

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<div><div><div></div><div></div></div><div><div></div><div>Yes</div></div></div>	<div><div><div></div><div></div></div><div><div></div><div>No</div></div></div>
<div><div><div></div><div>It made sustainable investments with an environmental objective: _%</div></div><div><div><div></div><div>in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div></div><div><div><div></div><div>in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div></div></div><div><div><div></div><div>It made sustainable investments with a social objective: _%</div></div></div></div></div>	<div><div><div><div></div><div></div></div><div><div></div><div>It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of 31.68 % of sustainable investments</div></div><div><div><div></div><div>with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</div></div><div><div><div></div><div>with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</div></div><div><div><div></div><div>with a social objective</div></div></div><div><div><div></div><div>It promoted E/S characteristics, but did not make any sustainable investments</div></div></div></div></div></div></div>



To what extent were the environmental and/or social characteristics promoted by this financial product met?

- The characteristics promoted by this sub-fund were:
1. The sub-fund invested in a concentrated portfolio of equities of companies that benefitted from increasingly constrained healthcare budgets world-wide.
 2. The sub-fund considered responsible business practices in accordance with UN Global Compact Principles for businesses.
 3. The sub-fund excluded business activities that were deemed harmful to the environment.
 4. The sub-fund identified and analysed company’s social characteristics, including but not limited to patient access to care.
 5. The sub-fund actively considered environmental and social issues by engagement completed by our Engagement and Stewardship teams, which included proxy voting.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The ESG and sustainability indicator scores are calculated as per HSBC Asset Management's proprietary methodology and third party ESG data providers. Consideration of individual PAIs (indicated in the table below by their preceding number) can be identified from the sub-fund having a lower score than the Reference Benchmark. The data used in the calculation of PAI values are sourced from data vendors. They can be based on company disclosures, or estimated by the data vendors in the absence of company reports. Please note that it is not always possible to guarantee the accuracy, timeliness or completeness of data provided by third-party vendors.

The reference benchmark for sub-fund market comparison purposes was not designated for the purpose of attaining the social characteristics of the sub-fund.

The performance of the sustainability indicators the sub-fund used to measure the attainment of the environmental or social characteristics that it promoted can be seen in the table below. The sub-fund's ESG score has been managed to be greater than the reference benchmark selected by the sub-fund (with a higher score than the benchmark representing stronger ESG credentials).

● ***How did the sustainability indicators perform?***

Indicator	Sub-Fund	Reference Benchmark
Sustainable Healthcare Score - Cost Savings	0.31	N/A
Sustainable Healthcare Score - Clinical Outcomes	0.84	N/A
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	0.00%	0.00%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	0.00%	0.00%

The data in this SFDR Periodic Report are as at 31 March 2023

Reference Benchmark - MSCI World Health Care

● ***...and compared to previous periods?***

This is the first SFDR Periodic report and as such there is no comparison.

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

The sustainable investments made by the sub-fund contributed to environmental and social objectives.

The sub-fund aimed to provide long term total return by investing in a concentrated portfolio of equities of companies that may benefit from increasingly constrained healthcare budgets world-wide, while promoting ESG characteristics within the meaning of Article 8 of the European Union's SFDR.

The sub-fund aimed to identify and analyse companies' key products or services which might help reduce overall healthcare spend as an integral part of the investment decision made process to reducing the negative social impact of reduced access to health care and enhancing returns.

● ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

We can confirm that the do no significant harm analysis was completed as part of HSBC Asset Management's (HSBC) standard investment process for sustainable assets, which included the consideration of Principal Adverse Impacts.

How were the indicators for adverse impacts on sustainability factors taken into account?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

HSBC's Responsible Investment Policy set out the approach taken to identify and respond to principal adverse sustainability impacts and how HSBC considered ESG sustainability risks as these could adversely impact the securities the sub-funds invested in. HSBC used third party screening providers to identify companies and governments with a poor track record in managing ESG risks and, where any such material risks were identified, HSBC also carried out further due diligence. Sustainability impacts identified by screening were a key consideration in the investment decision making process.

The approach taken, as set out above, meant that among other things the following points were scrutinised:

- companies' commitment to lower carbon transition, adoption of sound human rights principles and employees' fair treatment, implementation of rigorous supply chain management practices aimed, among other things, at alleviating child and forced labour. HSBC also paid great attention to the robustness of corporate governance and political structures which included the level of board independence, respect of shareholders' rights, existence and implementation of rigorous anti-corruption and bribery policies as well as audit trails; and
- governments' commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance.

The specific Principal Adverse Impacts for this sub-fund were as set out above.

HSBC's Responsible Investment Policy is available on the website at: www.assetmanagement/hsbc/about-us/responsible-investing/policies

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

HSBC was committed to the application and promotion of global standards. Key areas of focus for HSBC's Responsible Investment Policy were the ten principles of the United Nations Global Compact (UNGC). These principles included non-financial risks such as human rights, labour, environment and anti-corruption. HSBC was also a signatory of the UN Principles of Responsible Investment. This provided the framework used in HSBC's approach to investment by identifying and managing sustainability risks. Companies in which the sub-fund invested would be expected to comply with the UNGC and related standards. Companies having clearly violated one, or with at least two presumed violations, of the ten principles of the UNGC were systematically excluded. The sub-fund conducted enhanced due diligence on companies that were considered to be non-compliant with the UN Global Compact Principles, or were considered to be high risk as determined by HSBC's proprietary ESG ratings. Companies were also evaluated in accordance with international standards like the OECD Guidelines.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

The approach taken to consider Principal Adverse Impacts meant that, among other things, HSBC scrutinised companies' commitment to lower-carbon transition, adoption of sound human rights principles and employees' fair treatment, and implementation of rigorous supply chain management practices such as those aiming to alleviate child and forced labour. HSBC also paid attention to the robustness of corporate governance and political structures which included the level of board independence, respect of shareholders' rights, existence and implementation of rigorous anti-corruption and bribery policies, as well as audit trails. Governments' commitment to availability and management of resources (including population trends, human capital, education and health), emerging technologies, government regulations and policies (including climate change, anti-corruption and bribery), political stability and governance were also taken into account. As a result of such screening, HSBC did not invest in certain companies and issuers.

The sub-fund also considered the Principal Adverse Impacts listed below:

- Violation of UNGC and OECD principles
- Share of investment involved in controversial weapons



What were the top investments of this financial product?

Large Investments	Sector	% Assets	Country
UnitedHealth Group Incorporated	Health Care	5.91%	United States of America
Eli Lilly and Company	Health Care	4.91%	United States of America
Novo Nordisk A/S Class B	Health Care	4.81%	Denmark
Vertex Pharmaceuticals Incorporated	Health Care	4.62%	United States of America
Thermo Fisher Scientific Inc.	Health Care	4.02%	United States of America
McKesson Corporation	Health Care	3.90%	United States of America
Elevance Health, Inc.	Health Care	3.88%	United States of America
BioMarin Pharmaceutical Inc.	Health Care	3.81%	United States of America
DexCom, Inc.	Health Care	3.69%	United States of America
Neurocrine Biosciences, Inc.	Health Care	3.62%	United States of America
AstraZeneca PLC	Health Care	3.48%	United Kingdom of Great Britain and Northern Ireland
Boston Scientific Corporation	Health Care	3.40%	United States of America

Cash and derivatives were excluded



What was the proportion of sustainability-related investments?

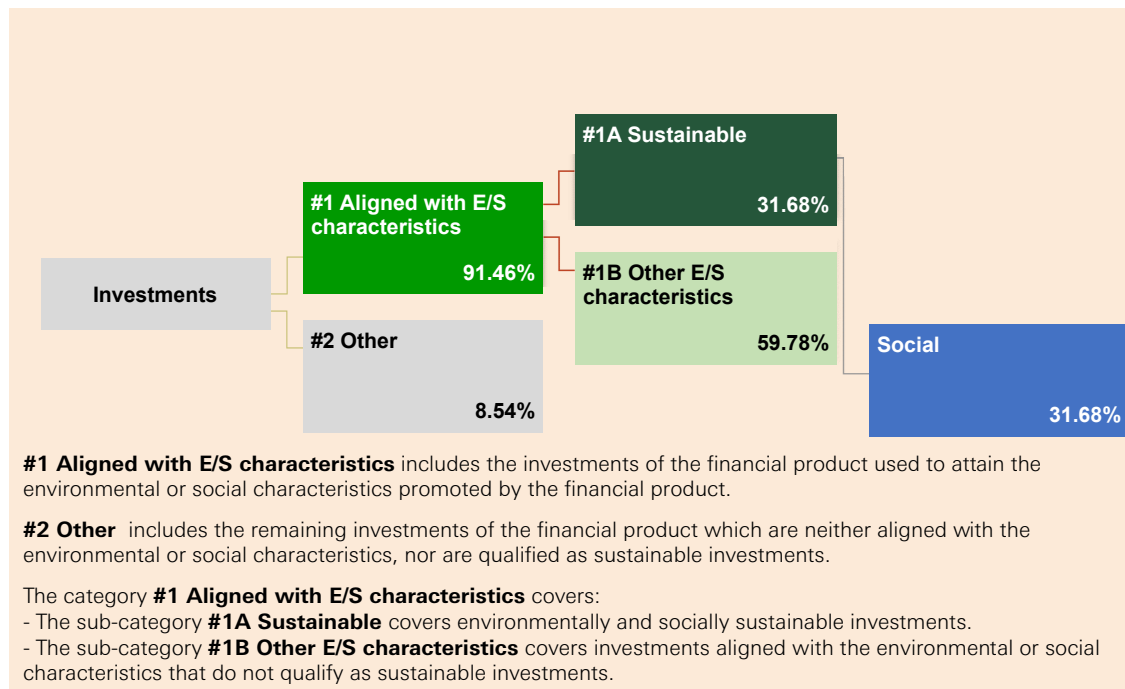
31.68% of the portfolio was invested in sustainable assets.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is:

31/03/2023

Asset allocation
describes the share
of investments in
specific assets.

What was the asset allocation?



In which economic sectors were the investments made?

Sector	% Assets
Health Care	100.00%
Total	100.00%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.



To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

N/A - the sub-fund did not make sustainable investments aligned with the EU Taxonomy.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.


¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

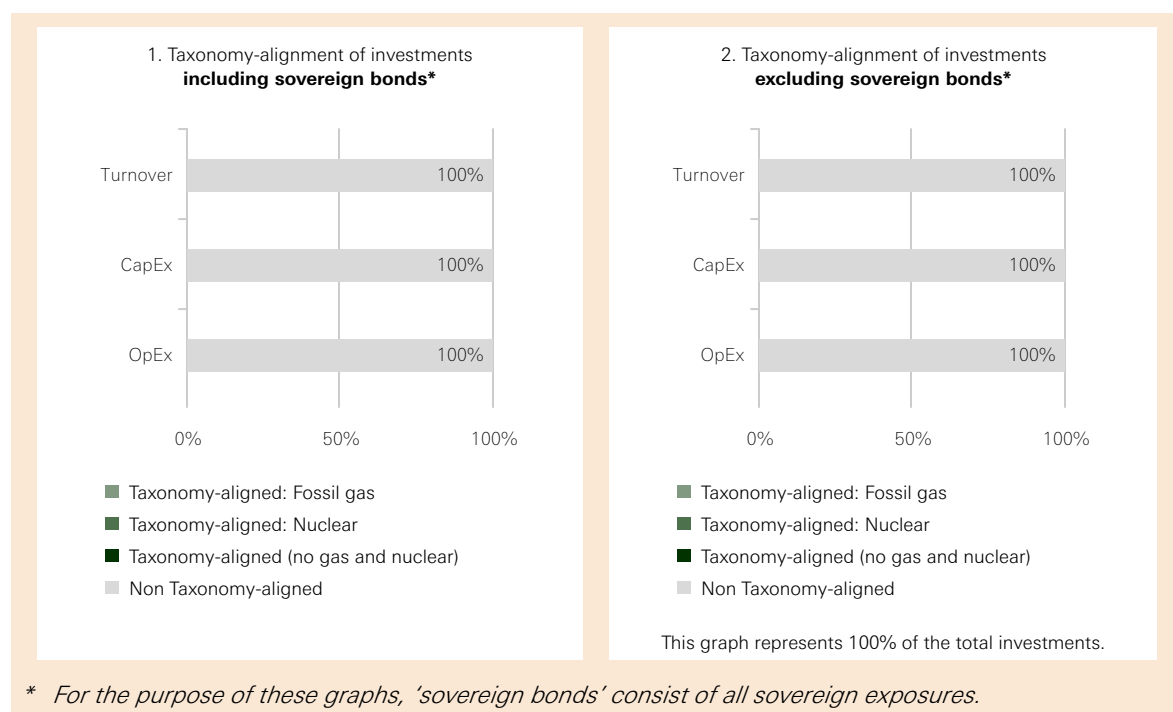
The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*

- operational expenditure (OpEx) reflects the green operational activities of investee companies.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



● **What was the share of investments made in transitional and enabling activities?**

N/A - the sub-fund is not investing in transitional or enabling activities.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

As this was the first reporting period for the sub-fund, no comparison is required.

 **What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

31.68%

 **What was the share of socially sustainable investments?**

N/A. The sub-fund did not invest in socially sustainable investments.

 **What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

The sub-fund may have held cash and cash equivalents and financial derivative instruments for efficient portfolio management. This may have also included investments that were not aligned for other reasons such as corporate actions and non-availability of data.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The sub-fund invested a minimum of 70% of its net assets in equities and equity equivalent securities of Sustainable Healthcare Companies, which were domiciled in, based in, carried out business activities in, or were listed on a Regulated Market in, any country including both developed and Emerging Markets. Sustainable Healthcare Products may have included, but were not limited to, drugs which helped reduce the days a patient spent in an intensive care unit, diagnostic tests which enabled early detection and treatment, disease prevention, operational improvements and deployment of technology. The sub-fund may have been relatively concentrated in equities of companies domiciled in the USA.

sub-fundamental analysis of the healthcare sector and sub-sectors was undertaken to identify companies that presented an investment opportunity. For each identified company, proprietary analysis was then undertaken on their products that were currently, or expected to become, their top revenue generating products, representing at least 10% of their net presented revenue generating value in aggregate. This proprietary analysis was used to determine Sustainable Healthcare Scores for each product according to both improved clinical benefits and cost savings. Scores could range from -3 to +3 or a similar scoring scale for each product. Following this, the overall Sustainable Healthcare Scores for each identified company would be calculated as the average of their top revenue generating products' Sustainable Healthcare Scores, weighted by their net presented revenue generating values. Companies with zero to positive Sustainable Healthcare Scores were considered Sustainable Healthcare Companies.



How did this financial product perform compared to the reference benchmark?

N/A

- *How does the reference benchmark differ from a broad market index?*

N/A

- *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*

N/A

- *How did this financial product perform compared with the reference benchmark?*

N/A

- *How did this financial product perform compared with the broad market index?*

N/A

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.