

HSBC Investments

Rising levels of greenhouse gases  
are more than just a risk?



## **HSBC Global Investment Funds - Climate Change**

Turning climate change from a crisis into an investment opportunity

**HSBC** 

As climate changes intensify, related environmental problems become increasingly severe.



▶ Melting glaciers

▶ Extinction of species

▶ Droughts

▶ Frequent hurricanes

Have you considered that these risks could be turned into opportunities?

Climate change represents one of the most promising investment ideas in 2008 and the years forward.

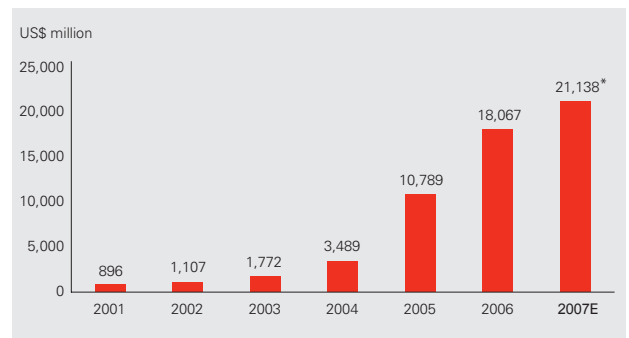
**Why invest in Climate Change related industries?**

- ▶ An exciting investment opportunity supported by governments around the world
- ▶ Access to companies that address the climate change issue and investment that offers potential for returns and growth
- ▶ A growing segment that offers attractive valuations
- ▶ Related sectors deliver consistent outperformance

▶ An exciting investment opportunity supported by governments around the world

- As global warming intensifies, public awareness towards the climate change issue has also heightened. Political pressure has also been mounting as the public push for action from policy makers.
- The launch of policy initiatives such as the Kyoto Protocol, China Renewable Energy Law, US Energy Policy Act and EU Energy Policy has accelerated the development of climate change related industries.
- Clean energy, one of the most popular climate change related sectors, is a case in point. In 2006, venture capital and private equity investment increased by 67% over 2005, and the overall investments into the sector has grown by more than 1,000% over the past five years.

Global venture capital and private equity investments in the clean energy sector (2001-2007E)

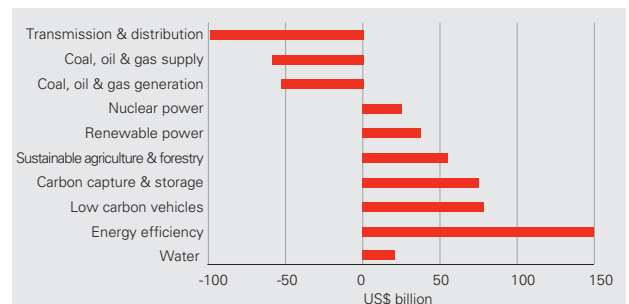


\* Note: 2007 is annualized total based on 1st half investment.  
Source: New Energy Finance, data as at October 2007.

▶ A promising investment idea with sustainable growth in the foreseeable future

- As environmental protection gradually develops into a major global trend, the demand for related goods and services continues to surge. This creates lucrative business opportunities for related industries.
- While investments into conventional energies are expected to decrease, low carbon energy production and energy efficiency related sectors may become the growth engines in the next twenty years.

Estimated incremental annual investment in 2030 to mitigate and adapt to climate change impacts



Source: "Report on the analysis of existing and potential investment and financial flows relevant to the development of an effective and appropriate international response to climate change", UNFCCC. Data as at August 2007.

► Such investments will nurture the development of other climate change related sectors

- Investments and projected revenue of clean energy, energy efficiency and water control sectors are expected to grow substantially in the future.

Annual clean energy projected revenue : **US\$500 billion** in 2020 and **US\$1 trillion** in 2030<sup>1</sup>

Estimated markets for greenhouse gas emissions trading per year by 2012: **US\$2 trillion**<sup>2</sup>

Estimated markets providing finance for clean energy technologies by 2020: **US\$1.9 trillion**<sup>2</sup>

Global water reuse projected capital investment by 2015: **US\$28 billion**<sup>3</sup>

Global desalination industry projected revenue by 2015: **US\$21.1 billion**<sup>4</sup>

Source: 1. "Clean Energy Sustainable Opportunities", Morgan Stanley, data as at 16/10/2007; 2. "Global Trends in Sustainable Energy Investment 2007", United Nation Environment Program, data as at 2007; 3. "Water Reuse Markets 2005-2015: A Global Assessment and Forecast", Global Water Intelligence, data as at May 2005; 4. "Desalination Markets 2007", Global Water Intelligence, data as at 2007.

► A growing segment that offers attractive valuations

- The PEG ratio (price earnings/growth) of climate change related investments is much lower than that of global equities.

	Price earnings/ growth ratio (X)
HSBC Global Climate Change Benchmark Index <sup>g</sup>	1.1
MSCI World Index	1.5

Source: HSBC, Thomson Financial Datastream. Data as at 17/12/2007.

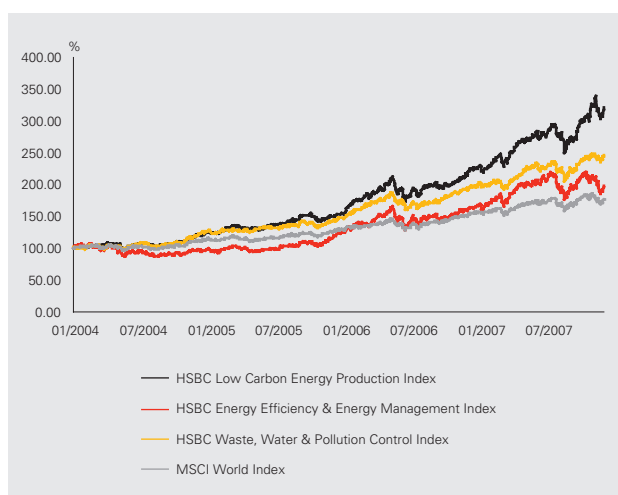
► Related sectors deliver consistent outperformance

- All three major climate change related sectors - Low Carbon Energy Production, Energy Efficiency & Energy Management, Waste, Water & Pollution Control - have consistently outperformed the market and registered excellent returns.

	Total return
HSBC Global Climate Change Benchmark Index <sup>g</sup>	162.0%
HSBC Low Carbon Energy Production Index <sup>g</sup>	220.8%
HSBC Energy Efficiency & Energy Management Index <sup>g</sup>	98.6%
HSBC Waste, Water & Pollution Control Index <sup>g</sup>	145.7%
MSCI World Index	77.7%

Source: Bloomberg. Data from 1/1/2004 to 30/11/2007, based on USD and total return.

Performance of the HSBC Global Climate Change indices<sup>g</sup> and MSCI World Index






# HSBC Global Investment Funds - Climate Change

## Investment objective

- The Fund invests in companies that are considered well placed to benefit from developing solutions to the challenges presented by climate change.

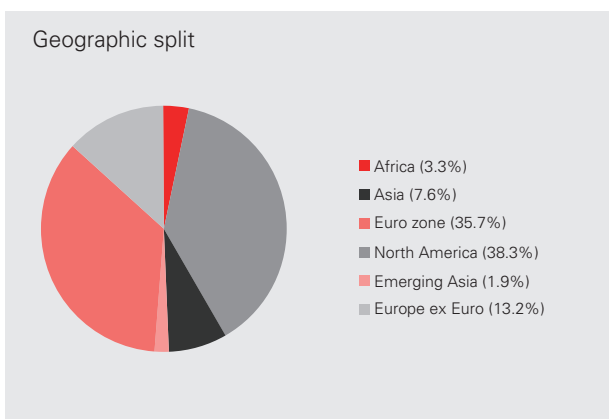
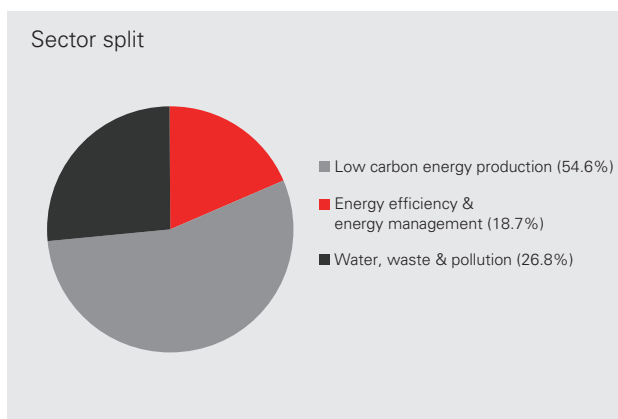
## Fund features

- The Fund focus on climate change companies and is actively managed base on factors including earnings momentum, valuations and profitability.
- Broad coverage: as one of the climate change related funds with the most extensive coverage, the Fund covers 3 major climate change related sectors\*, with securities from 34 countries and 19 themes. The comprehensive investment approach allows us to aim for consistent and outstanding performance for the benefit of the investors.

Low carbon energy production	
<ul style="list-style-type: none"> <li>Agrochemical</li> <li>Bio fuels</li> <li>Gas</li> <li>Geothermal/ hydro</li> <li>Nuclear</li> </ul>	<ul style="list-style-type: none"> <li>Solar</li> <li>Integrated power</li> <li>Wind</li> <li>Diversified renewable</li> </ul>
	
Energy efficiency & energy management	
<ul style="list-style-type: none"> <li>Building insulation</li> <li>Energy efficient solutions</li> <li>Fuel efficiency autos</li> </ul>	<ul style="list-style-type: none"> <li>Fuel cells</li> <li>Power storage</li> </ul>
	
Water, waste & pollution control	
<ul style="list-style-type: none"> <li>Pollution control</li> <li>Waste</li> <li>Water</li> </ul>	
	

\* HSBC Global Climate Change Benchmark Index<sup>®</sup> also includes the fourth industry - Financials, which covers Carbon Trading and Investment Company. However, as at 14/12/2007, the weighting in the Financials sector is insignificant and only accounts for less than 1% of the Index. The above data is for illustrative purpose only. The composition in investments will be subject to change from time to time. There may be other factors that could cause actual events to differ materially.

## Asset allocation of the Fund



Source: Sinopia, as at 7/12/2007. The above data is for illustrative purpose only. The composition in investments will be subject to change from time to time. There may be other factors that could cause actual events to differ materially.

## Suitable investors

- The correlation between climate change related investments and Hong Kong and Chinese equities is relatively low. For portfolios that are heavily weighted in Hong Kong and Chinese equities, climate change related investments will potentially help diversify risks and enhance long-term return potential.

Correlation between HSBC Global Climate Change Benchmark Index<sup>®</sup> and various Hong Kong and Chinese equity indices

	Correlation coefficient <sup>®</sup>
Hang Seng Index (HSI)	0.57
Hang Seng China Enterprise Index (HSCEI)	0.53
Shanghai A Shares (SHASHR)	0.15
Shenzhen A Shares (SZASHR)	0.08

Source: Bloomberg. Data from 30/11/2006 to 30/11/2007.

## To summarize. . .

### Climate change is a growing and sustainable investment theme

- Climate change is not a product cycle. It impacts the living standard of ours and the future generations.

### An innovative investment concept with broad coverage

- A truly global and broad based solution that invests in companies that are mitigating and adapting to the effect of climate change.

### Strong growth potential and an ideal diversification tool

- Climate change related investment, with low correlation to Hong Kong and Chinese equities, is ideal for portfolio diversification.
- HSBC Global Climate Change Benchmark Index<sup>®</sup> consistently outperformed the MSCI World and peer index from January 2004\*.

### By HSBC – the active climate change solution participant

- HSBC is dedicated in supporting climate change related solutions. Managed by SINOPIA, the "active quant" specialist of the HSBC Investments, the Fund is the first product using the innovative HSBC Global Climate Change Benchmark Index<sup>®</sup> as the benchmark.

\* Source: HSBC Investments. Data from 1/1/2004 to 30/11/2007, based on USD. Peer index refers to KLD Global Climate Change 100 Index.

Fund details	
Launch date	9 November 2007
Currency	USD
Share class	Class AD
Minimum investment	US\$1,000
Minimum redemption	US\$1,000
Initial charge	5.25%
Management fee	1.5% per annum
Switching charge	1%
Investment adviser	SINOPIA Asset Management

#### Risk Disclosure:

- a. Investment involves risks and past performance is not indicative of future performance. Please refer to the offering document for further details.
- b. Currency movement and market condition may affect the value of investments.
- c. The Fund may invest in both developed and emerging markets. Emerging markets can be significantly more volatile than developed markets, so that the value of investments may be subject to large fluctuations.
- d. Price of the Fund may have high volatility due to investment in financial derivative instruments and may involve a greater degree of risk than in the case with conventional securities.
- e. The Fund is not an index tracking fund. Performance and allocation of the indices are quoted for reference only, and do not represent the performance and allocation of the Fund. The HSBC Global Climate Change Benchmark Index was launched in September 2007 and the performance of the index has been tracked back to January 2004 for comparison purpose.
- f. Investors should be reminded of concentration risks and volatility associated with sector funds, as a result of which the value of investments may be subject to larger fluctuations.

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