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## **HSBC GIF BRIC Markets Equity Fund**

Capturing the opportunities in BRIC equity markets

**August 2006**

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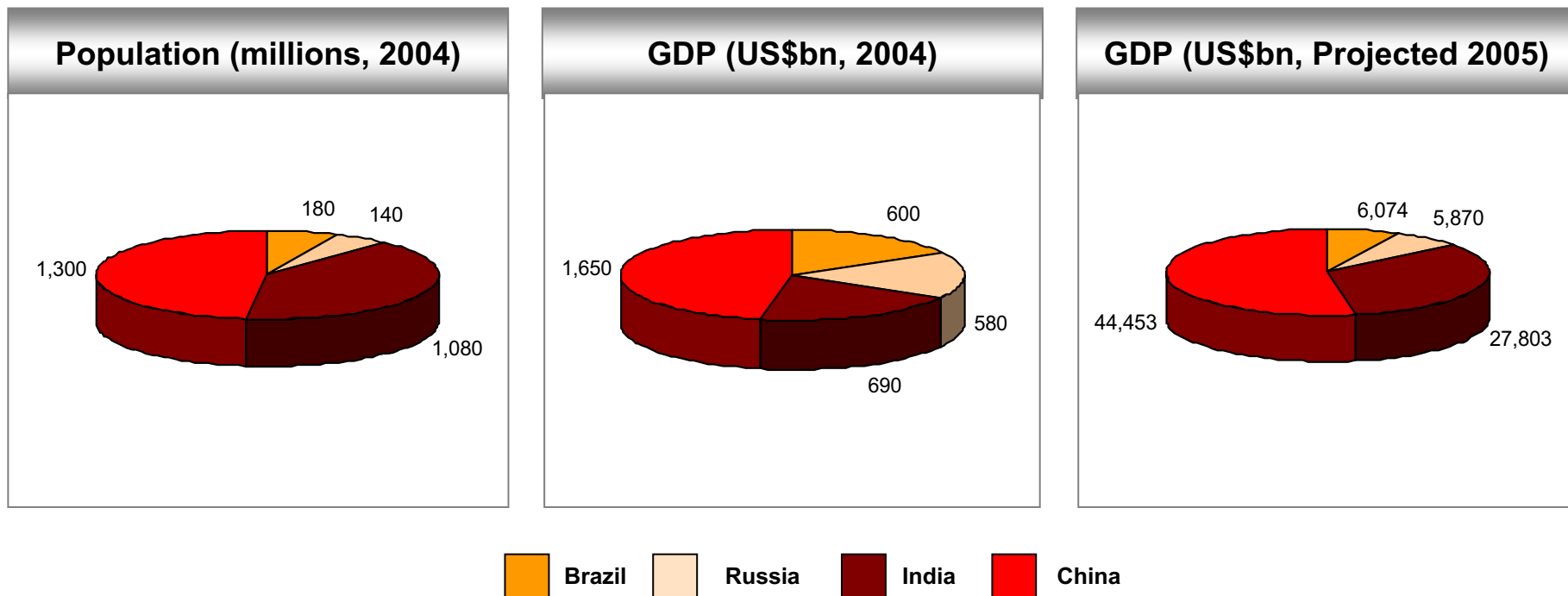
### Agenda

- Why BRIC?
- Why HSBC / SINOPIA?
- About HSBC GIF BRIC Markets Equity Fund:
  - Overview & Objectives
  - Philosophy
  - Portfolio Construction
  - Stock Stories
  - Fund Manager Profiles
- Conclusion

**Why BRIC?**

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### Why BRIC? – Vital statistics

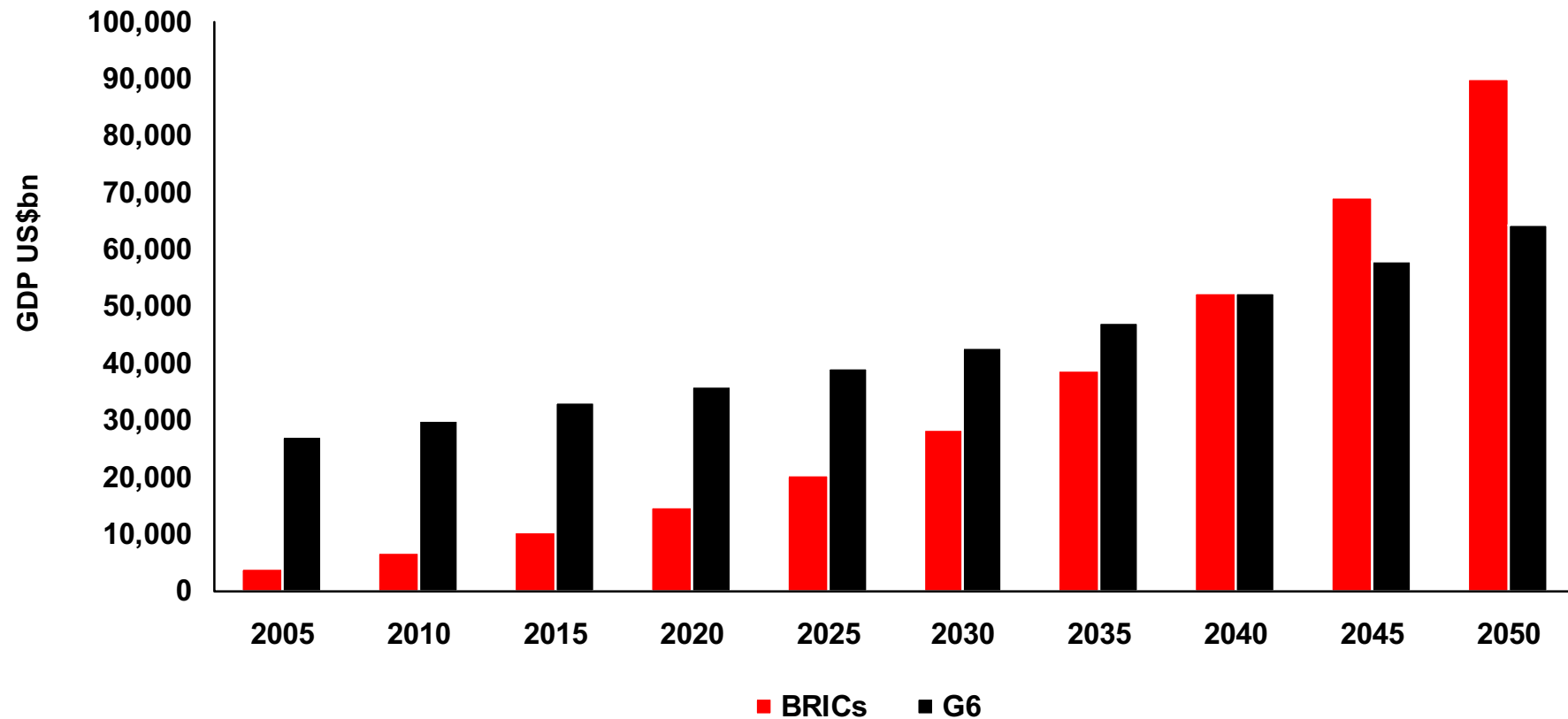


**BRIC countries currently 43% of the World's population but only 9% of global growth**

Source: CIA World Factbook, GS BRICs Model Projections 2003

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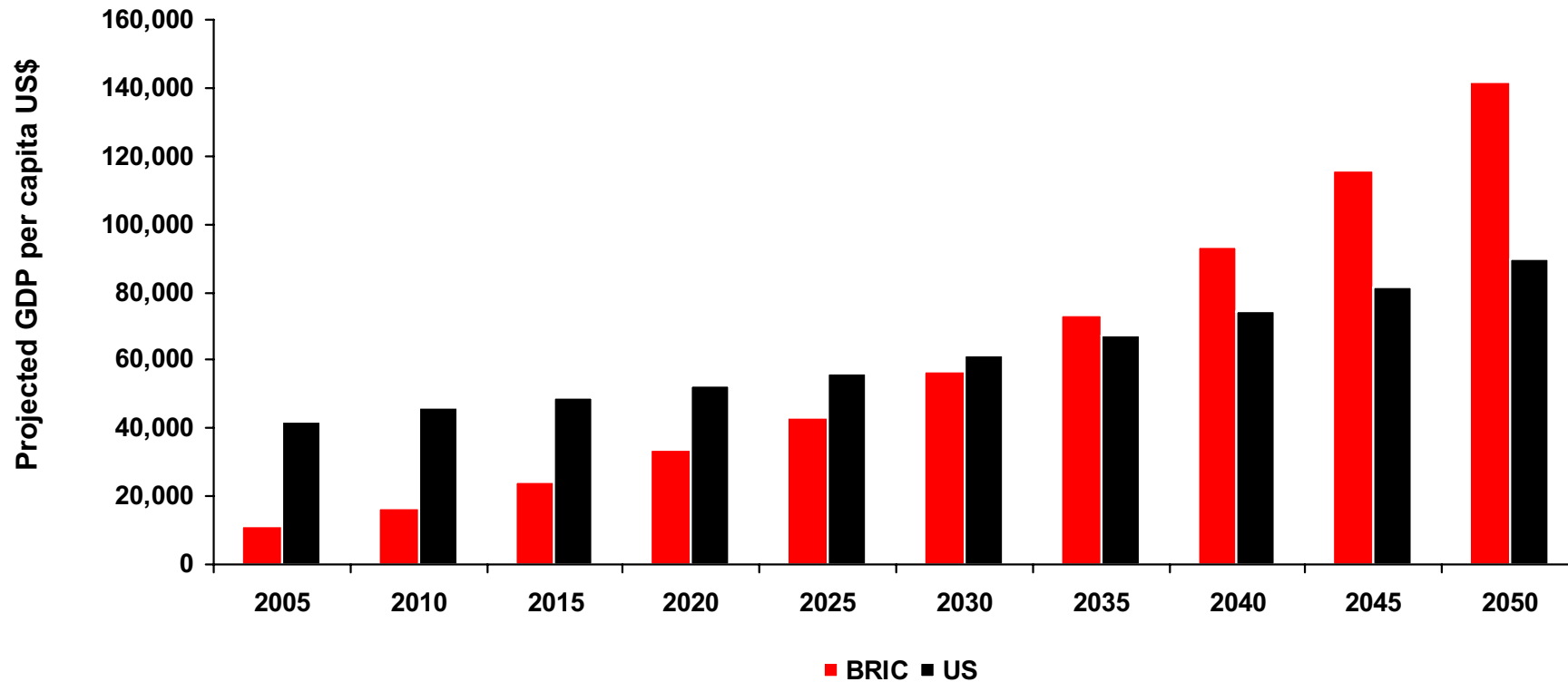
### Why BRIC? – Dreaming with BRICs: the path to 2050



GS BRICs Model Projections 2003  
G6 countries are France, Germany, Italy, Japan, the UK and the US.

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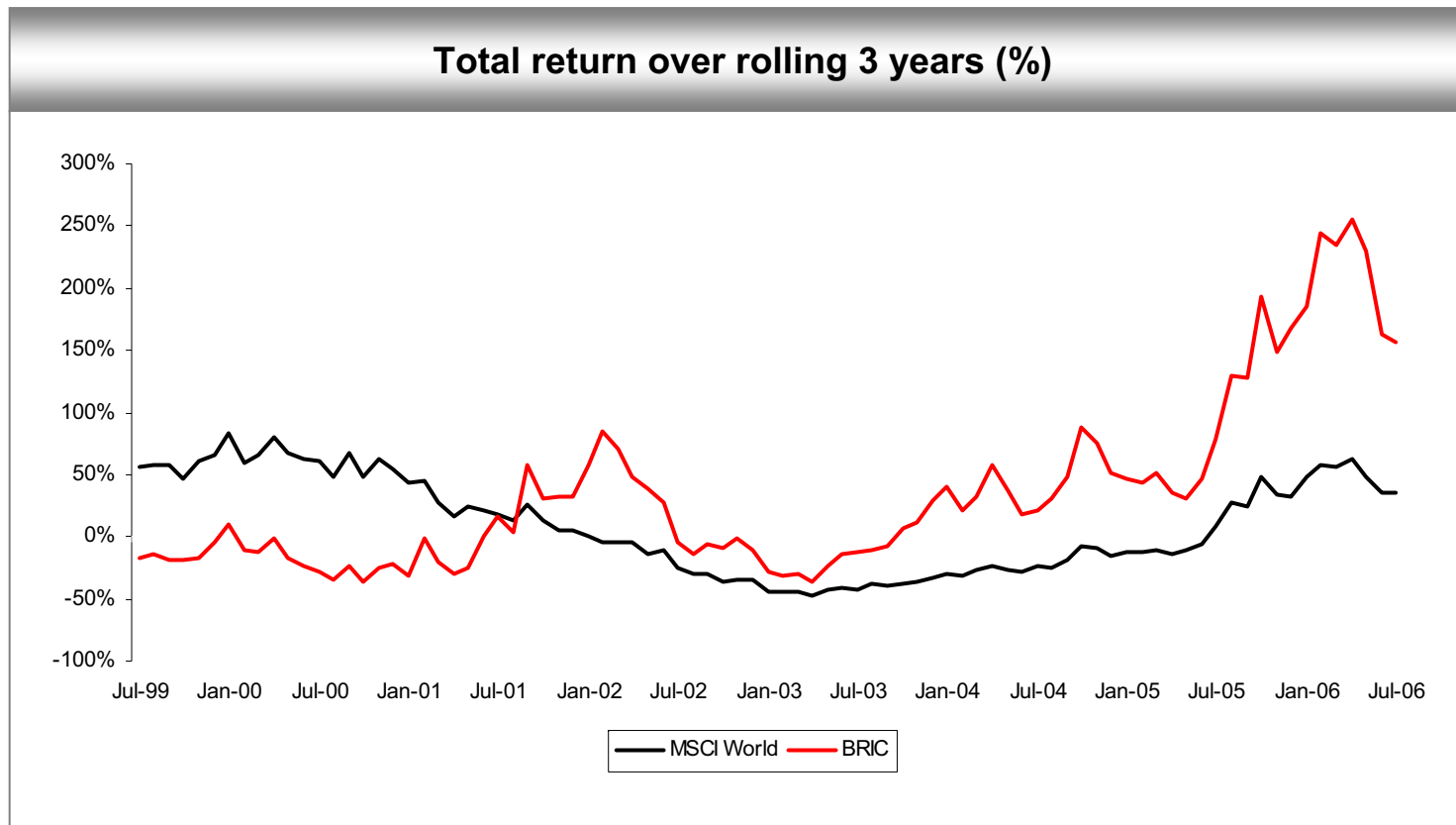
### Why BRIC? – Huge rises in personal income



Source: GS BRICs Model Projections 2003

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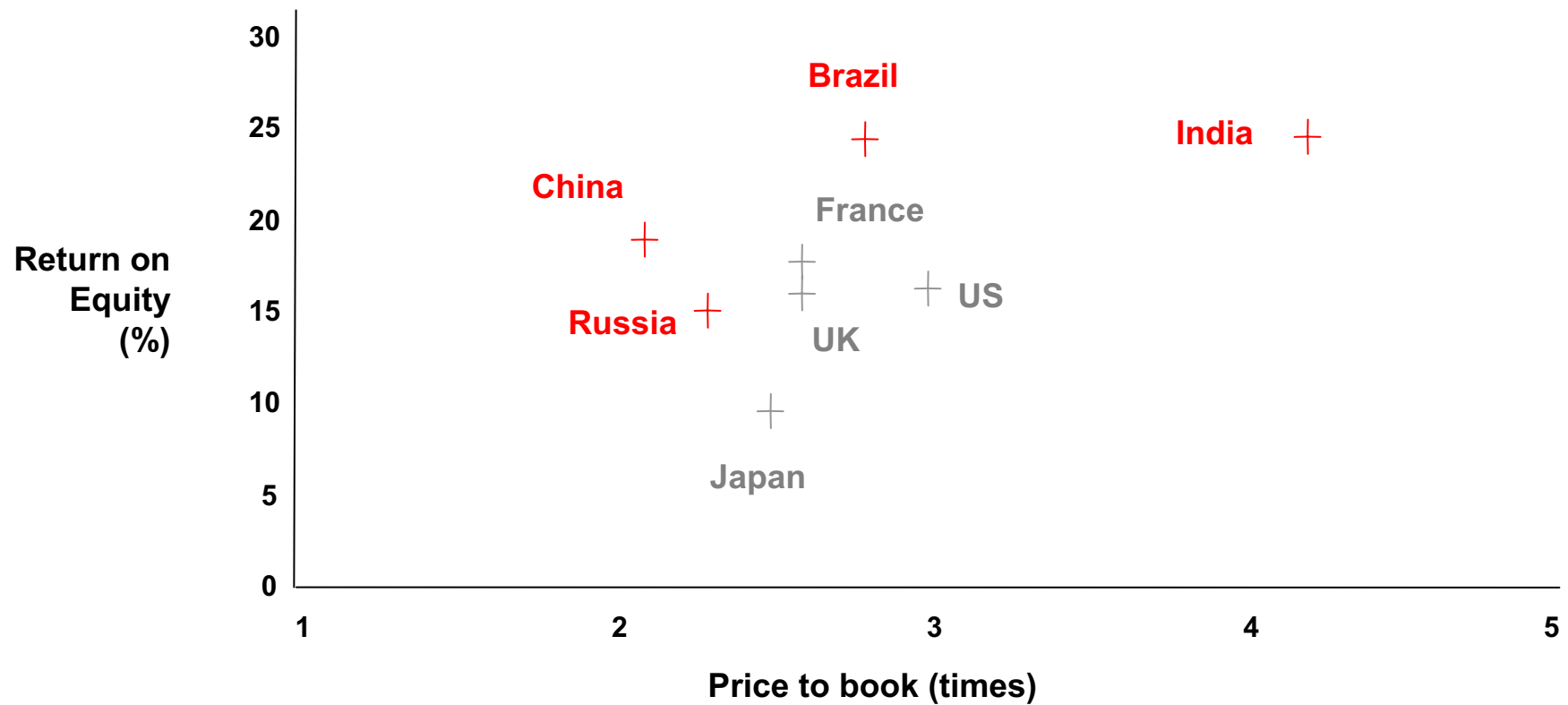
### Why BRIC ? – Strong market performance



Source: MSCI / HSBC, MSCI World Index vs. Equally-weighted MSCI Brazil, Russia, India and China indices – Monthly data in US\$ from 30-06-1996 up to 30-06-2006 – Past performance is not a guide to the future.

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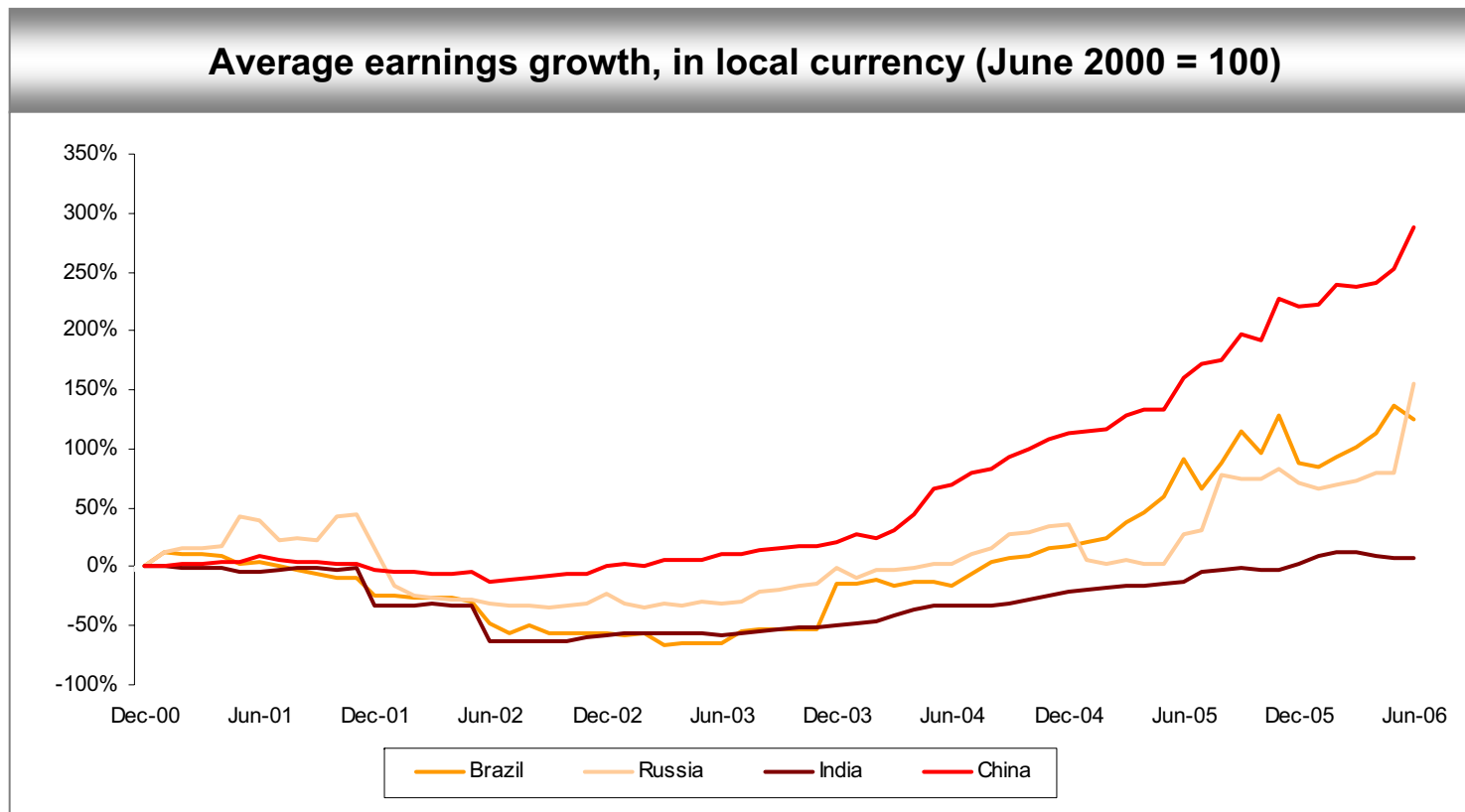
### Attractive valuations



Sources: FTSE as at 31 December 2005

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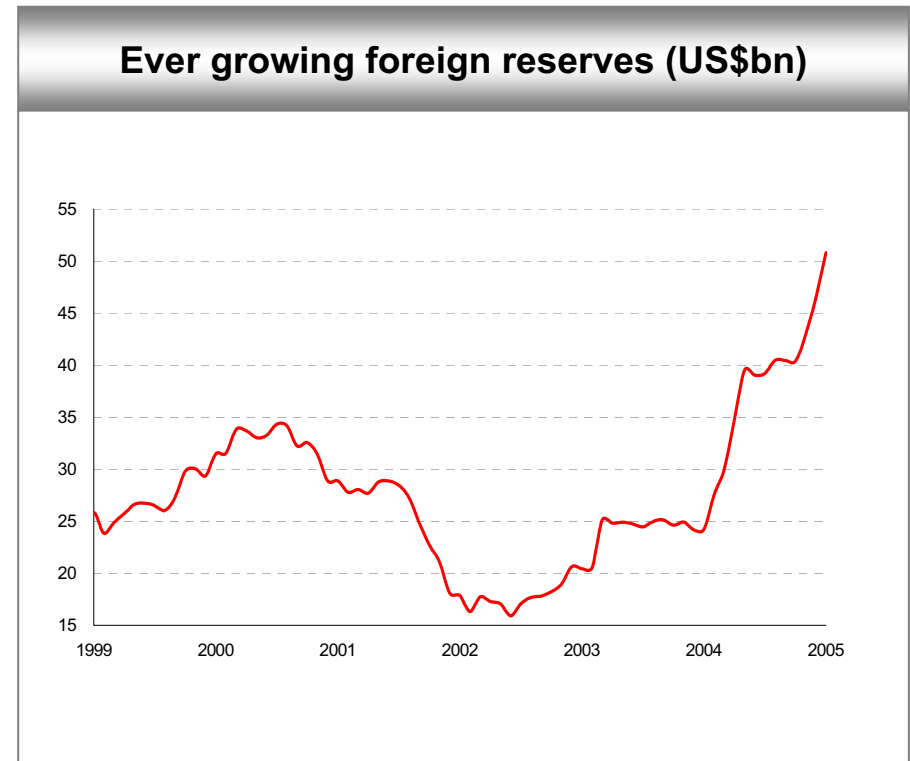
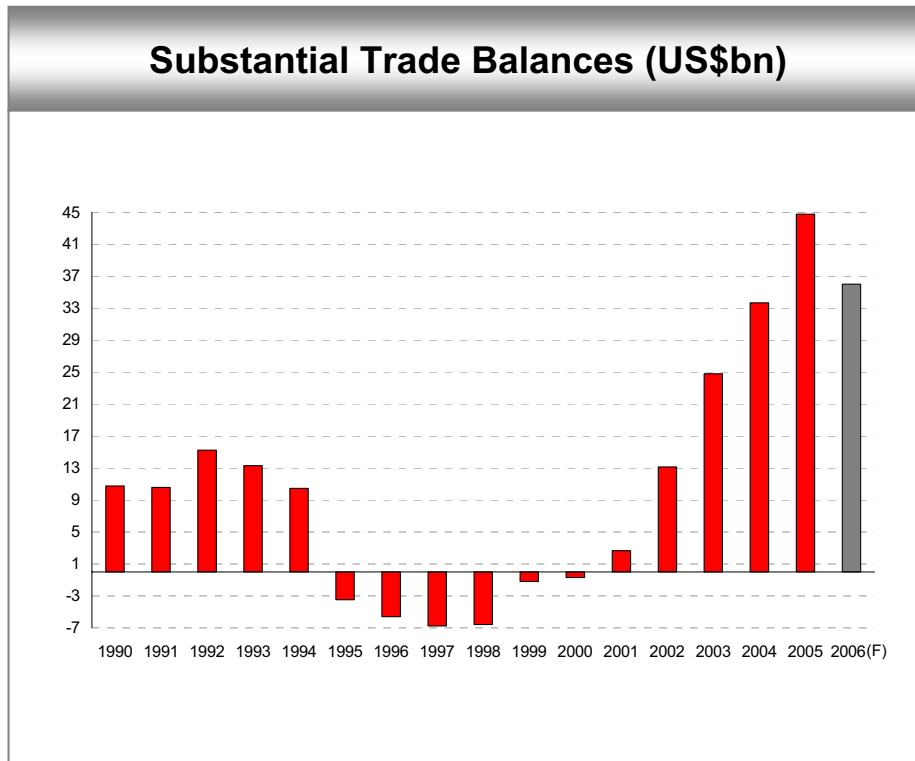
### Why BRIC ? – Strong earnings growth



Sources: Factset, IBES

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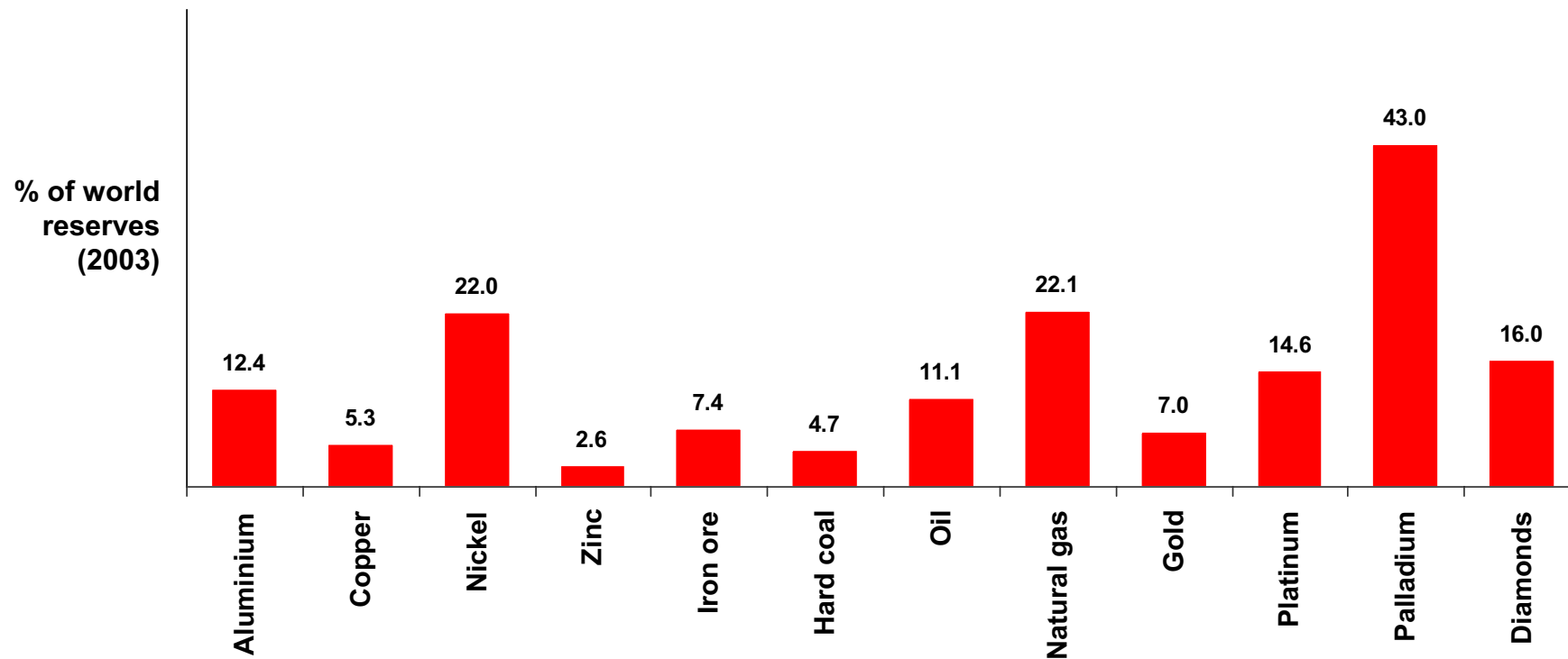
### Brazil – Improving solvency



Source: HSBC

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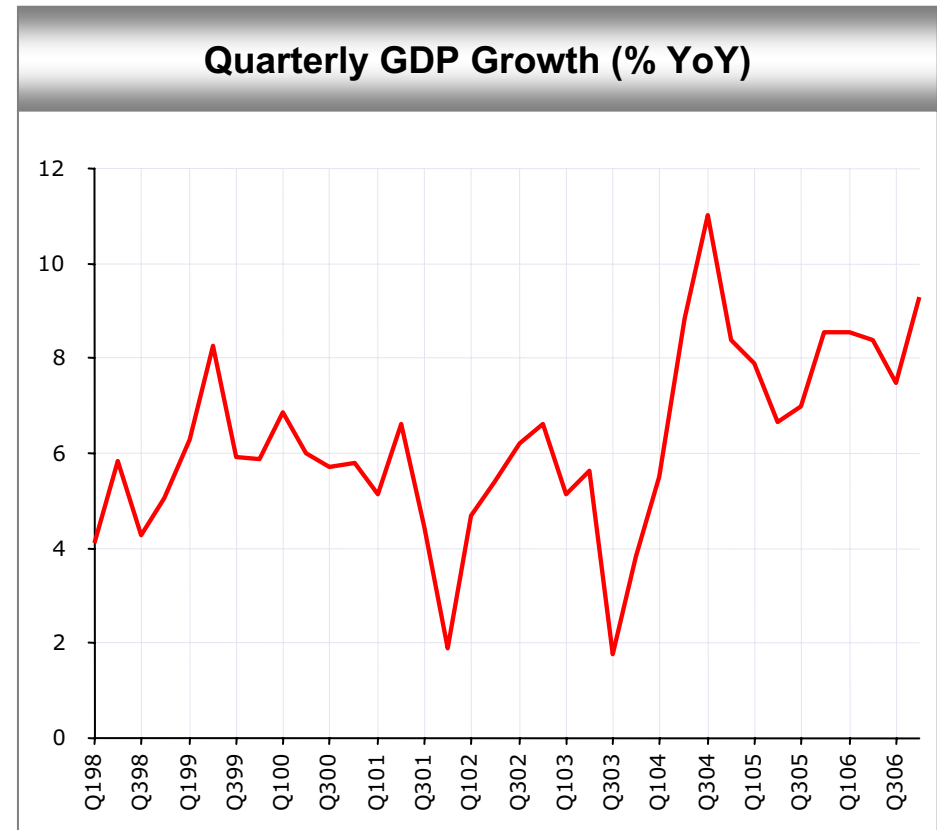
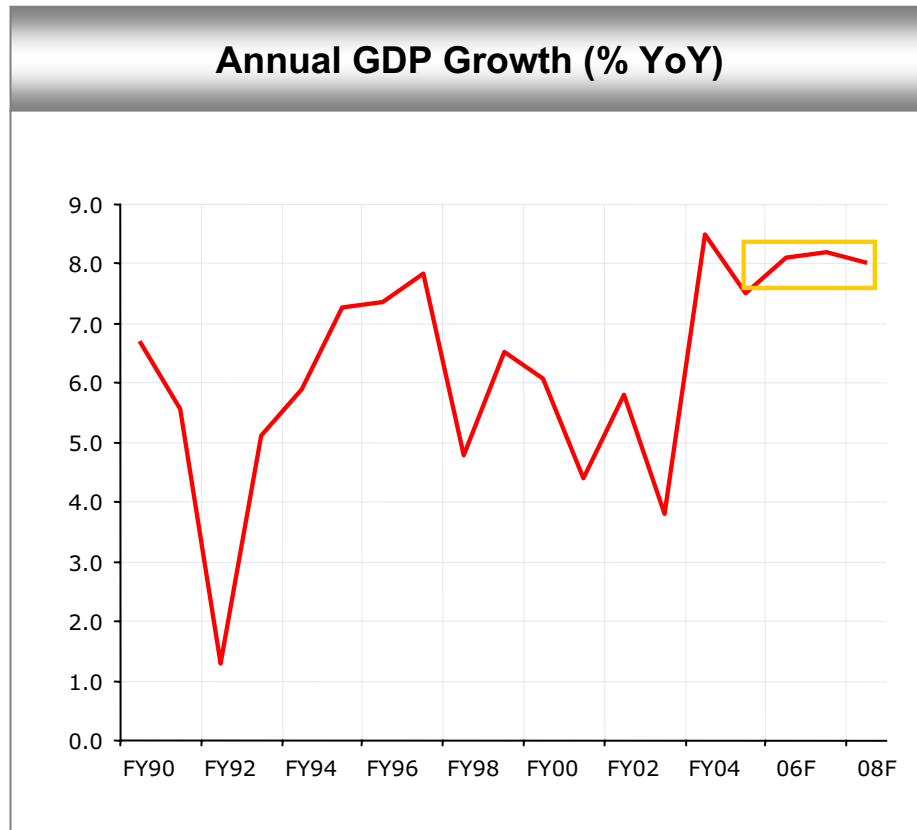
### Russia – Rich resources brighten up the economy



Sources: HCRU International, GFMS, International Iron & Steel Institute, BP Statistical Review, USGS, HSBC

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India – Economic growth has exceeded expectations

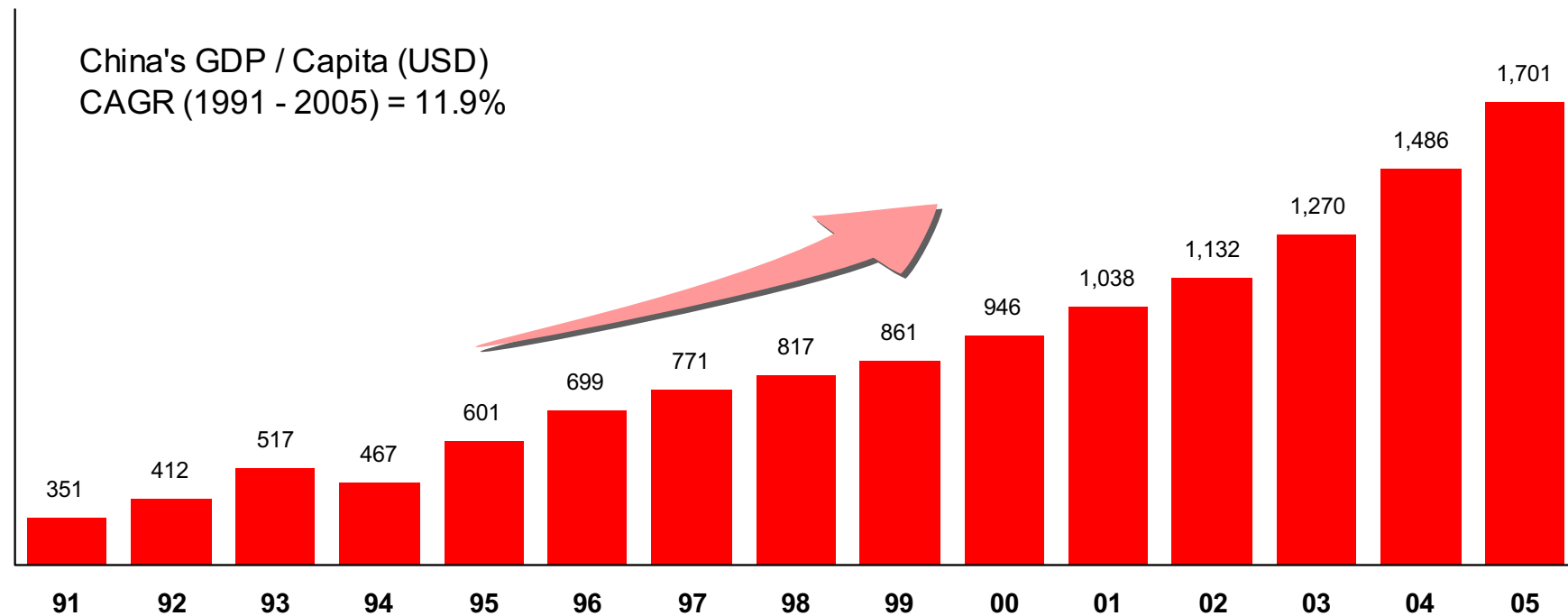


Source: CLSA

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China – Population becoming more affluent → more spending power

■ GDP/capita growth likely to accelerate going forward



Source: CEIC, ABN Amro

**Why HSBC / SINOPIA?**

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### Why HSBC, why SINOPIA?

- An investment approach designed to generate returns:
  - World-class HSBC resources in BRIC
- Key player in the European quantitative asset management community:
  - Highly innovative product offering
  - Robust investment strategies
- SINOPIA's philosophy: a three-step quantitative approach:
  - Markets exhibit mispricings we can exploit
  - Risk management is key to regular performance
  - Disciplined and cost-conscious implementation minimising capacity constraints

## **About HSBC GIF BRIC Market Equity Fund**

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### About the fund and its manager

#### Key Features of HSBC GIF BRIC Markets Equity Fund

<b>Policy:</b>	Deliver outperformance of MSCI BRIC through exposure management, country allocation and stock selection
<b>Fund Manager:</b>	<ul style="list-style-type: none"><li>■ Patrick Gautier joined SINOPIA's Trading Team in 2000 and in 2001 became the Equity Portfolio Manager for international equities, Europe and Emerging Markets</li><li>■ In 2001 he joined the Equity Team as an Equity Fund Manager</li><li>■ He holds a degree from the Banque-Finance-Gestion des Risques à l'université Paris XIII</li></ul>

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### HSBC GIF BRIC Markets Equity Fund – Overview

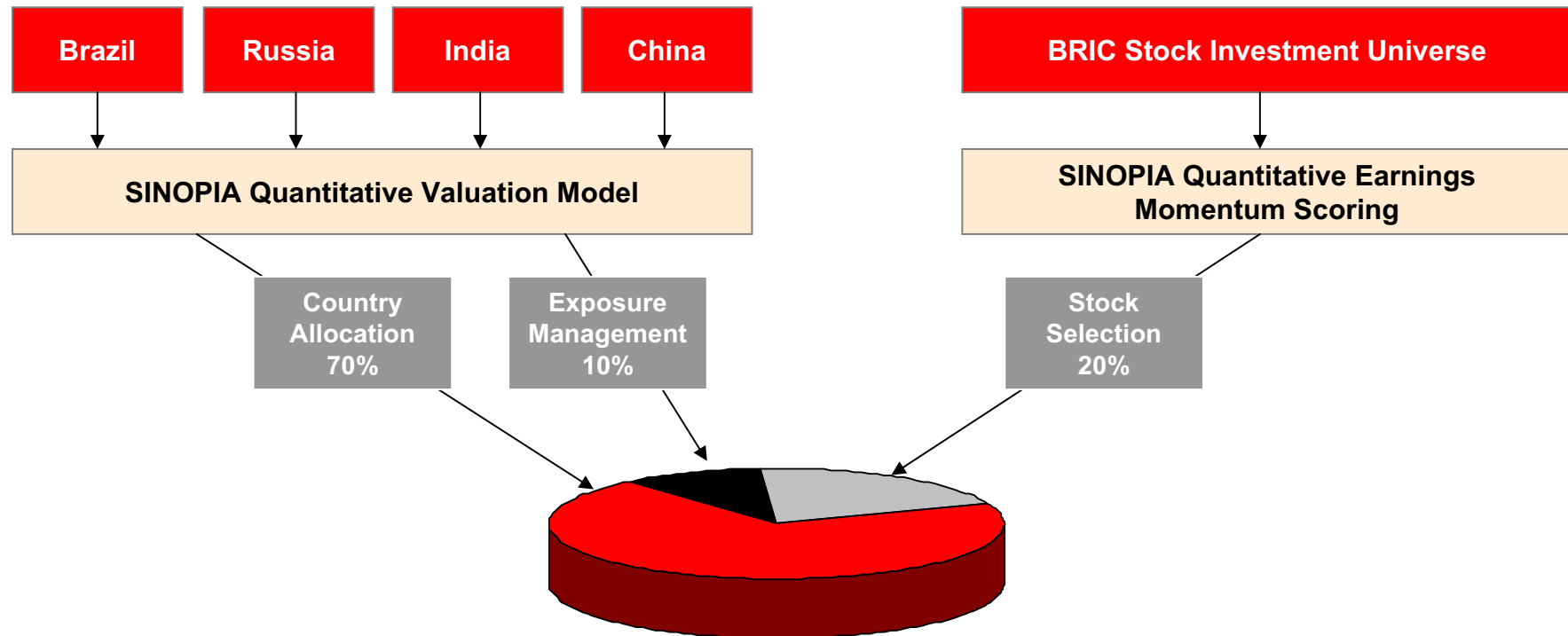
#### Key Features of HSBC GIF BRIC Markets Equity Fund

<b>Objective:</b>	Outperform the total return performance of a BRIC equity market reference in the long term
<b>Investment Universe:</b>	Brazil, Russia, India and China (including HK and A, B, H shares)
<b>Country allocation:</b>	Internal guidelines: 50% max. / 10% min. per country
<b>Number of stocks:</b>	Large number of stocks (around 100) with priority given to liquidity to minimise trading costs
<b>Issuer limits:</b>	No single stock will have a weighting greater than 10%; stocks with weightings above 5% will not total more than 40%
<b>Turnover:</b>	Expected to be controlled; manager is not chasing short-term returns

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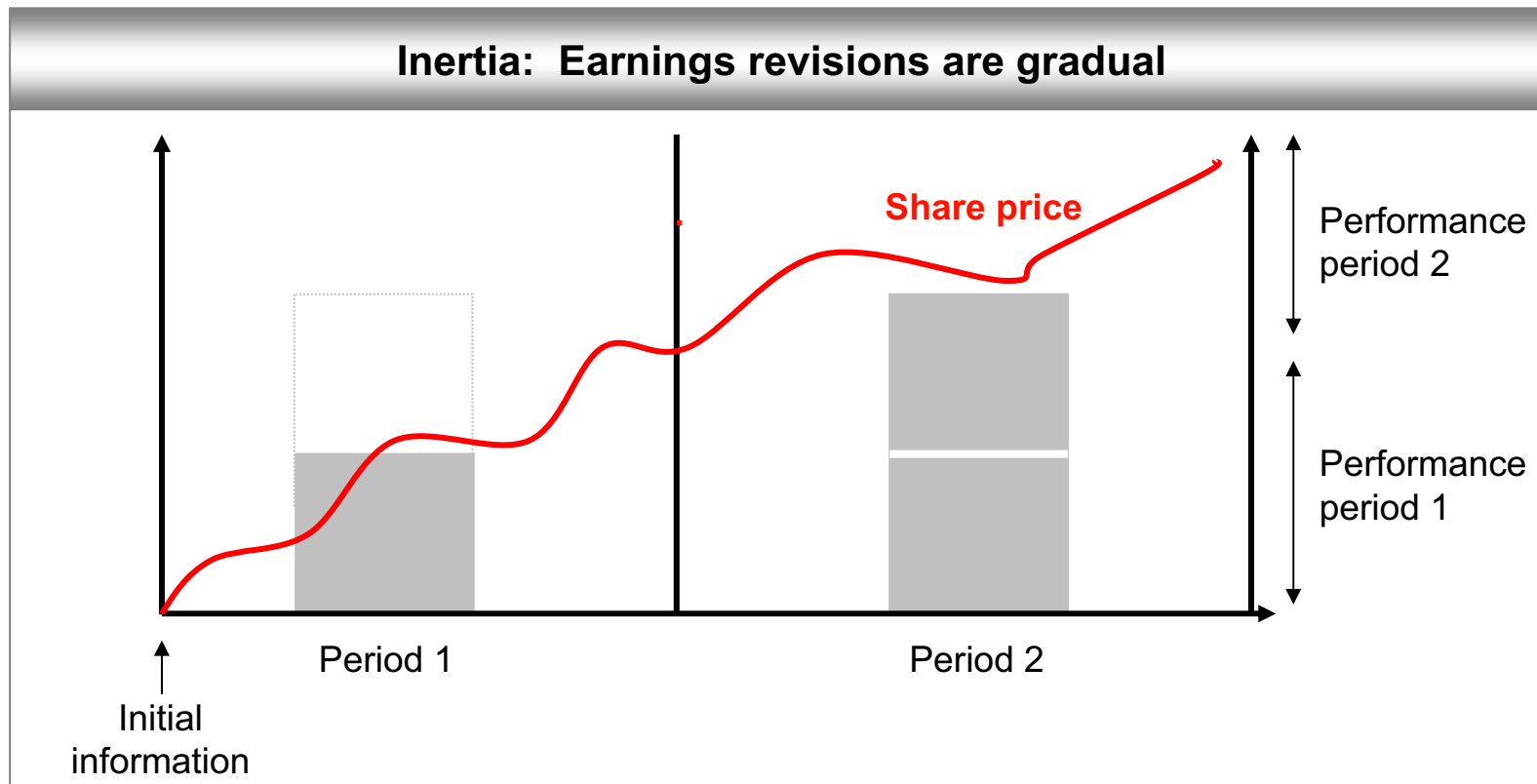
### Philosophy – The investment process

Combining three sources of performance potential



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### Philosophy – Earnings revisions



**Analysts tend to adjust their forecasts gradually**  
➔ **Impact on the share price**

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Portfolio construction

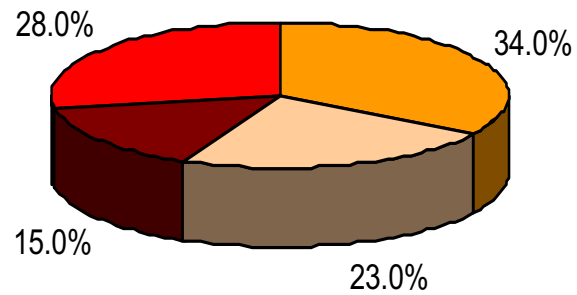
Portfolio optimisation through active management



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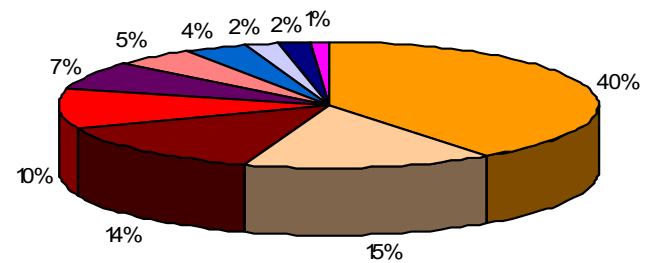
### Portfolio construction

Portfolio Geographic Split, June 2006



■ Brazil ■ Russia ■ India ■ China

Sector Splits, June 2006



■ Energy ■ Financials  
■ Materials ■ Telecoms  
■ Industrials ■ Information Tech  
■ Utilities ■ Consumer Staples  
■ Consumer Discretionary ■ Health Care

Source: SINOPIA Asset Management June 2006

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### Largest holdings

Stock	Sector	Country	Weight in portfolio
PETROBRAS	Energy	BRAZIL	9.7%
GAZPROM	Energy	RUSSIA	7.9%
LUKOIL OIL COMPANY	Energy	RUSSIA	6.7%
VALE DO RIO DOCE	Materials	BRAZIL	5.6%
CHINA MOBILE	Telecoms	CHINA	4.9%
PETROCHINA CO	Energy	CHINA	3.6%
RELIANCE INDS	Energy	INDIA	3.0%
BANCO BRADESCO	Financials	BRAZIL	2.8%
BANCO ITAU HLDG FIN	Financials	BRAZIL	2.6%
INFOSYS TECHNOLOGIES	Information Technology	INDIA	2.5%



Source: SINOPIA Asset Management June 2006

**Conclusion**

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### WHY choose HSBC GIF BRIC Markets Equity Fund?

- Direct access to high-potential BRIC equity markets
- An innovative investment solution to diversify any portfolio
- Offers an alternative investment style for investors that already have emerging markets exposure
- Benefit from SINOPIA's experience in managing emerging markets equities
- Three sources of performance: exposure management, country allocation and stock selection

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