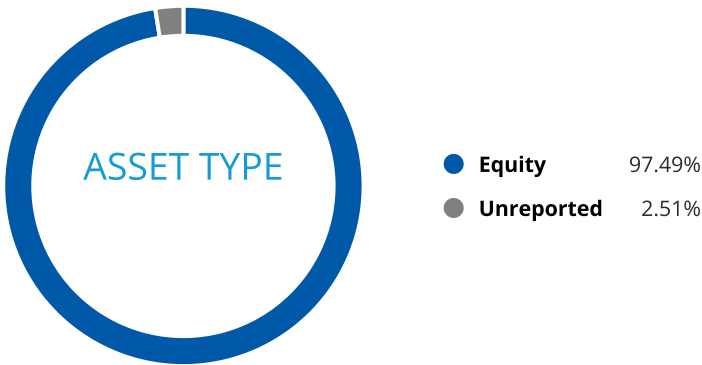
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

HSBC is one of the largest bank in the world, and has around 4000 branches globally. It was established in London in its present form in 1991 by the Hong Kong & Shanghai Banking Corporation Ltd to act as a new group holding company. Its total offering of passive vehicles is worth more than \$40bn, which includes eleven UK-domiciled equity OEICs, of which the European Index Fund is one.

HSBC has a large team of global specialists working on the passive fund range, and cites a low ratio of funds per manager than other houses - 12 as opposed to up to 30 in some other passive fund management firms.

The Fund has a long track record, having been launched in 1989. HSBC's preferred method of tracking is full replication, and the European Index uses this methodology, holding all the shares contained in the benchmark FTSE World Developed Europe ex UK Index. The Fund may use derivatives, consistent with the risk profile of the Fund, in order to facilitate efficient portfolio management (e.g. to provide liquidity without daily dealing). The Fund may also hold cash and collective investments. The makeup of the Fund is over 70% in Eurozone, with Switzerland the largest non-Eurozone allocation. France, Switzerland and Germany are the 3 largest geographical allocations. Less than 1% is invested in emerging European markets.



INVESTMENT PROCESS

HSBC follows a three-step process when implementing and managing the index funds and mandates: preliminary index analysis, portfolio construction and trading analysis and implementation.

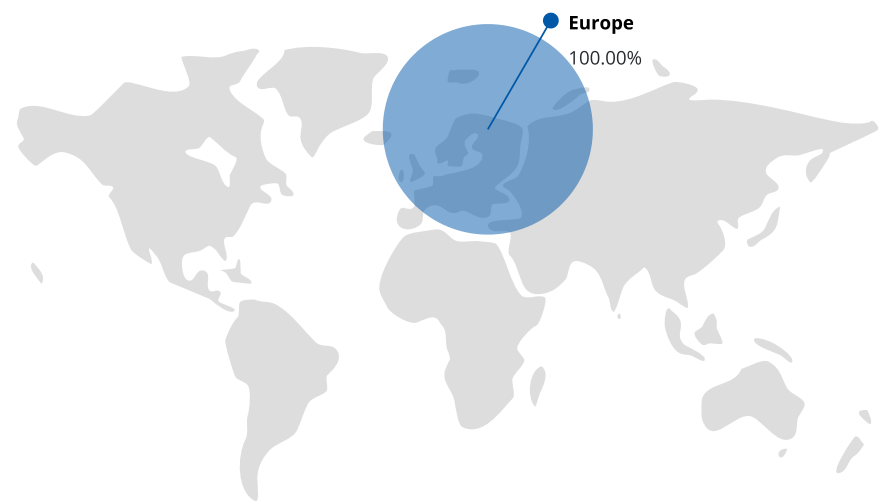
Exposure to securities in the FTSE Developed Europe Ex UK Index will be held with weightings replicating each company's market capitalisation but the managers will stay away from trading a stock if natural sources of liquidity to purchase the stock cannot be found in order to minimise implicit transaction costs. In such circumstances, the Fund holds a temporary proxy basket of stocks until liquidity improves or a position can be built over time. Moreover, stock weights are allowed to fluctuate within a narrow band to minimise unnecessary rebalancing and transaction costs. The Fund fully replicates the benchmark index, which means the Fund purchases the underlying securities, in the same proportion as that of the index. When the index undergoes a change, so does the fund. As a fund group, HSBC also has the ability to employ what they refer to as 'responsible' replication, which allows the investment team to navigate well known pricing anomalies such as index changes or corporate events, whereby prices can be squeezed higher or lower than under normal trading conditions.

Derivatives are used for efficient portfolio management only. Index futures are principally used for cashflow management and to hedge accruals (dividends, tax reclamations and takeover proceeds) in order to keep the Fund fully invested in line with the index.

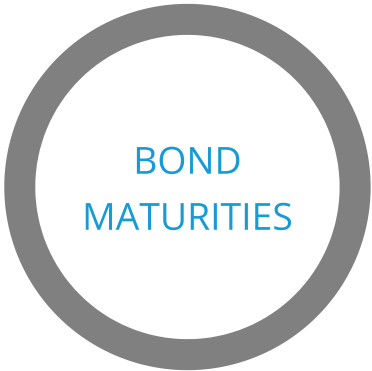
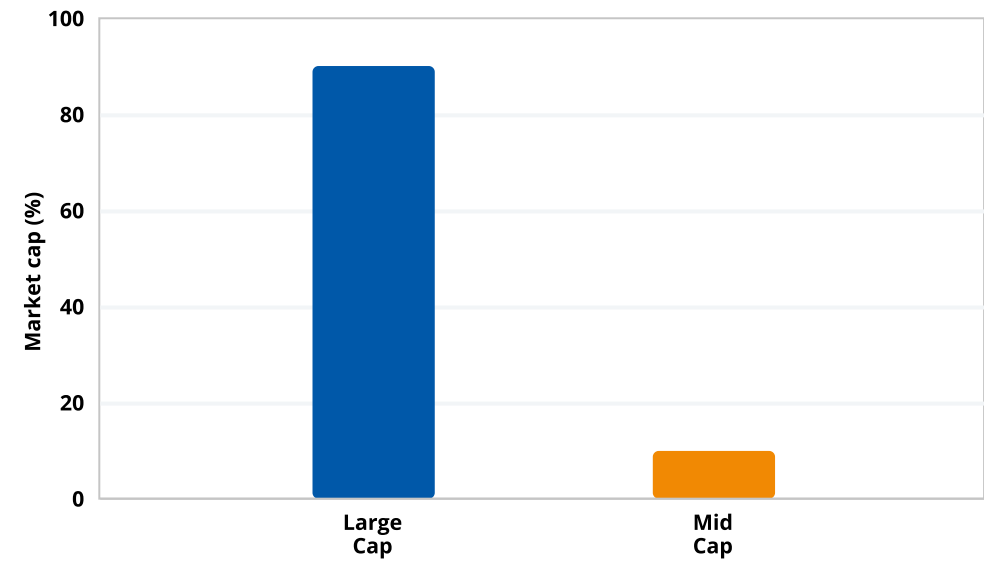
HSBC does not participate in stock lending.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

OVERALL PERFORMANCE

● HSBC European Index Fund C Acc ● World Europe Ex UK TRI GBP

GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



GROWTH (%) - FROM INCEPTION

4 Dec 1995 - 29 Mar 2024



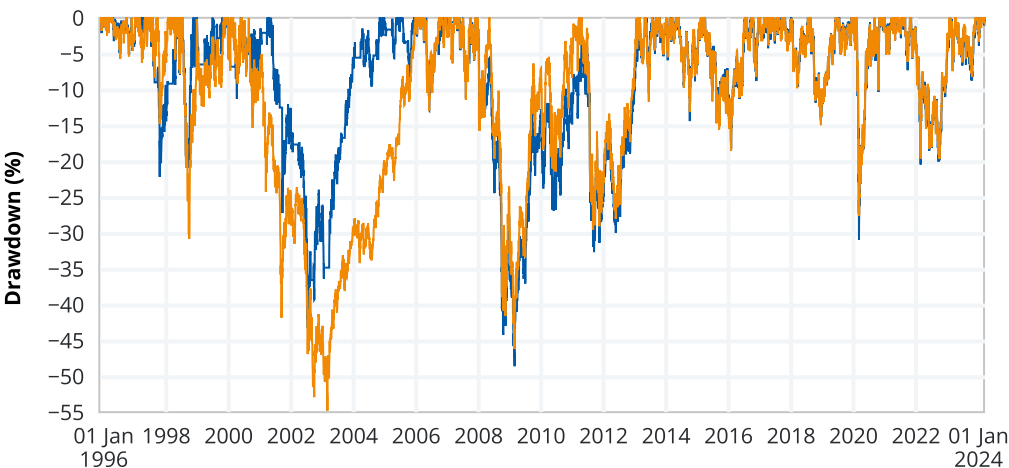
DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

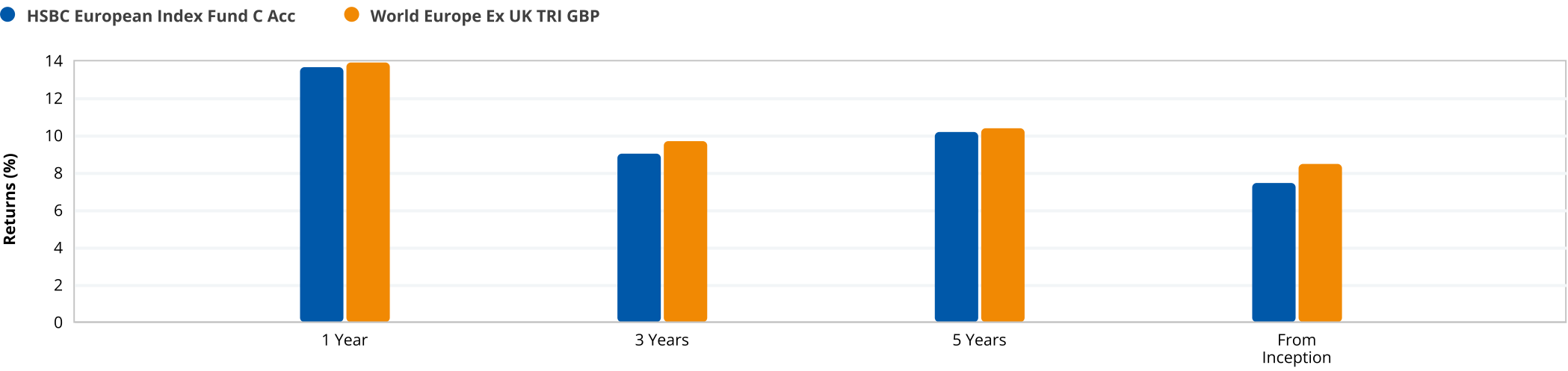


DRAWDOWN (%) - FROM INCEPTION

4 Dec 1995 - 29 Mar 2024



RETURNS



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.02	2.98	3.14										6.20
2023	5.30	1.97	0.29	2.08	-2.32	0.95	2.31	-2.49	-1.10	-2.97	5.76	4.88	15.12
2022	-6.23	-4.78	4.61	-2.91	0.82	-8.52	6.25	-2.12	-5.22	4.30	7.74	0.16	-7.20
2021	-1.79	-0.39	4.32	3.86	2.20	1.56	1.32	3.24	-3.28	2.09	-1.52	4.02	16.40
2020	-1.13	-6.77	-11.19	6.80	7.18	4.45	-0.42	2.29	-0.25	-6.54	14.74	2.13	8.92
2019	3.71	1.64	1.93	4.97	-2.29	6.63	2.67	-1.29	0.22	-1.54	1.79	1.20	21.06

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	13.65	9.02	10.18	7.45
●	13.90	9.69	10.38	8.47

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
●	13.54	29.40	62.06	658.65
●	13.78	31.78	63.57	890.27

● HSBC European Index Fund C Acc ● World Europe Ex UK TRI GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

	HSBC European Index Fund C Acc	World Europe Ex UK TRI GBP
RETURNS (%)	13.65	13.90
VOLATILITY (%)	11.26	10.71
ALPHA	-0.05 *	
BETA	1.01 *	1.00
CORRELATION	0.97 *	1.00
SHARPE RATIO	0.74	0.80
SORTINO RATIO	1.10	1.18
MAX DRAWDOWN (%)	-8.73	-8.21

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

4 Dec 1995 - 29 Mar 2024

	HSBC European Index Fund C Acc	World Europe Ex UK TRI GBP
RETURNS (%)	7.45	8.47
VOLATILITY (%)	19.11	19.58
ALPHA	0.01	
BETA	0.85	1.00
CORRELATION	0.89	1.00
SHARPE RATIO	0.25	0.27
SORTINO RATIO	0.35	0.38
MAX DRAWDOWN (%)	-48.59	-54.79

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over a trailing 12-month period. The Review Point is a potential intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown exceed the Review Point, then this indicates that market conditions may be abnormal. This is the point at which immediate action should be considered.

DISCLAIMER

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