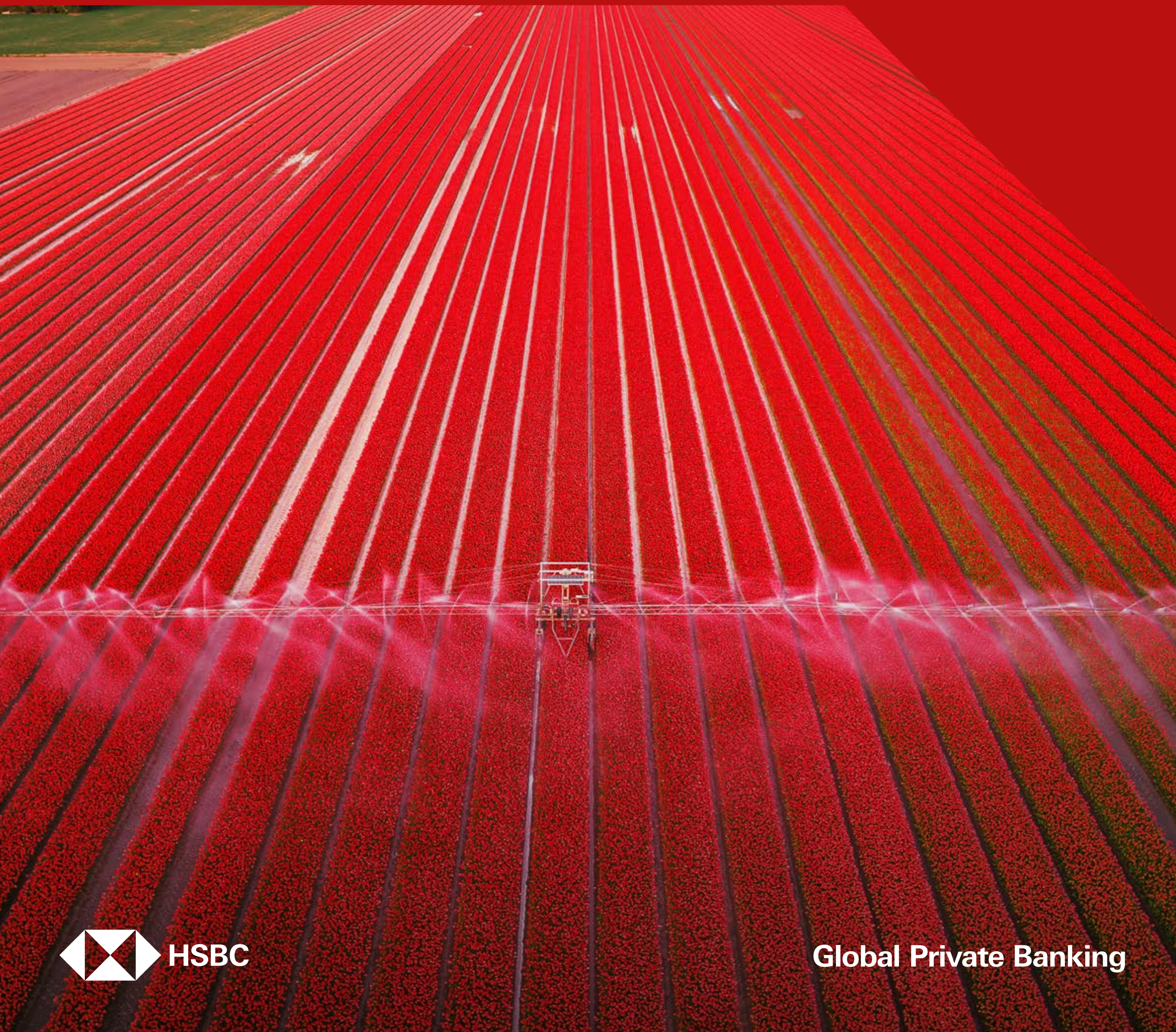
A Fertile Ground for Investment Returns

Investment Outlook

Q2 2024



HSBC

Global Private Banking

Contributors

Global Chief Investment Officer
Willem Sels
willem.sels@hsbcpb.com
+44 (0)207 860 5258

Head of Asset Allocation
Stanko Milojevic
stanko.milojevic@hsbcpb.com
+44 (0)207 024 6577

Director, Global Market Strategist and Managing Editor
Neha Sahni
neha.sahni@hsbcpb.com
+44 (0)207 024 1341

Regional Chief Investment Officers

Chief Investment Officer, Asia
Cheuk Wan Fan
cheuk.wan.fan@hsbcpb.com
+852 2899 8648

Chief Investment Officer, North Asia
Patrick Ho
patrick.w.w.ho@hsbcpb.com
+852 2899 8691

Chief Investment Officer, Southeast Asia and India
James Cheo
james.cheo@hsbcpb.com
+65 6658 3885

Chief Investment Officer, China
Desmond Kuang
Desmond.kuang@hsbc.com.cn
+86 21 38881020

Chief Investment Officer, EMEA and Switzerland
Georgios Leontaris
georgios.leontaris@hsbcpb.com
+41 (0)58 705 5746

Chief Investment Officer, UK & CI
Jonathan Sparks
jonathan.sparks@hsbcpb.com
+44 (0)20 7860 3248

Chief Investment Officer, Americas
Jose Rasco

Global Head of Fixed Income
Laurent Lacroix
laurent.lacroix@hsbcpb.com
+44 (0)207 024 0613

Global Head of Equities
Kevin Lyne Smith
kevin.lyne-smith@hsbc.com
+44 (0)207 860 6597

Currencies and Commodities Strategist
Rodolphe Bohn
rodolphe.bohn@hsbcpb.com
+44 (0)203 359 1177

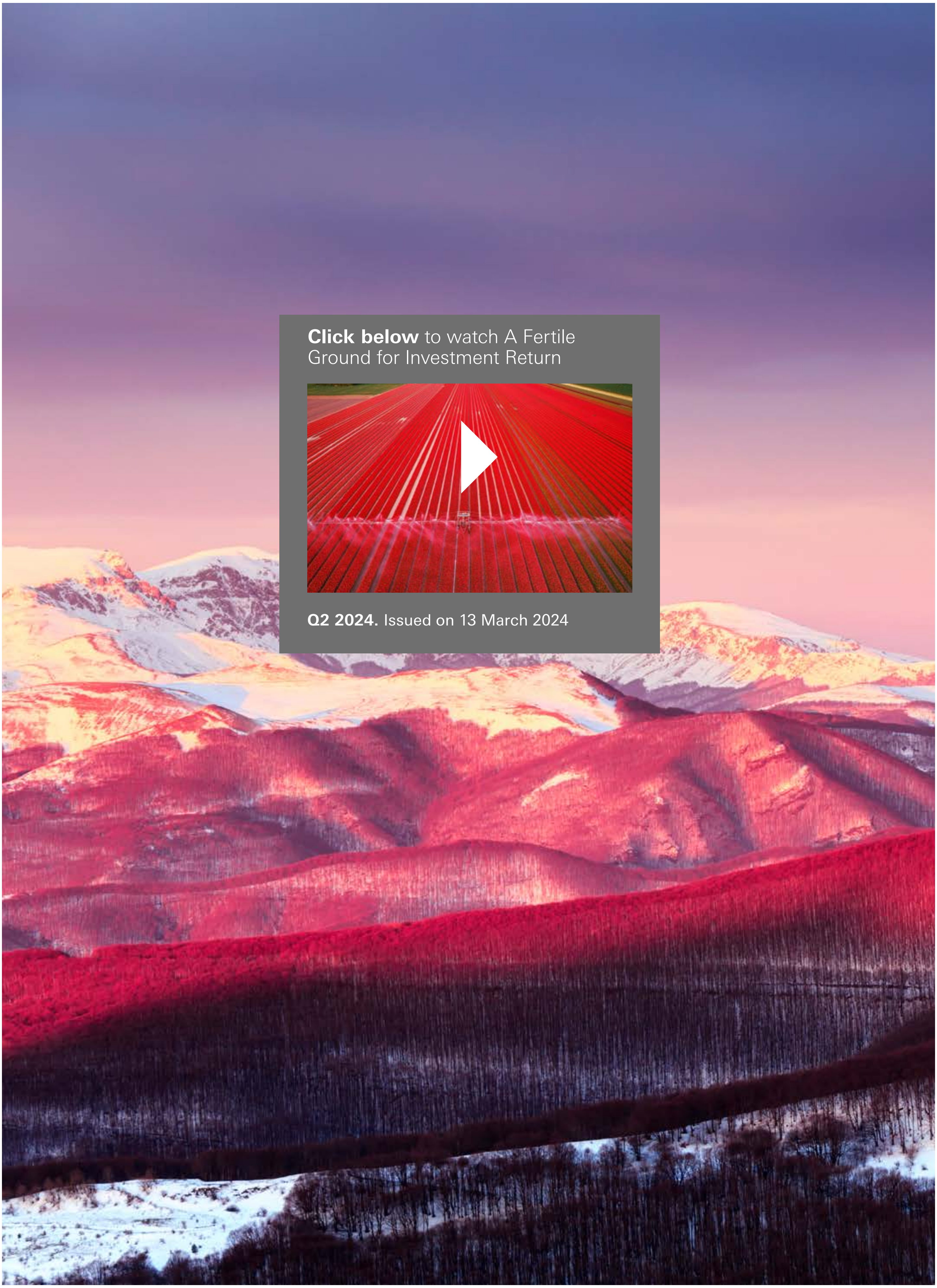
Director, Global Equities
Bryan O'Carroll
bryan.ocarroll@hsbcpb.com
+44 (0)203 268 4220

Global Market Analyst, Real Estate Investment
Guy Sheppard
guy.r.sheppard@hsbc.com
+44 (0)207 024 0522

Head of European Hedge Fund Research
Alex Grievson
Alex.grievson@hsbc.com
+44 (0)203 359 7065

Senior Product Specialist, Private Market Investments
Jorge Huitron
jorge.emilio.huitron@hsbc.com
+44 (0)203 359 7040

Contents



Click below to watch A Fertile Ground for Investment Return

Q2 2024. Issued on 13 March 2024

Welcome

Dear client

We have been putting our cash to work in markets for several quarters now and believe that the investment environment has become even more fertile. In the US, the debate has shifted away from 'recession risks' towards a 'soft landing' or even the possibility of 'no landing'; global inflation has remained on a mild downward trend; and China's increased stimulus is reducing downside risks both locally and globally. The US presidential election does not materially change this picture as it is still some time away, and either the continuity under a Democratic President or expected tax cuts under the Republicans could be supportive for risk appetite – especially in the US.

We therefore see many opportunities to put our cash to work and recently adopted more of a risk-on bias by moving global equities to mildly overweight. We continue to prefer the US market in the West, as US earnings and margin resilience, its big tech sector and North America's Re-industrialisation all provide support. This should also provide a mildly positive tone to the US dollar. In Asia, we continue to diversify as it may take time before stimulus boosts actual economic growth in China – so we look instead towards India, Indonesia, South Korea and Japan for better returns.

The fertile investment environment goes beyond equities, though. Bond yields remain at an elevated level, and we continue to believe these should be locked in. There was some volatility in bond markets earlier this year as rate cut expectations were pushed out, but they are now in line with ours. We continue to expect rate cuts and falling real yields to bring down bond yields in coming months. In alternatives, we particularly like private markets opportunities (private equity and credit) and infrastructure (due to the decarbonisation, digitalisation and nearshoring trends). Indeed, it is not just the current growth / inflation mix that provides a fertile ground for investment returns but also the structural changes that we see around us, which we capture in our high conviction themes.

Of course, risks remain in our complex world, but as we have seen, markets are happy to take some uncertainty in their stride as long as the earnings and rate fundamentals remain constructive. We agree with this attitude and believe risks should be managed rather than keep investors away from the market. We think our investment priorities find the right balance between exploiting the opportunities while focusing on quality and limiting exposure to areas where risks are mispriced (e.g., real estate or low-rated credit).

As our first priority, we continue to extend bond duration ahead of policy easing. Secondly, we broaden US equity exposure to benefit from a soft landing. Thirdly, we hedge tail risks via alternatives, multi-asset and volatility strategies. And lastly, we recently changed our final priority action to: 'Diversifying Asian equity exposure', including overweight positions in India, Indonesia, South Korea and now also Japan.

The best approach, in our view, is to select and combine investments with different sources of return, including cyclical and structural trends, an income element and uncorrelated investments. That should help broaden the opportunity set, while also building resilient portfolios. We try to provide just that in this Investment Outlook and hope you enjoy the publication.

Willem Sels,
Global Chief
Investment Officer

14 March 2024

Our Portfolio Strategy

We continue to put our cash to work and moved global equities to overweight in Q1 2024, adding to our existing overweight in bonds. We remain selective and prioritise quality over cheap valuations. But as fundamentals are supportive in many areas, there are plenty of opportunities to find diverse sources of returns across asset classes, resulting in natural diversification. This includes private markets and our investment themes, both of which play a key role to add to longer term opportunities.

Cash: underweight

Fixed Income: overweight

A preference for investment grade over high yield

Equities: overweight

Overweight US, Japan, EM Asia and Latin America

Underweight Eurozone and EM EMEA

Style biases: quality and large cap

Alternatives: neutral

Core allocations to Private Markets and Infrastructure

Why we are overweight on both bonds and stocks

Many of our readers will know that we have been putting cash to work selectively for more than 12 months and even brought the cash holdings in our model portfolios all the way down to zero in September 2023. But where we put that cash to work needs to evolve as circumstances change. Bonds were our first port of call, as they tend to do well after rates have peaked, and indeed, they did well in late 2023. In Q1 2024, we decided that it was time to add further to our risk exposure, by moving global equities to mildly overweight, for two reasons. First, the optimism about quick rate cuts in late 2023 was a bit overdone, so we were waiting for markets to become a bit more realistic. They now incorporate between 3 and 4 rate cuts (not 6 as they previously hoped for), which is close to our own view of 3 cuts, starting in June. Secondly, there were still too many voices calling for a global or US recession late last year; but as economic data have continued to surprise on the upside, economic and earnings optimism have improved. Most economies' weakest quarter was in Q4 2023 or Q1 2024, so we expect more positive global economic momentum from here.

The three key fundamental cornerstones for a solid equity market – economic growth, earnings growth, and the rates outlook – are all in place, in our view.

Our geographical preferences, however, remain little changed. In the West, it is still the US that has the most resilient economy and the strongest earnings power. From a cyclical perspective, US consumption should be supported by real wage growth and strong job markets, while improving business sentiment and significant fiscal spending (including on defence) should provide further support. Structurally, the US leadership in technology is worth a lot in our data-led global economy, and re-onshoring of US companies' supply chains is boosting manufacturing. So, it is no wonder that the US continues to outperform other markets, and we are not switching to other markets just because they are cheaper. We do, however, continue to broaden our sector exposure beyond just technology, to include other sectors, where we also see good opportunities and cheaper valuations.

By comparison, European growth remains much lower, and risks are more elevated. Geopolitical conflict at Europe's door is still ongoing; Europe is not self-sufficient on energy; fiscal room is very limited in most Eurozone countries; and Europe's exports to China are slower than usual. In our recent analysis of the possible consequences of a second Trump US presidency, we noted the potential for renewed trade tensions affecting Europe. Hence, we maintain our preference for the US over Europe, even at current valuation differences.

Our view on the UK falls in between, leading us to a neutral view on UK stocks. Although the UK is exiting recession, its momentum is unlikely to pick up much as consumers still feel squeezed.

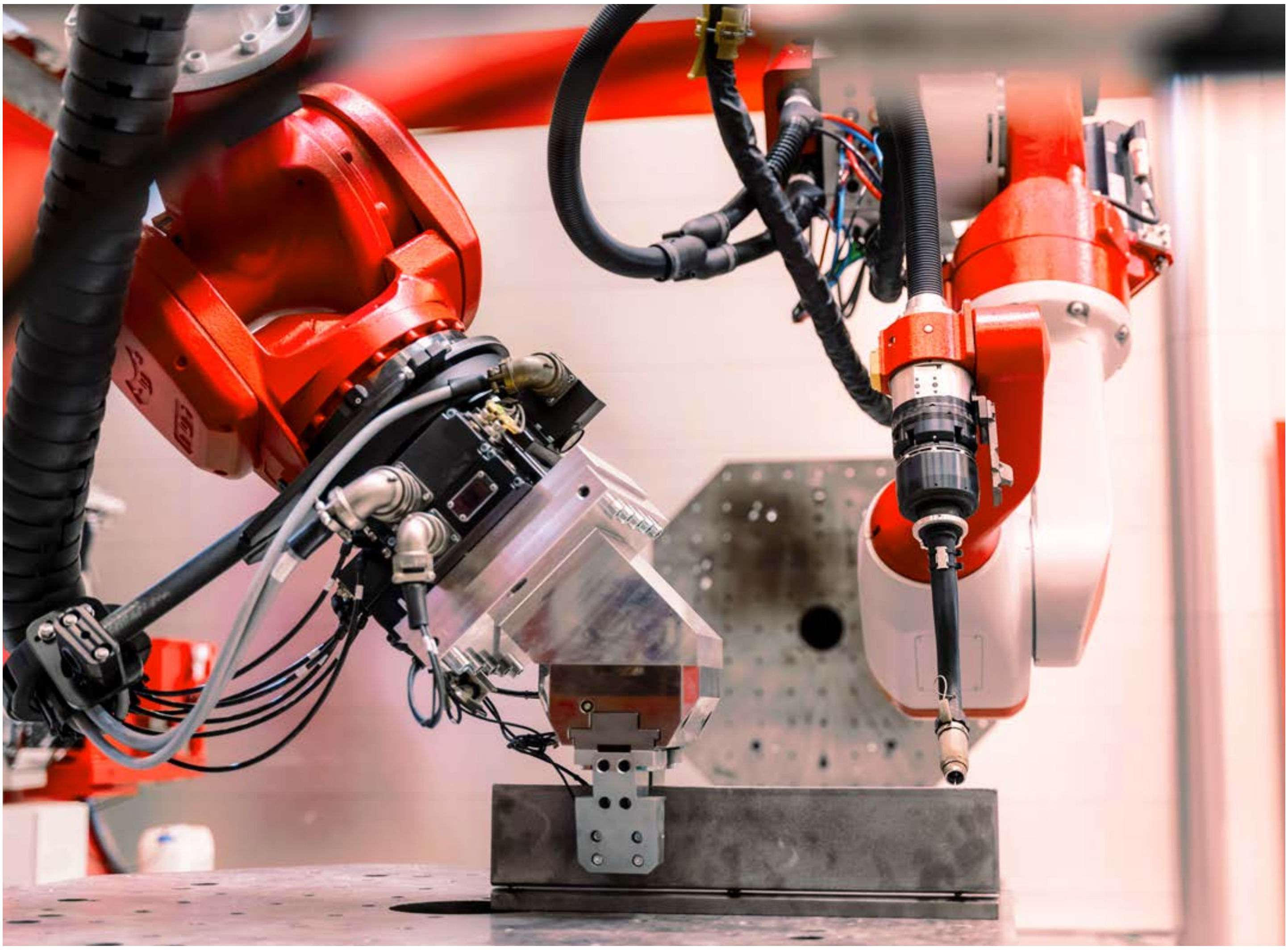
In Asia too, we continue to differentiate. Stimulus measures in China should further reduce the downside potential and could even give way to some tactical upside (especially given low valuations). But before market can rally sustainably, we need to see this support translate into stronger growth, and this will probably take time. We therefore see better opportunities elsewhere and continue to actively diversify. In fact, there are quite a number of options, and we are overweight on India, Indonesia, South Korea and Japan. These four markets have quite different drivers and combining them should further help reduce the volatility of our Asian exposure.

Combining multiple sources of return

What we do in the equity market – picking our spots but looking for a range of different sources of return – is also what we do across asset classes. Why we do this is because it broadens the opportunity set while increasing diversification and lowering volatility. And why we can do it is because there are enough areas of the market where we have positive fundamentals and momentum.

This starts of course with holding both bonds and equities. As we discussed in a recent publication, bonds and equities are more correlated than usual because the market is so focused on the Fed actions. Nevertheless, bonds are still valuable diversifiers, as they can provide an income stream that can offer a stable contribution to returns. Bond strategies that are broad in nature, across markets and sectors, but even bond market subcomponents (e.g. securitised credit) help.

We also like to generate part of this income through infrastructure and private credit because of their different drivers of income: linked to inflation for the former, and typically floating rate for the latter. Opportunities in infrastructure are well supported because of structural trends including the net-zero transition, digitalisation and the re-onshoring. As for private credit, lending conditions can be favourable where investors step in as banks retrench, or businesses want a quick long term funding commitment.



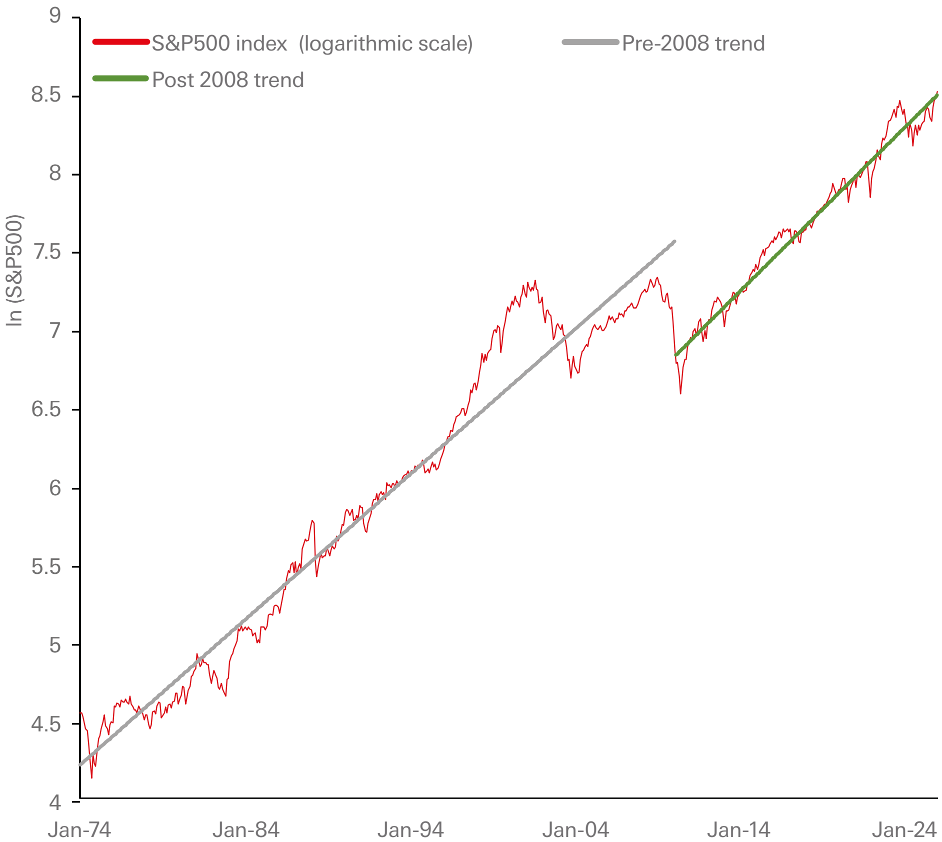
What's not to like?

With zero cash in our tactical asset allocation, and overweight in both bonds and equities, we have a clear risk-on strategy. But that doesn't mean that we are indiscriminate. We are underweight on Eurozone stocks, European emerging markets and Local Currency bonds. Across our portfolio strategy, we continue to focus on quality. In the bond market, this is principally because credit spreads are too tight to compensate even for a small pickup in defaults. In equities, we think the cyclical and structural forces continue to support the winners; only in the US are we confident enough to broaden the exposure and look for some catch-up of other sectors. In FX, of course, everything is relative, but here too, we think there is some mild further upside for the mighty US dollar. Its yield advantage, investment flows, the US economic resilience and the potential scenario of a Trump presidency are the main factors which still give the US dollar the edge.

We therefore build multi-asset portfolios focused on multiple sources of return, to broaden the opportunity set and improve the risk/return profile.

The table below shows our priorities for investors: they highlight our clear preferences in bond and equity markets and the importance of diversification. Indeed, even in a fertile investment environment, volatility needs to be managed.

Even after the recent rally, the US stock market is only back to the post-2008 trendline, which does not seem excessive..



Source: Bloomberg, HSBC Global Private Banking as at 13th March 2024. Past performance is not a reliable indicator of future performance.

Our four investment priorities

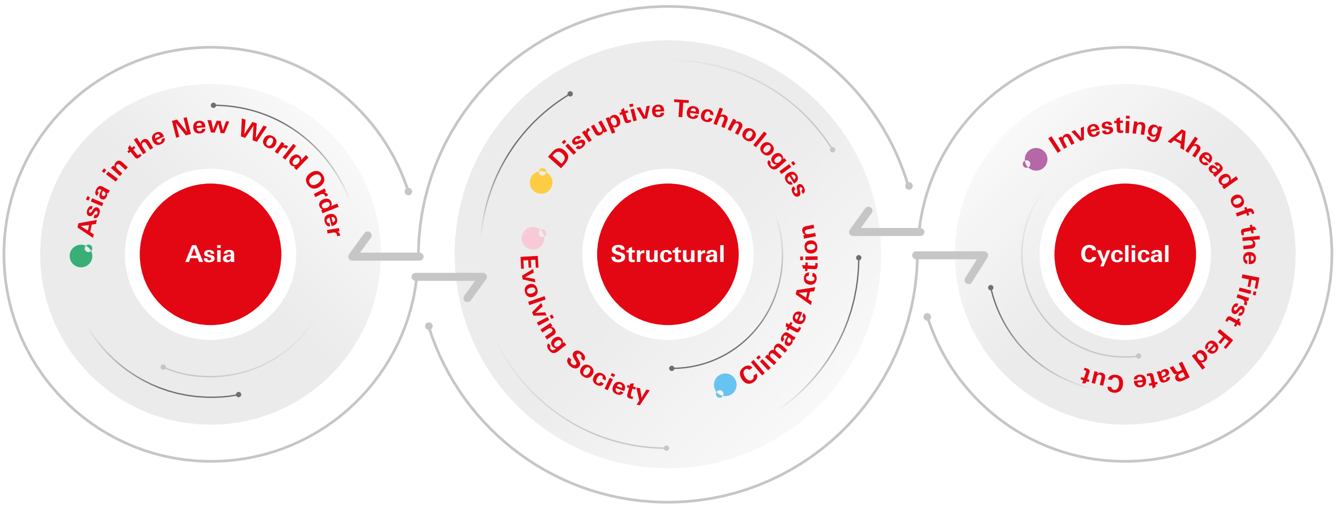
1. Extending bond duration ahead of policy easing	
Why? Bond markets rallied sharply in Q4 2023 and gave back some of the gains in Q1 2024. Rate cut expectations are now much closer to our view, which is a healthy starting point. And as we approach the first rate cut, bonds should be well supported. Real yields also remain too high and as they come down, this should support performance. We continue to lock in those yields ahead of the first Fed rate cut.	**What?** We are overweight on some developed market government bonds (namely the US, UK, Australian and New Zealand) and are comfortable with 7-10 year maturities. But while Treasury yields are too high, we don't think credit spreads are overly generous, which means we maintain our preference for investment grade (5-7 year maturities) over high yield.
2. Broadening US equity exposure to benefit from soft landing	
Why? The US economy has continued to surprise to the upside and remains resilient. The support is both cyclical (improved business confidence and resilient consumer fundamentals) and structural (re-onshoring and the strong US position in technology). We continue to like technology stocks but address the concern about valuations by also including companies in other sectors, many of which see strong fundamentals too.	**What?** We continue to see attractive opportunities in Generative AI and Robots as well as Aerospace. The Inflation Reduction and CHIPS & Science acts support our North American Re-Industrialisation and Healthcare Innovation themes. From a more cyclical perspective, we think the US economic resilience should support US consumer names and financials.

3. Hedging tail risks via alternatives, multi-asset and volatility strategies	
Why? Volatility is bound to remain in our complex world, where markets pay much attention to central banks, which are very data dependent. Volatility provides opportunities in multi-asset portfolios, especially as fundamentals and valuations show big differences between countries, sectors, companies and different rate markets. Well-managed multi-asset strategies, including alternatives, allow investors to broaden the opportunity set while also achieving appropriate diversification.	**What?** A strategic allocation to private markets as a core holding should add protection to portfolios via risk diversification. Multi-asset strategies can dampen volatility thanks to diversification. As correlations between equities and bonds remain higher than usual, this diversification should be across asset classes, countries and sectors, and avoid excessive single-name concentration. Lastly, volatility strategies can take a directional view on volatility, exploit spikes in volatility or generate income to stabilise portfolios' total returns.

4. Diversifying Asian equity exposure	
Why? Asia remains an important engine of global growth, but as it may take time for stimulus measures to result in increased Chinese growth, we do not foresee sustained upside for Chinese equities in the short term. Hence, we look for active diversification within Asia and find very supportive fundamentals and generally attractive valuations facilitating that search.	**What?** India's stock and bond markets should benefit from the country's strong cyclical momentum and structural growth. We expect to see increased investment flows into Indonesia, especially with the election now behind us. South Korea is well placed to benefit from the digital transformation. Japanese stocks have benefited a lot from the diversification flows as fundamentals are increasingly supportive and valuations remain attractive.

Top Trends and High Conviction Themes

In the following pages, we will discuss our top trends and the underlying high conviction investment themes. We have retired our 'New Energy Transportation' theme, where activity continues to have huge support due to the switch to electric vehicles and smart communication in our cars. But competition is fierce, and this leads to margin pressure as well as volatility. We have introduced a new theme, however, under 'Evolving Society' focusing on 'Sports and Entertainment'. Technological innovation, including AI and virtual reality are the enablers, but increased demand is coming from societal changes including Gen Z's spending power. In addition, the upcoming Olympics and the men's European football championships should lead to increased interest from the investor community in the short term, we think.

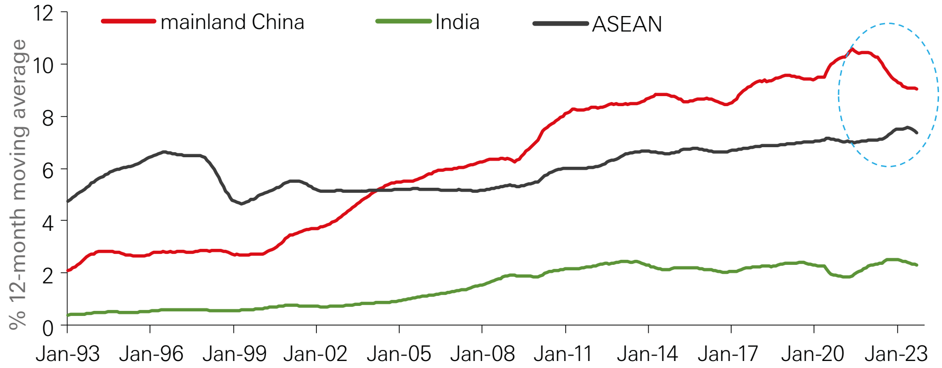


Source: HSBC Global Private Banking as at 13th March 2024.

Asia in the New World Order

To capture structural growth opportunities in Asia amid fast evolving geopolitical dynamics, we adopt an active diversification strategy with a thematic approach to pick long-term winners. We find attractive opportunities from the global supply chain reorientation, the AI boom, and the rise of Asian middle-class consumers.

Changing global export market share driven by supply chain reorientation

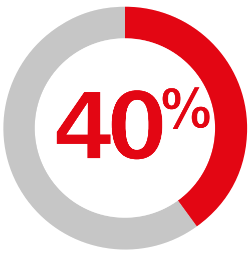


Note: Global export market share data is based on IMF DOTS data.

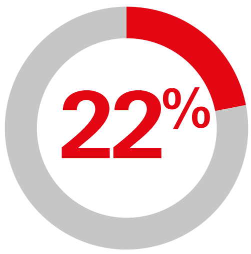
Source: IMF, HSBC Global Research, HSBC Global Private Banking as at 13th March 2024.

Our Four High Conviction Themes	
1. Reshaping Asia's Supply Chain	This theme focuses on Asian industry leaders which have diversified and revamped their supply chains to enhance competitive positions. We also favour companies in India and ASEAN that benefit from the "China+1" strategy.
2. Rise of India and ASEAN	We see promising secular growth opportunities in India and ASEAN, riding on the structural tailwinds from strong foreign and domestic private investments, young demographics, technology boom and green transformation.
3. Future Asian Consumer	Driven by rising Asian wealth and middle-class consumers, Asia's consumer discretionary sector stands out as a bright spot. The wider adoption of AI-driven emerging technologies should transform the digital consumption experience, benefitting e-commerce, IT hardware and AI-related companies.
4. Capturing Peaking Asian Yields	We focus on locking in multi-year high yields from quality Asian bonds. We favour Japanese and Korean financials and IG corporate bonds, Indian local currency bonds, Indonesian quasi-sovereign IGs, Macau gaming and Chinese TMT credits.

4.5% GDP growth forecast for Asia ex-Japan in 2024



40% of Global Capability Centres are located in India



22% of global nickel reserves are located in Indonesia

Over 25% 2024 earnings growth is projected for Asia's Consumer Discretionary sector

Source: Bloomberg, HSBC Global Research, HSBC Global Private Banking as at 13th March 2024.

Asia remains on track to deliver well above global average 2024 GDP growth of 4.5% based on HSBC forecasts, supported by upside surprises from India's growth, solid expansion of the ASEAN economies and more decisive policy stimulus from China. To capture structural growth opportunities in Asia amid the fast changing geopolitical environment, we adopt an active diversification strategy with a focus on long-term winners from the global supply chain reorientation, accelerating friend-shoring, AI investment boom, and the rise of Asian middle-class consumers.

According to EY's Capital Confidence Barometer, nearly 70% of Asia-Pacific corporate leaders said they are taking steps to revamp their supply chains. Uncertainties over geoeconomic fragmentation, US-China trade tensions and US technology restrictions have prompted many international corporations to implement the "China+1" strategy by relocating their supply chains to Southeast Asia and India. More Chinese companies are accelerating their supply chain reorientation to mitigate US tariff and sanction risks.

Our theme on **Reshaping Asia's Supply Chain** focuses on winners of the accelerating global supply chain reconfiguration and friend-shoring trend amid de-globalisation. This has resulted in rapid trade integration in Asia, with the share of intra-regional trade surging to almost 60% of Asia's total trade flow from 53% in 2000. We expect intra-regional trade to jump 65% by 2030, representing annual growth of USD400bn until 2030, led by the China-ASEAN and India-ASEAN trade corridors.

Asia's supply chain revamp is leveraging on the comparative advantages of different countries in the strategic industrial sectors. We favour high-end manufacturing leaders in Japan, South Korea and Taiwan given their pivotal roles in the global semiconductor supply chains. In ASEAN, Singapore, Malaysia and Vietnam are strengthening their leadership positions in the electronics industry. Indonesia is playing a critical role in the global EV supply chains, as it holds the world's largest nickel reserves with an estimated 21m tonnes or 22% of global reserves.

We also like quality Chinese industry leaders which have successfully diversified their supply chain outside China. Many of them are building significant production capacities in Southeast Asia to benefit from the large and young working populations to improve cost advantages.

Our theme on **Rise of India and ASEAN** captures promising secular growth opportunities in the strong foreign and domestic investments, young demographics, technology investment boom and green transformation. India's economic output hit a 7-months high in February and new orders jumped to a decade high for service providers, reflective of its superior growth momentum. India's services exports growth has stayed strong with the rapid rise of the Global Capability Centres set up by multinational companies. About 40% of GCCs globally are located in India, employing 1.7m people alone.

Indonesia offers the most exciting structural growth story within ASEAN, thanks to its young and growing population. Rapid urbanisation and robust private consumption are key growth factors for the Indonesian economy.

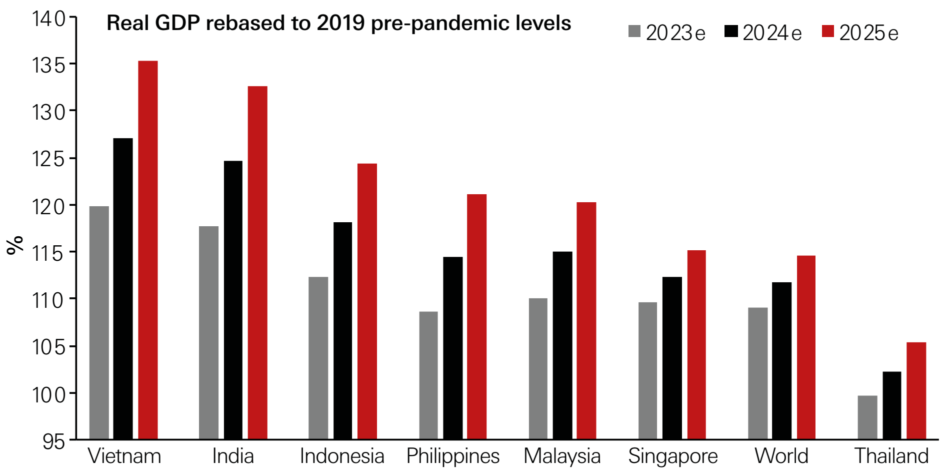
Another bright spot in the Asian market is the service consumption sector. Our theme on Future Asian Consumer focuses on the consumer discretionary sector which is projected to deliver 25% earnings growth in 2024 due to strong growth of service consumption, especially tourism, travel, catering and entertainment. We also like financial services which can capture the fast growing middle-class wealth management services demand in Asia. In Japan, we expect consumption to be supported by punchy wage hikes, tourism boom and the sustained reflation trend.

Under this theme, we position in Korean and Taiwanese tech leaders which benefit from AI innovation of digital consumption. Smartphones and PCs embedding AI technology, known as on-device AI, is likely to drive a new wave of hardware upgrade and level up the consumption experience.

Positioning ahead of the Fed's first rate cut in June, our theme on **Capturing Peaking Asian Yields** seeks for carry opportunities from quality Asian bonds. Disinflation is on track

in most Asian economies, allowing Asian central banks to cut policy rates in coming months. We favour Japanese and Korean financials and IG corporate bonds, Indian local currency bonds, Indonesian quasi-sovereign IGs, Macau gaming and Chinese TMT credits.

India and ASEAN economies are expected to grow strongly versus pre-pandemic trends



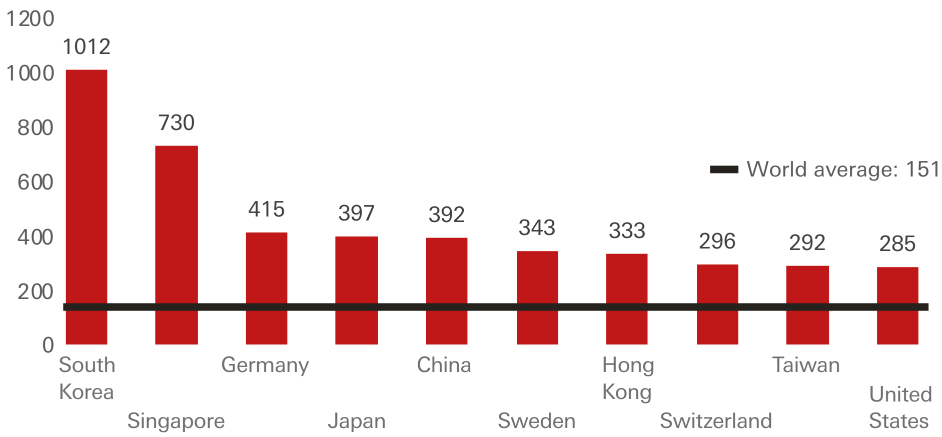
Note: 2023 GDP growth number for World is based on HSBC estimate and actual numbers reported by other economies; rebased to 100 for 2019.

Source: HSBC Global Research forecasts, HSBC Global Private Banking as at 13 March 2024.

Disruptive Technologies

After decades of small, incremental innovations, AI and new transformation technologies are disrupting business models, boosting productivity, bringing new applications and business opportunities.

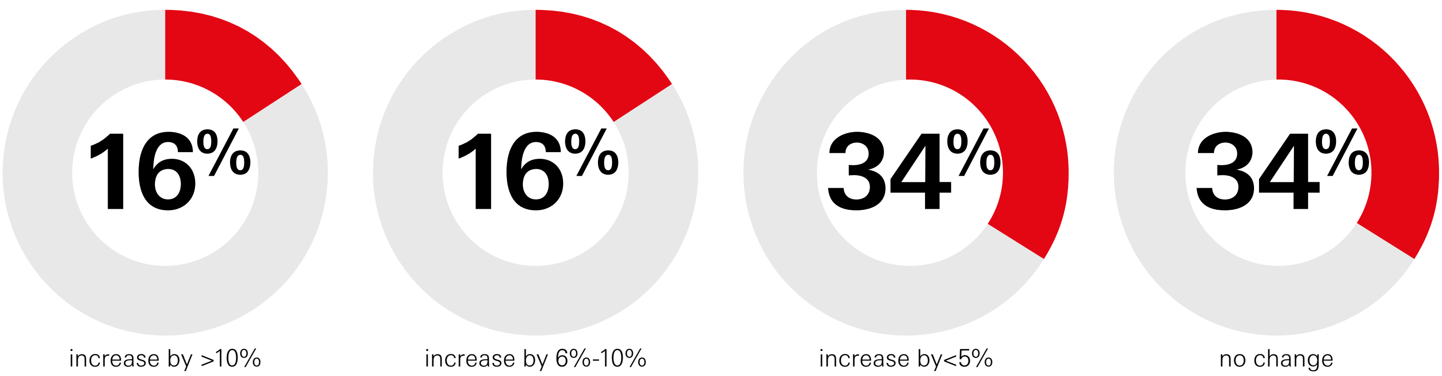
Installed Robots per 10,000 employees



Source: International Federation of Robotics as at 13th March 2024.

Our Two High Conviction Themes	
1. Aerospace	The industry is vast with the global fleet approximately 30,000 commercial aircrafts; nearly 9000 active satellites not to mention rocket, military aircraft and drones. New technologies are transforming the industry by redefining roles, expanding capabilities and opening new commercial opportunities that involve private enterprise.
2. Generative AI & Robots	Worldwide the number of operational industrial robots grew to 3.9 million (IFR, 2024) with China accounting for about 50% of new installations. In terms of robot density, South Korea is well ahead of Singapore (2nd) and Germany (3rd) with 1,012 industrial robots per 10,000 workers, but China is fast catching up and is already ahead of the US.

Revenue increases expected from AI adoption, in % of respondents



Source: McKinsey & Co. Thew state of AI in 2023, HSBC Global Private Banking, as at 13th March 2024.

AI is set to boost productivity

The ease and comfort of maintaining the 'status quo' also risks falling behind and becoming irrelevant. This has been the case with the IT revolution of the last 50 years, where in the USA and Asia have been competing on the playing field of innovation, whilst Europe has largely remained a spectator. The introduction of new powerful artificial intelligence models heralds a new chapter in the IT revolution with the promise of dramatic improvements in productivity, innovation and development.

Aerospace

Air travel has undoubtedly 'shrunk' the perception of the world and facilitated greater interaction between people and cultures and facilitated trade.

International travel has never been easier, but what's next?

Since the introduction of jet powered commercial airlines in 1952, innovation has been somewhat incremental rather than transformational.

Things are starting to get more interesting. True, space tourism is decades away even if a limited number can experience weightlessness for a small fortune. However, aircrafts travelling over Mach 5 speed (3,500 mph) is a real near-term possibility given that a private company has developed and tested a working engine that can operate both as a jet engine in the atmosphere (breathing air) and switch to being a rocket engine in space. Potentially this would allow a person to travel from London to New York in under 2 hours and from London to Sydney in about 4 hours compared to the 20 hours with today's fastest airliners. Clearly, there is still a need to develop a commercial aircraft that can operate at such speeds and cross earth/space. Private companies and entrepreneurs are investing heavily in the sector bringing renewed vigour and technological developments.

Unmanned Aerial Vehicles (UAV) which include drones are already being used in a number of applications including ferrying medical supplies; monitoring mass events; collecting samples; accessing difficult or dangerous locations such as electricity pylons.

They are creating new jobs in areas such as crop analysis where the pilot and the assessor may be totally remote from the UAV. AI is further expanding their autonomy and applications with pilotless UAV being tested for use as air-taxis.

Their cost of acquisition and operation of a UAV are typically far below that of a helicopter. Operating licences have already been granted in some countries for piloted electric air-taxis to provide a limited services often from airports to major cities.

Clearly, the aerospace sector is undergoing some significant changes as it incorporates new technologies and at the same time searches for ways to reduce its carbon footprint.

Generative AI & Robots

Well documented demographic changes in most advanced and large economies are providing a powerful incentive for the future growth of automation and robotics industry. The two key trends to note are the aging population and the falling fertility rates. In addition, rising prosperity and education among many nations are also driving subtler changes in career expectations and interests. As a result, companies are increasingly finding it challenging to find workers, especially for low tech, repetitive roles such as production lines or physically demanding or dangerous jobs. Many of these task can easily be automated to some degree.

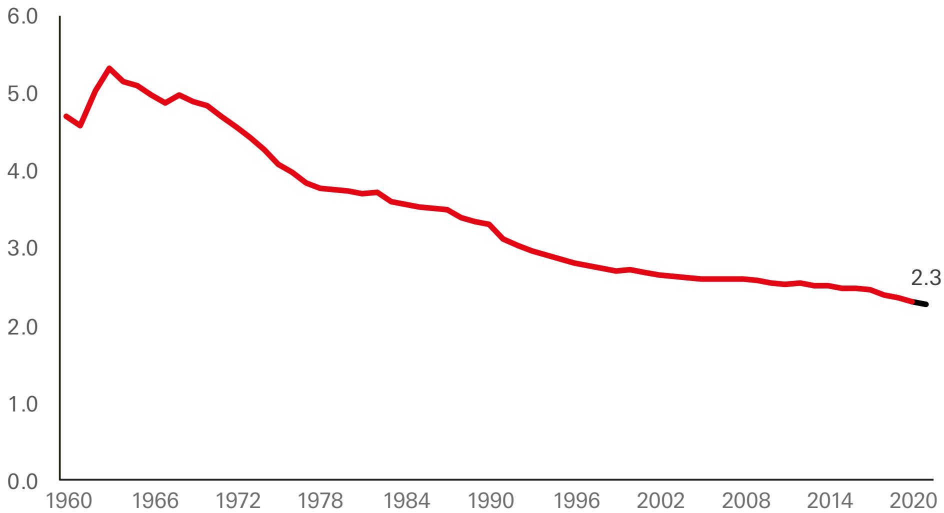
Supporting these long trends are technological and economic trends, including the fast-evolving AI that is enabling more complex tasks to be automated and robots to become increasingly autonomous. A second trend is that the cost of technology continues to fall, lowering cost of ownership and boosting potential investment returns.

Automated production lines can operate continuously avoiding many of the human factors that interrupt production. In addition, less support facilities and services are required for the smaller human workforce, reducing overhead costs. In some automated factories, robots are used to do monitoring and servicing tasks.

Emerging economies are potentially the largest beneficiaries of the roll-out of AI, potentially following a similar trajectory to that of mobile telephony. Many emerging markets already have a significant number of smartphone users facilitating the rapid adoption of AI enabled services. These services include education apps, financial marketing, services, verification and other web-based services. India and some African countries are leading examples how new advanced technologies can be rapidly deployed, thereby effectively leap-frogging older technologies previously used in developed markets.

Intelligent products and services that include some degree of autonomy will therefore help reshape not only the workplace but also society.

Fertility rate, worldwide (births per female)

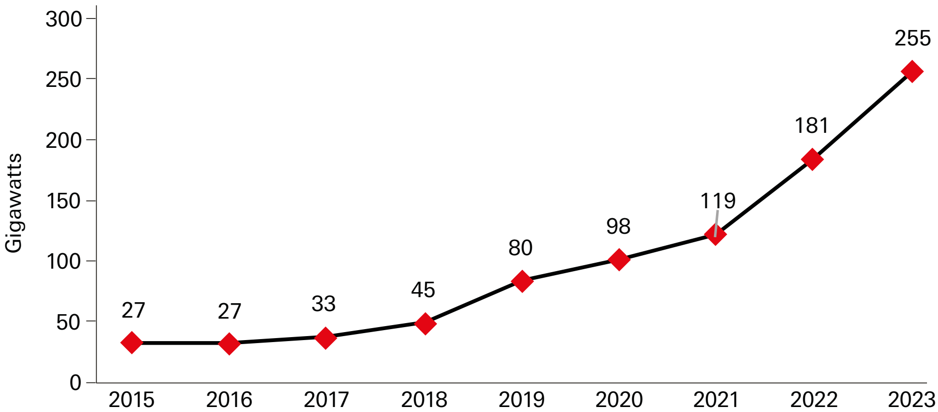


Source: The World Bank, as at 13th March 2024.

Climate Action

Sustainable investments may be seeing a turnaround in sentiment with recent results in a small selection of renewables companies beating estimates, drawing investor interest again and raising stock prices.

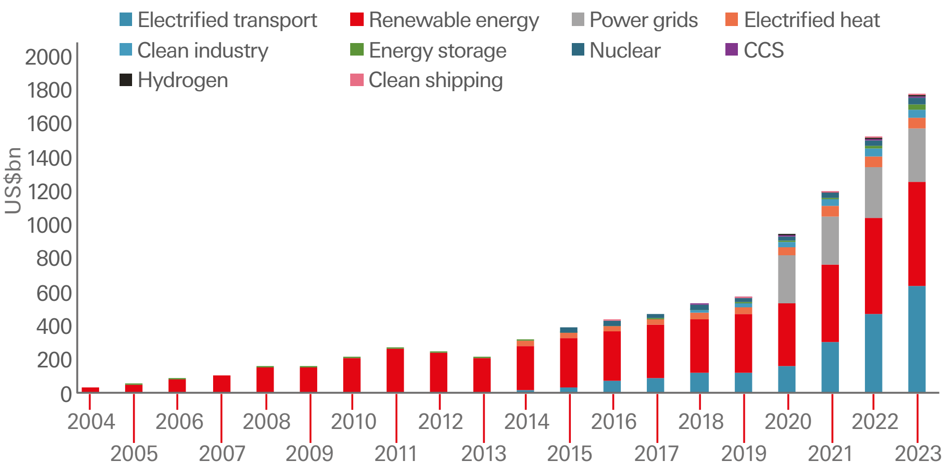
Solar exports from China hit new highs



Source: Bloomberg NEF, HSBC Global Private Banking, as at 13th March 2024.

Our Two High Conviction Themes	
1. Opportunities in Sustainable Energy	There has been a marked rise in the desire of global economies to move to lower carbon energy production while also increasing the independence of their domestic energy production. Renewable energy offers a solution.
2. Biodiversity and Circular Economy	Biodiversity across the globe has been materially impacted by human activity in the last 50 years. Investment initiatives to finance action to conserve and reverse the damage are now gathering pace.

Energy transition Global investment



Source: Bloomberg New Energy Finance, HSBC Global Private Banking, as at 13th March 2024, data is to end 2023.

Data from Bloomberg New Energy Finance shows that 2023 was another record year for investment in the energy transition theme with total investment up 17% year on year over 2022. Electrified transport was the segment which grew the largest in absolute terms rising 35.8% to over $634bn. Hydrogen was the fastest growing segment from an investment perspective growing by 3x to over $10bn. Carbon capture and energy storage also grew rapidly seeing investment rising 94% and 77% respectively from 2022 to 2023. Nuclear was broadly flat year on year and electrified heat was one of only two segments that declined, falling just over 3% to $63bn and the other being clean shipping which fell from $460m to $390m and could be largely attributed to weakness in the shipping industry.

Our theme, Opportunities in Sustainable Energy aims to capture the most attractive potential of the sustainability trend which is the change crossing the entire energy framework.

Renewable energy had a record year with $673bn invested across asset finance, public markets, small-scale solar and VC/PE channels. This was a 10% rise on 2022 figures and over 92% of the total was for project deployment. Investment in large scale renewables projects fell slightly but this was more than made up for by small-scale renewables projects.

Electric Vehicles have taken the headlines in more recent months as demand for the segment has softened relative to expectations, affected in the main by the continued shortfall in appropriate charging infrastructure. Many drivers are still facing long wait times to charge their vehicles on longer trips and this is affecting first time purchases but points to a near term need and opportunity for investment in charging infrastructure.

Across the wider energy network, it is the grids that are facing a similar challenge with the bulk of development in the network needed on reshaping and reorganising grids to accommodate the growth being seen in solar and wind generation.

Traditional fossil fuels are burned in a central location and distributed to the network in a spoke and wheel grid shape. With wind and solar, the generation centres are scattered and so the grid needs to be reshaped accordingly if it is to meet the sustainable future that many governments have outlined in their net zero targets and policies.

Energy is not the only industry undergoing major change toward a sustainable future. Biodiversity is now a key focus of investors. We engage with this trend through our Biodiversity and Circular Economy theme.

Biodiversity across our planet has been severely impacted over the last 50 years and the continued expansion of human activities in fishing, farming and manufacturing destroy ever more ecosystems that are key to a sustainable future.

Globally a lot is happening across sustainability providing tailwinds to both of our themes.

In Europe, the European Commission has proposed a 90% cut in EU emissions by 2040, with a full phase-out of coal by this date.

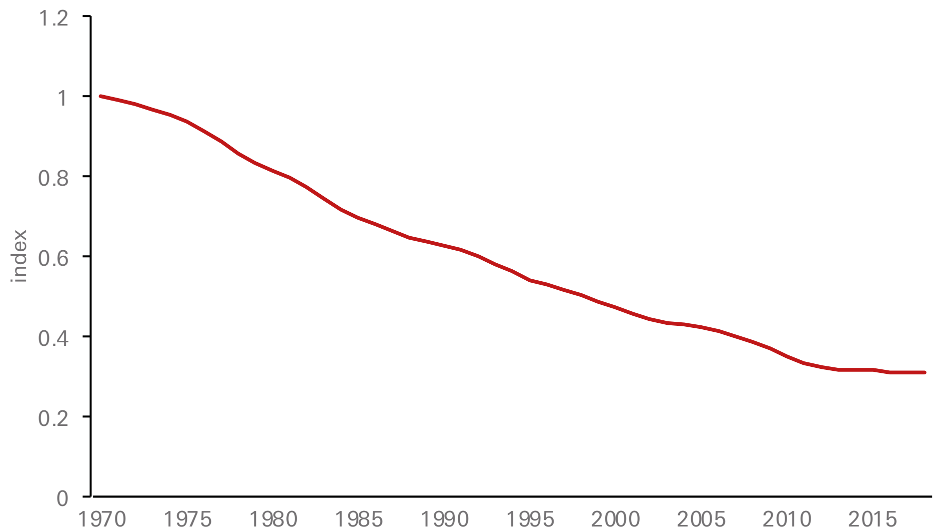
China is one of the most important countries in the race to net zero and at the opening session of China's National People's Congress 2024, they set a new energy intensity (per GDP) reduction target for the coming year at 2.5%, slightly higher than last year's target of 2%.

In Latam, small-scale solar, 5GW or less plants, in Brazil is driving the bulk of clean energy investment in the region accounting for over 80% of LatAm investment in 2023. The country is set to preside over COP 30 in 2025 too and will be keen to showcase its green credentials for the event especially biodiversity progress.

In the US, California continues to lead the way and in Q4 2023, signed two bills into law, for public and private companies who "do business in California" to disclose publicly their Scope 1, 2 and 3 GHG emissions, and report on climate risks in accordance with the TCDF framework.

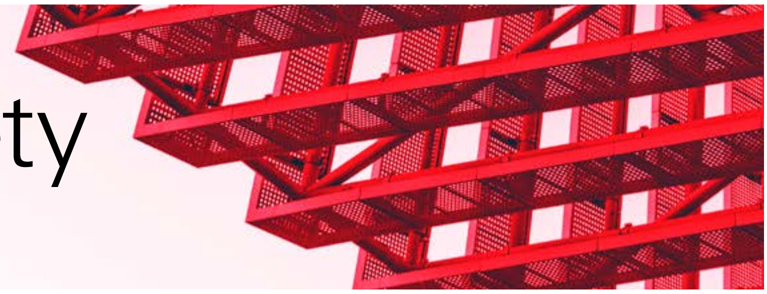
The momentum of government and corporate policies continues at pace, as does investment into sustainable solutions but now profitability, and with it, sentiment, may also be turning for many sustainable companies which bodes well for the sector.

Global biodiversity continues to be in rapid decline



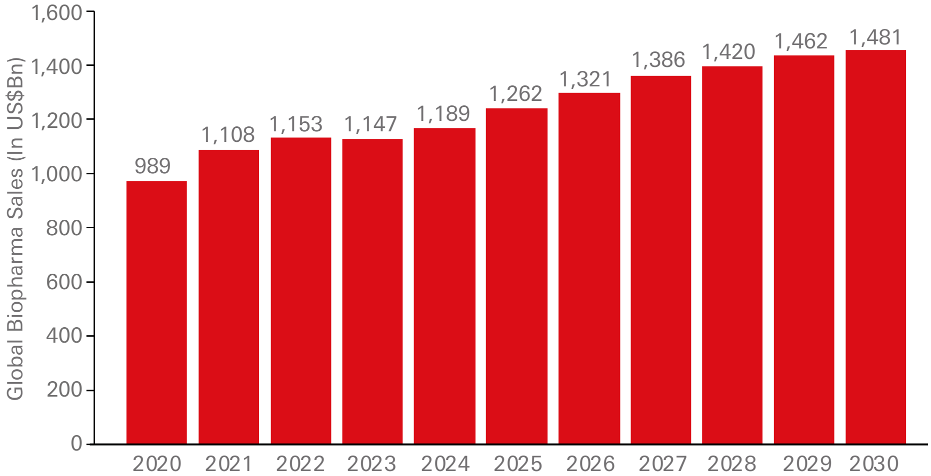
Source: livingplanetindex.org, HSBC Global Private Banking, as at 13th March 2024.

Evolving Society



The way we want to live and what we value the most is undergoing a structural change. And although the change may sound slow moving, it can have a significant impact on the performance of sectors and stocks affected by the change.

The biopharma market continues to grow rapidly

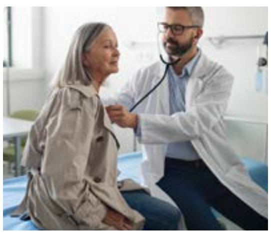


Source: Visible Alpha, HSBC Global Private Banking as at 13th March 2024.

Our Four High Conviction Themes	
1. Infrastructure and Future Cities	With 80% of global GDP produced by cities, and 56% of the global population living in them already, cities drive the pulse of the economic cycle. Smart cities invest huge amounts to gather and use data that help optimise traffic and energy consumption. They need to invest in infrastructure to compete with others, and in the context of decarbonisation, re-onshoring and digitalisation.
2. Healthcare Innovation	The excitement about obesity-related drugs in recent months highlights not only the importance we attach to our health and physical appearance, but also the very rapid innovation in this area. Technological advances, including AI speed up drug development, and lower the cost of healthcare services.
3. Social Empowerment and Well-being	Gender equality, female workforce participation, access to quality education and healthcare are important goals that investors and consumers care about. While generating appropriate financial returns, investors can use an impact or thematic approach to this theme, or even select companies that are making a positive transition to better social values and practices.
4. Sports and Entertainment	Consumption of services and entertainment is growing rapidly due to generational shifts where experiences are often more highly valued than the consumption of yet more goods. This theme sits at the crossroads of technological innovation as well as in virtual reality, high performance computers and AI.

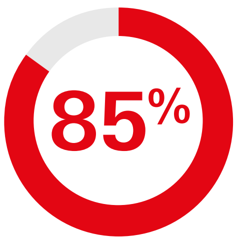
Annual global infrastructure needed for the net zero transition

$2.9trn



Projected US national healthcare expenditure in 2024

$4.9trn



Percentage of US consumption that is controlled or influenced by women

Source: Bloomberg, Forbes, HSBC Global Private Banking as at 13th March 2024.

When we think of societal changes, we typically have slow moves in mind. And indeed, global ageing is a slow but steady process, with one generation following another. But sometimes, these changes can be sudden.

A big shock, such as the COVID pandemic, can lead people to re-assess their priorities and the way they want to live. For example, we attach more importance to our health as we realised during the pandemic how precious it is. While we were locked up, we didn't have much fun and were only able to treat ourselves by buying goods. So, after the reopening, the focus has turned to services, with restaurants, travel and entertainment rapidly gaining share in consumer expenditure.

Other reasons for accelerated change come from the points where societal changes meet technological advances. As you may have noticed, many of our high conviction themes in fact sit at the intersection of two or even three trends. We believe that this provides additional support to them and further confidence that the theme will endure. For example, infrastructure is required to enable technological disruption, but tech also makes infrastructure more powerful. And healthcare required by our ageing populations is seeing rapid productivity gains, thanks to technology.

It is therefore clear that our Evolving Society trend is broad in scope, and the themes under it will certainly evolve (no pun intended). We believe it will include themes related to consumption trends, the silver economy, NextGen, social inclusion and health innovation, among other things. For now, we focus on four high conviction themes, as we have added 'Sports and Entertainment' to the three existing ones.

Infrastructure and Future Cities

If we were to highlight one theme that embeds all the big trends around us, it would probably be infrastructure.

Infrastructure goes beyond roads and bridges, which are essential, and in many countries need to be repaired after years of neglect. In our multi-polar world, the topic of re-onshoring requires new ports, roads, communication and power networks. The net zero transition requires USD 6.7trn of spending each year till 2050 (2.9trn of it in infrastructure), in solar, wind and electricity grids. And of course, our data-led economy also needs huge infrastructure, in communication networks (fibre, towers and satellites) and datacenters. And in our view, demographic changes have an impact too, as transportation and healthcare facilities need to be adapted, for example. All of this clearly will be focused on cities, but also extends across the world.

Last but not least, infrastructure needs to be funded, and with government deficits already posing an issue, the private sector needs to play a role and is in a good negotiating position to extract attractive returns. Those returns are most often inflation linked, which is an attractive feature in our world where inflation – though falling – will still remain high.

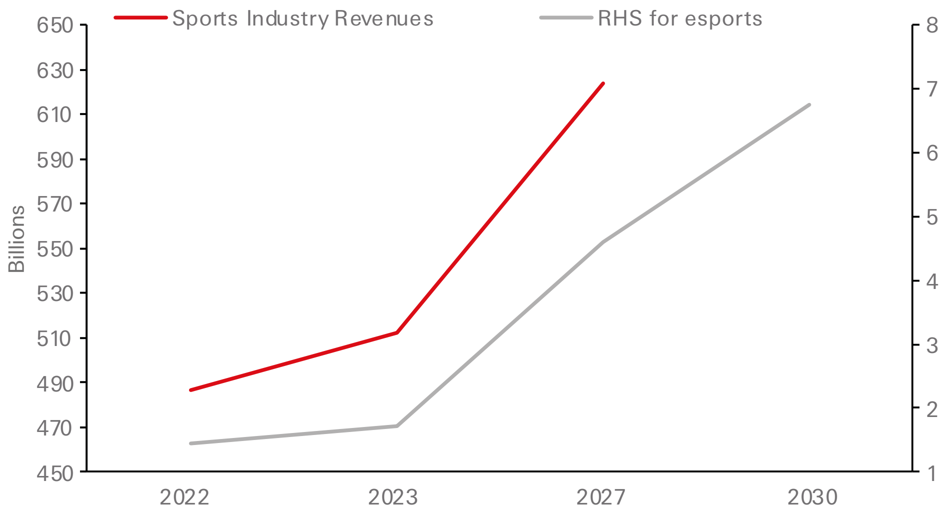
Our **Healthcare Innovation** taps into the long term rise in demand due to global ageing, but also into innovation. Some of the best performing stocks in recent months come from this traditionally defensive sector, as demand for obesity and diabetes drugs is booming. Medtech innovation is accelerating, with AI helping speed up diagnostics and drug development. And many governments see life sciences as a key growth area where they want to stimulate innovation.

Our theme of **Social Empowerment & Well-being** overlaps with a number of UN Sustainable Development Goals such as good health and well-being, quality education and gender equality. We believe investors can use an impact or thematic approach to this theme, or even select companies that are making a positive transition to better social values and practices, while generating appropriate financial returns. Please refer to our ESG disclosures at the back of this brochure.

Our new theme of **Sports and Entertainment** taps into younger people's interest in online entertainment, but clearly also intersects with technological innovation. Investment activity in sports and entertainment including esports is high across sports teams, venues and streaming content.

The physical and virtual worlds are becoming blurred with the success of esports and the advances in VR and AR technology. Saudi Arabia for example has been investing heavily in sports as a way to modernise and change its economy and image. We believe the Olympics and the European football championships are events that can be triggers for increased interest in this theme.

Sports and esports revenues, in billions

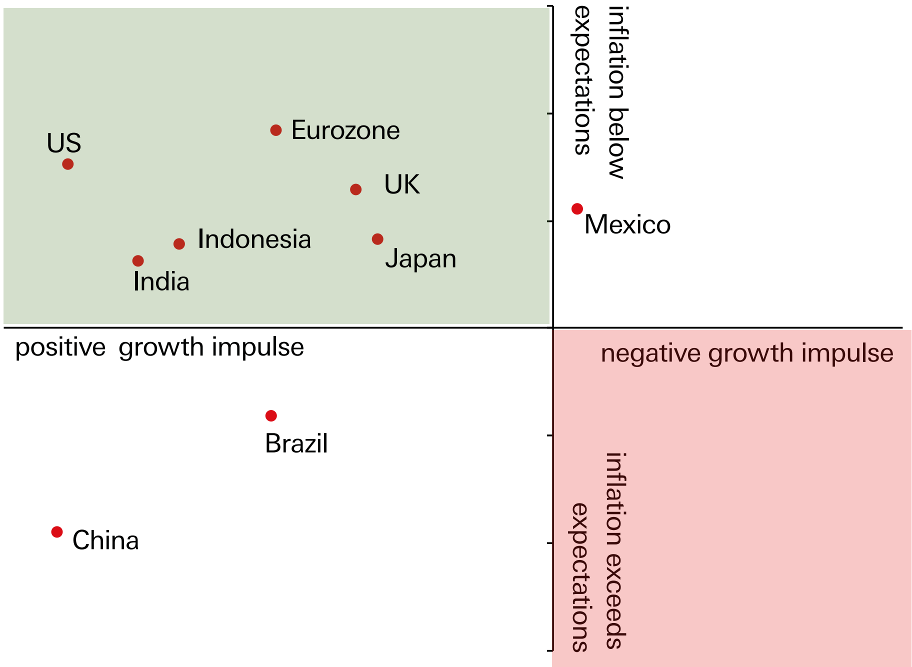


Source: Statista, HSBC Global Private Banking as at 13th March 2024.

Investing Ahead of the First Fed Rate Cut

Rate cuts are likely to start in Q2, while economic growth – especially in the US – is beating expectations. This is a positive environment for credit and equities. Our themes tap into two of our favourite areas: investment grade bonds and US stocks.

Most economies have a constructive growth / inflation mix, with the US being most favourable



Source: Bloomberg, HSBC Global Private Banking as at 13th March 2024.

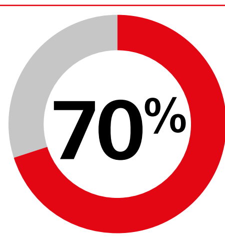
Our Three High Conviction Themes	
1. American Resilience	The US economy has been beating expectations for 15 months now, largely thanks to the consumer. Labour market remains strong, and we see many opportunities in consumer-related stocks, especially in the higher and the lower end (the middle may be squeezed). Another cyclical sector with opportunities is financials, where regional banks are challenged but large caps are doing well.
2. North American Re-industrialisation	US industrials are seeing a cyclical uplift, but they also benefit from the structural trend towards onshoring and near-shoring of supply chains. Legislation is already in place and both leading Presidential candidates favour a manufacturing renaissance. The beneficiaries of this trend include companies in the industrials, engineering, construction and technology sectors.
3. Opportunities in Quality Credit	Ahead of the rate cuts, we want to lock in current attractive bond yields. Adding a solid block or highly rated bonds and a relatively predictable income stream should also help stabilise portfolio returns as uncertainty remains elevated. As interest rate risk remains better compensated than spread risk, we continue to favour investment grade.

US government spending on infrastructure in the next 10 years

$2trn

US Gen Z spending power, much of which will happen online

$260bn



Ratio of yield on investment grade vs high yield – the highest since 2007

Source: HSBC Global Research, HSBC Global Private Banking as at 13th March 2024.

The macro-economic investment picture has become clearer and more constructive in recent months. While many investors were still worried about a US recession in late 2023, the debate has moved on from 'hard vs soft landing' to the possibility of 'no landing'. And in Europe, we seem to be coming out of recession, providing some positive cyclical momentum. On the inflation front, progress has slowed but global inflation measures nevertheless continue to gradually drift down.

So, the growth / inflation mix is positive for both bonds and stocks, which is reflected in our overweight in both asset classes in our tactical asset allocation. While Q1 2024 saw renewed bond volatility, we're encouraged by the fact that markets are now again more realistic on rate cut expectations, pricing in the first rate cut in June, rather than their earlier hopes of a March cut. As we approach that cut and central banks stick to the plan, bonds should see some support, and we think there is ample scope for real yields to come down.

Our themes under this trend have two things in common. First, they are focused on quality, both in the bond and the stock market. Secondly, they differentiate areas with cyclical and structural support from others. As a result, we are directed towards investment grade in the bond market, and the US for stocks.

American Resilience

Our clear preference among Western markets continues to be for the US, because of its resilient economy, positive earnings and price momentum. To mitigate concerns over the valuation gap with Europe, we broaden our search beyond tech into other sectors.

The US consumer is a key driver of US economic resilience, and we believe that companies catering to the consumer can do well. That said, there is a trend towards 'trading down' as some households are still feeling the heat from high inflation. The higher end of the consumer sector is doing

well too, and households with high disposable income are looking for interesting experiences, boosting travel, entertainment, and consumer services. It is the middle part of the range where companies can feel a bit more squeezed, so we avoid that area.

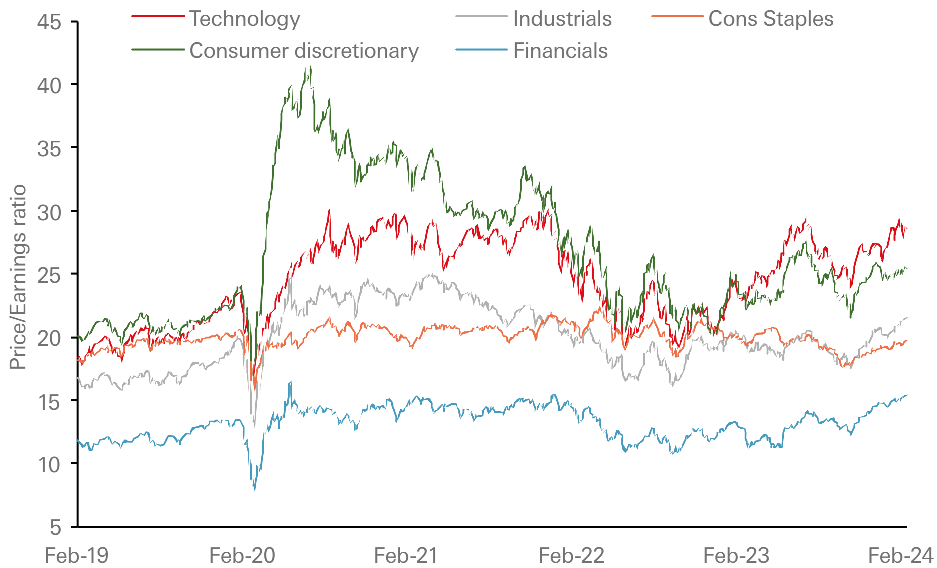
Financials are an interesting cyclical sector too. While there are valid concerns about the small and regional banks (including their commercial real estate exposure), we think larger banks generate solid income and are attractively priced.

Our **North American Re-industrialisation** theme recognises that manufacturing activity is picking up for both cyclical and structural reasons. Companies' urge to re-onshore some production, as they want to make supply chains more reliable is a key driver here. And it is further helped by government incentives for manufacturing and R&D. Supportive legislation includes the CHIPS & Science act, the Inflation Reduction Act and Infrastructure Investment and Jobs Act, which will add about $2trn in federal spending in the next 10 years. It is clear that manufacturing workers are an important constituency of voters which both presidential candidates will want to cater to, so we expect the run-up to the elections to be favourable for the sector.

Opportunities in Quality Credit

We maintain our overweight in investment grade, with a preference for the USD market, where spreads are attractive, and liquidity is the deepest. Investment grade traditionally is one of the best performing asset classes in an environment where growth is slow but positive. High yield has performed well, but spreads are now quite tight, and any tightening of financial conditions or lending criteria could lead to some spread widening for low-rated issuers. Hence, we prefer investment grade. We see opportunities in both financials and non-financials. While financials used to offer an attractive pickup vs non-financials, this gap has been tightening, so we like to diversify and widen the opportunity set. Within financials, we go for large diversified businesses and focus on the senior part of the bank capital structure as the yield pickup of Tier II is generally not very generous.

Concerns about high US technology valuations can be addressed by diversifying into other, cheaper, sectors



Source: LSEG, HSBC Global Private Banking as at 13th March 2024. Past performance is not a reliable indicator of future performance.

Equities

Global equities have been supported by the prospect of rate cuts, better than expected earnings, and the enthusiasm around technology and AI. That's in spite of lower than average global growth and geopolitical uncertainties. Positive longterm fundamentals, including many of our high conviction themes, also continue to support a mildly overweight position in equities globally, with a preference for the US and Asia. Given the uncertainties and the prospect of rates remaining relatively high, we remain focused on quality stocks with strong earnings support and manageable leverage.

US equities: technology leading secular drivers

US economic growth is relatively slow, it continues to surprise on the upside. On the rate side, market expectations are relatively close to ours, and as the 75bp of cuts come in this year, this should support sentiment. Historically, when the Fed pauses, US equities lead global markets for the next twelve months.

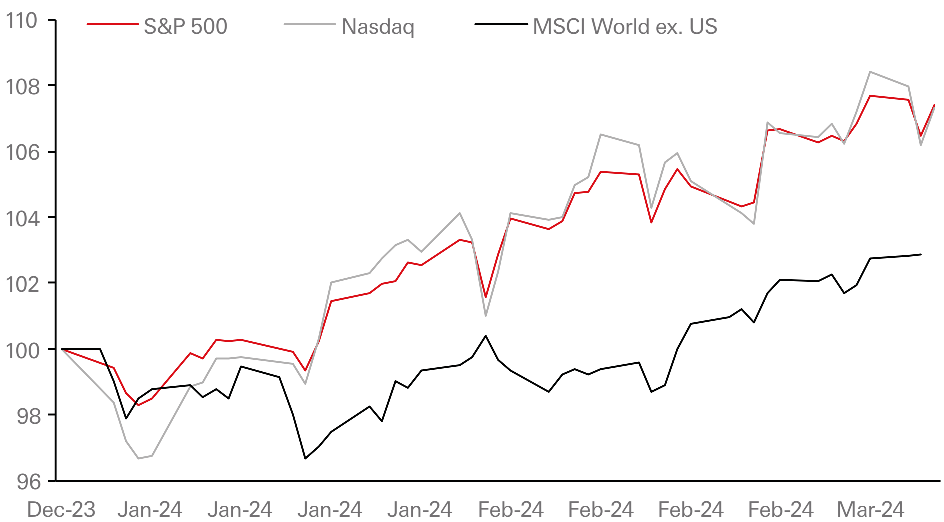
That said, we think returns from here will depend more on earnings growth than multiple expansion, and therefore it is important to stick to companies that can grow their earnings. In the mid-1990s, the Fed doubled the policy rate from 3% to 6% and then reduced Fed funds modestly to 5.25% by early 1995. Nevertheless, the technology revolution lifted productivity and equity market returns.

In the current bull market, some have asked whether tech valuations are too high, but we note that there are many technology companies which are generating strong earnings, easing investors' fears of a bubble. In fact, one of our key beliefs is that tech innovation, including AI, will spread from a handful of large cap stocks to other tech stocks and – importantly – across other sectors too. As the technology revolution continues to diffuse through the economy, many companies will use it to raise productivity and to innovate. In fact, we think technology will also serve as a deflationary force, countering concerns that inflation is pushed up by factors such as de-globalisation or labour market changes.

Our investment theme on American Resilience remains firmly in place as despite the near-term hurdles, the US economy and financial markets should remain healthy.

In addition, the North American Re-industrialisation is just beginning. Corporate investment in new manufacturing facilities to secure supply chains is quite strong and the leading US presidential candidates are eager to expand manufacturing activity. Near/onshoring of jobs is occurring and job creation remains healthy.

US markets are outperforming global markets this year



Source: Bloomberg, HSBC Global Private Banking as at 13 March 2024. Past performance is not a reliable indicator of future performance.

Asian growth & investing

Equity market performance has been uneven in the region this year. Expectations for Chinese growth remain steady, but upside is limited. As a result, we look for better opportunities elsewhere and continue to actively diversify. We see strong cyclical and structural reasons to be overweight on India, Indonesia, South Korea and Japan. Corporate earnings growth is expected to rebound meaningfully in 2024 for EM Asian markets and exceed the global average.

Economic growth in India is expected to accelerate in 2024 and therefore Asian consumerism remains an important theme for the region. Increasing trade flows and rising per capita incomes are providing further opportunities for equity investors.

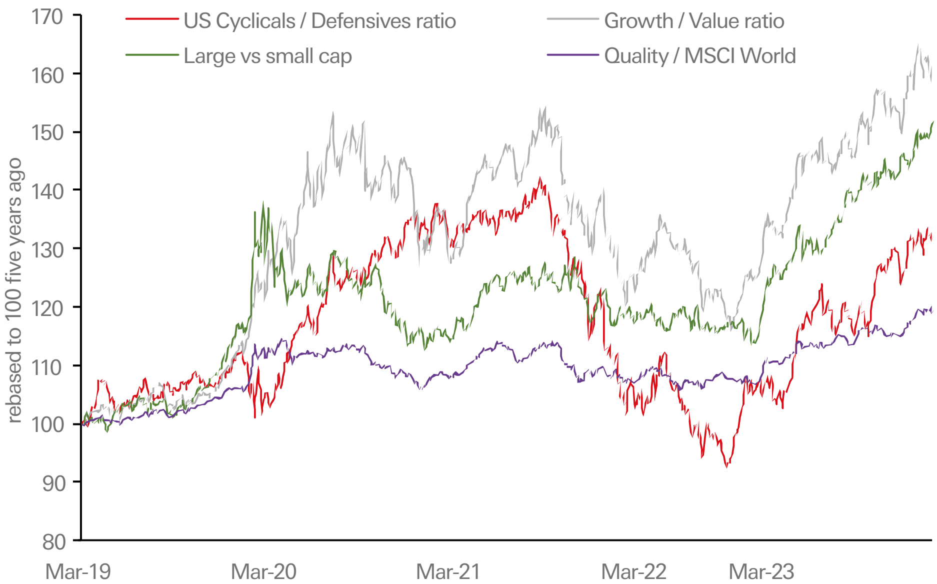
From a structural perspective, innovation and investment in technology and sustainability are key drivers for regional equities. Throughout the region, the reshaping of Asia's supply chain is lifting economic growth in several markets and providing more diversified opportunities throughout the region.

Europe: still underweight but could soon look more attractive

European economic growth remains weak but international opportunities may provide upside for European companies. Earnings are often globally sourced, and better growth abroad could help lift earnings, though much will depend on China's outlook.

Valuations are attractive, but substantial earnings upgrades seem unlikely given the weakness in domestic markets.

US technology, growth-style and quality stocks continue to lead the market momentum



Source: Bloomberg, HSBC Global Private Banking as at 13 March 2024. Past performance is not a reliable indicator of future performance.

Inflation also remains a concern for margins, even though central banks are preparing easier monetary policy, which is supporting sentiment.

We have a preference for the UK (neutral) over the Eurozone (mildly underweight). This is because of the valuation differentials, the slightly better-than-expected UK data recently and the typically relatively low volatility of the UK market.

Investment Summary

Uncertainty and volatility in financial markets will undoubtedly remain throughout the year as political and geopolitical conflicts continue. Equity investors will also face divergent earnings potential between countries, sectors and individual companies. That suggests a need to differentiate but pick companies across a wide spectrum, to ensure proper diversification and to widen the opportunity set. Given the many sources of earnings growth, we are comfortable with an overweight for global equities, but look for quality companies with strong balance sheets.

Fixed Income

Bond market performance has been relatively muted since the start of this year. The volatility at the short end of the yield curve remains elevated as markets continue to reassess rate cut expectations. Although some patience may be required, we expect DM government bond yields to resume their downward trend in Q2.

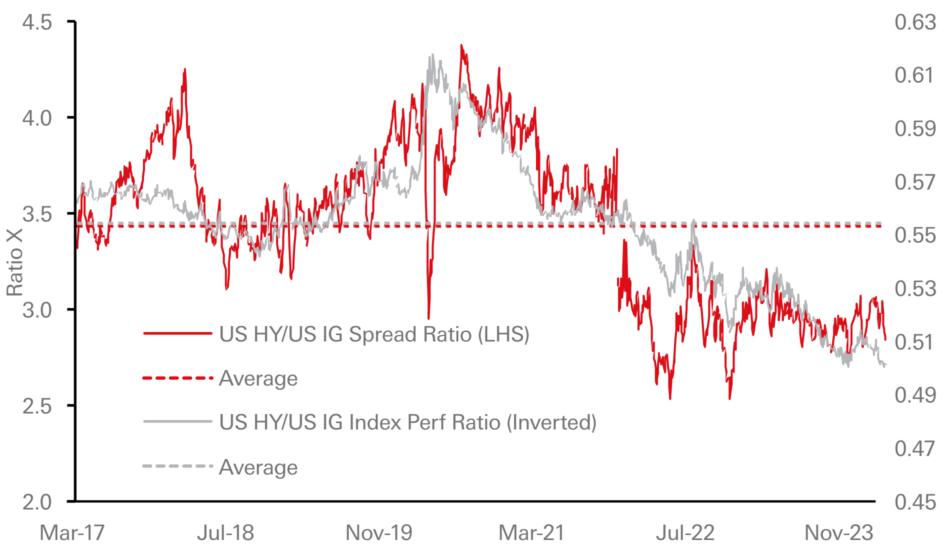
Despite the resilience of many economies, especially the US, we continue to focus on quality credit across Developed and Emerging Investment Grade (IG) markets. While high rates may have had a lagged effect on lower rated companies and there is a chance that credit spread volatility may pick up in the coming months, amid stretched valuations.

Global High Yield (HY) has been surprisingly resilient and has continued to outperform, despite its tight spread valuations. The relatively distant wall of bond maturities (2025-2026) and low current default rate provide some explanation, but we believe that spreads are too tight for this stage of the economic cycle. When comparing US HY to US IG, the spread and performance ratios are both confirming relative richness. Therefore, we prefer to focus on IG corporate credit.

When considering the tight credit spread environment, especially for Global HY, we believe that future returns will be generated mostly by the rate component (i.e. government bond yields). As such, the direction of US Treasury (UST) yields is not only key for global government bond markets, but also for corporate bonds. Levels of expected inflation have already come down significantly and we expect them to consolidate around their current levels of 2.0-2.5% for the US and Eurozone. Consequently, the major driver left for bond yield movements is the real rate element. At circa 1.9%, long-term UST real rates are pricing in a generous risk premium for the uncertainty around the economic and fiscal outlook. In addition, real rates tend to move together with the policy rate, and the Fed cuts could thus lead to lower real yields. Hence, we think that current yield levels represent an attractive entry point, which justifies our duration targets of 5-7 years for DM corporate IG bonds and 7-10 years for DM government debt, except for Japan (3-5 years). Since Q4 2023, the yield curve has been normalising (disinverting), thereby reducing the relative appeal of short-dated instruments and increasing the benefit of locking in longer-dated bond yields.

Overall, Global IG continues to be our largest overweight across our bond allocation and its absolute yields remain attractive. In addition, our focus on quality corporate credit at the "belly" of the yield curve resonates well in the context of the late stage of the economic cycle. As shown in our chart, the level of risk-free rates represents almost 80% of US IG nominal yields and therefore should benefit from steeper price appreciation, if our view of lower rates materialises.

US HY appears to be expensive on a relative and absolute basis



Source: Bloomberg, HSBC Global Private Banking as at 13th March 2024. Past performance is not a reliable indicator of the future performance.

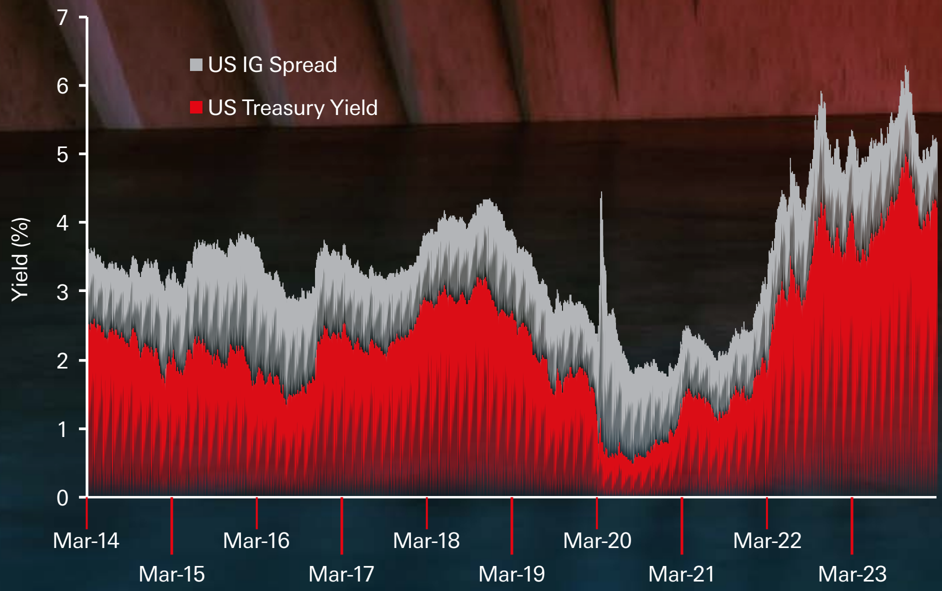
Additionally, we believe that long-term factors justifying lower bond yields remain intact. These forces, mostly structural, range from demographics to government indebtedness. But other factors may play a more immediate role:

- The disinflationary environment across many countries is still in place. That's despite some supply-side bottlenecks emanating from international conflicts. Lower energy prices and China's low inflation are key here.
- Geopolitical risks and elections in more than 70 countries create some safe-haven bid.
- Finally, part of the $7 trillion sitting in US Money Market funds and cash alternatives will be reinvested elsewhere. We are eager to see what happens on this front when interest rate cuts materialise, but we expect some support for bond markets.

Sector-wise, we continue to favour Technology, Financials and EM SOEs. At the credit level, we focus on quality companies which prioritise bondholder-friendly policies, have sound leverage ratios and lower short-term refinancing needs. This is valid for DM but also for EM companies, which continue to offer carry opportunities and bring diversification across ratings, sectors, and countries. Consequently, we remain comfortable in retaining a modest overweight stance on EM corporate credit, specifically within Asia and Latin America. Overall, elevated yields on corporate IG bonds and the direction of rates set the stage for attractive total returns in 2024, in our view.

We remain neutral on Hard Currency bonds issued by EM governments across offshore markets and mildly underweight on EM Local Currency Debt. Higher DM rate volatility and real yield levels, a stronger US dollar and a slower pace of disinflation across EM economies, have all been detrimental to EM LCD market performance of late.

Risk-free rates represent a large part of US IG yields and their direction matters for returns



Source: Bloomberg, HSBC Global Private Banking as at 13th March 2024. Past performance is not a reliable indicator of the future performance.

Currencies and Commodities

Following some weakness in late 2023, the US dollar has rebounded as bond yields rose and US data was stronger than expected. We think the US economic outperformance vs other G10 nations should continue to lend support to USD, even as yield differentials may narrow. On the flipside, we see EUR and GBP undermined by unsupportive domestic dynamics. We remain selective on EM and prefer currencies with strong fundamentals or high yields (INR, KRW and BRL). In the commodity market, we do not see a strong directional trend developing. Prices for industrial metals could be volatile, as the effects of the weak Chinese property market balance the demand from areas such as Electric Vehicle (EV) production.

Bullish
In G10: USD, JPY and CAD
In EM: INR, KRW and BRL
Neutral
In G-10: CHF, AUD and NZD
In DM and EM: SGD, RMB, IDR, PHP and THB
Commodities: Gold, Silver, and Oil
Bearish
In G10: EUR and GBP
In EM: ZAR and TRY

We believe USD's major drivers will remain broadly unchanged for now with the key positive factor being US economic outperformance compared to G10 peers. This is driven by cyclical factors (e.g. the labour market) and structural ones (e.g. re-onshoring, US tech strength).

The market is now in line with the Fed's guidance on the path of US rates in 2024, and this expectation of fewer rate cuts should continue to support USD. To a lesser extent, we believe geopolitical tail risks around the conflicts in Ukraine and in the Middle East are also supportive for USD. As for the US election, we think that the increased uncertainty (risks of a fiscal drag from continued fiscal spending, risks of deadlock in Congress, and potential tariffs to the EU and China) would lead to some USD strength – especially if markets were to start anticipating a second term for Mr Trump.

We acknowledge that there are some risks to our bullish USD view. If global growth rebounds, it would weigh on safe haven demand and make the US resilience less special. Strong global equities could also reduce the attraction of USD.

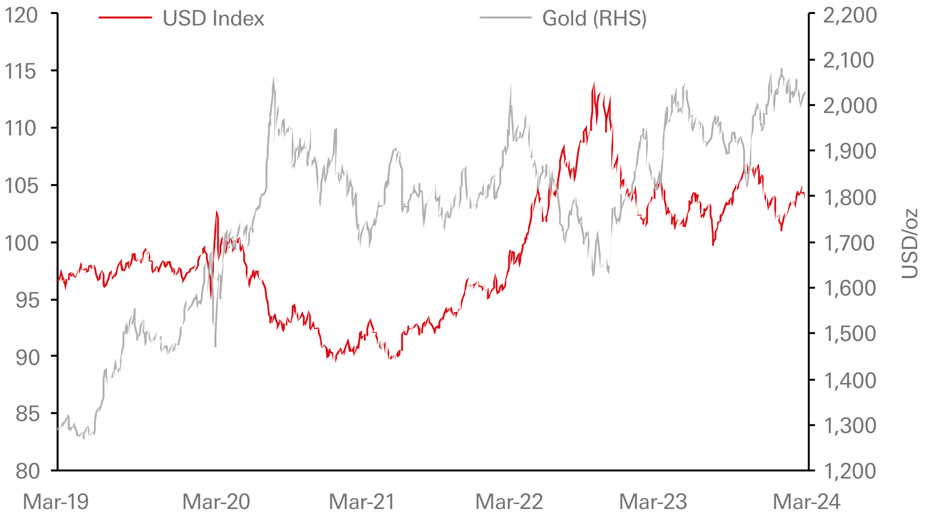
But our view remains that the Eurozone and the UK economies continue to lag behind the US. This adds another possible scenario where the ECB and BoE could bring forward their rate cuts, if data were to disappoint. In the UK though, the monetary policy outlook is particularly unpredictable, even including risks of further tightening if inflation remains elevated, adding to the BoE's headache to support growth while inflation remains above target. This mix of uncertainty and challenging data is clearly not supportive for EUR or GBP.

Cyclical drivers will also affect CAD, where we see upward potential given the supportive inflation/growth mix and reduced rate cut expectations. For Australia and New Zealand, China's economic outlook will be key, but as we haven't observed any strong improvement here, our neutral view on these currencies remains.

In EM, we remain focused on countries with solid growth and yield opportunities. We therefore prefer INR and KRW in Asia: a strong manufacturing sector and attractive yield should support INR, while strong equity inflows and resilient exports should help KRW to rebound. We see RMB remaining broadly stable amid supportive monetary guidance from the People's Bank of China. In the rest of EM, we also like BRL, which offers a large yield and relatively low political risk compared to MXN (which is vulnerable to US and Mexico's elections). On the flipside, currencies with weak fundamentals, such as TRY and ZAR, warrant caution.

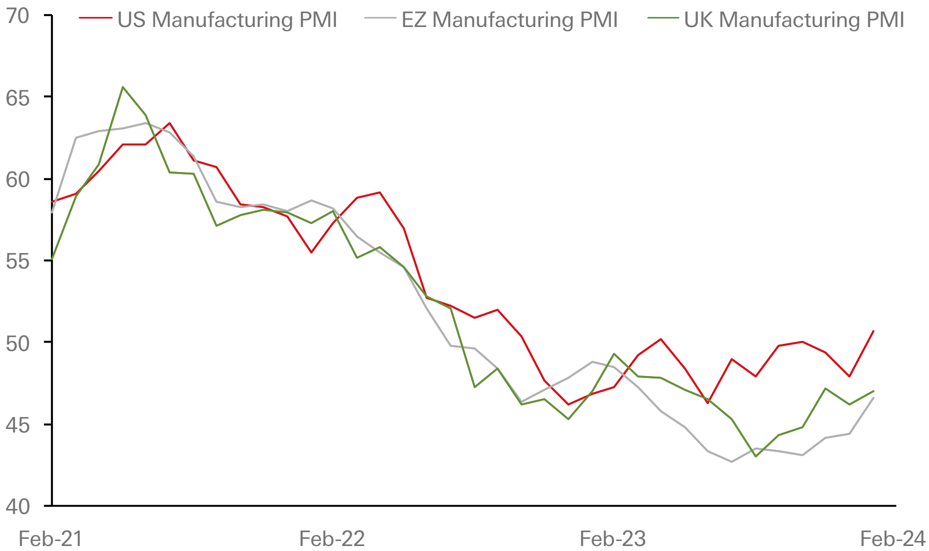
We see commodity prices moving broadly sideways this quarter, with precious metals and oil prices pulled in both directions. Risks of a supply squeeze in industrial metals have risen lately especially due to a lack of capital expenditure in mining and exhausted inventory levels, while demand could be resilient on the back of increasing EVs production and increasing use of metals in renewable energy generation. However, the property sector in China remains a major drag on metals prices.

Although gold tends to be vulnerable to higher rates and a stronger USD, it has been quite resilient lately



Source: Bloomberg, HSBC Global Private Banking as at 13th March 2024. Past performance is not a reliable indicator of future performance.

The US Manufacturing PMI is stronger than in the EU and the UK, and should remain a key positive driver for USD



Source: Bloomberg, HSBC Global Private Banking as at 13th March 2024.

Hedge Funds

The high level of uncertainty and potential for volatility related to geopolitics, interest rates and macro-economic data provides hedge funds with a big opportunity set. And amid high correlation between bonds and equities, the diversification that hedge funds offer is particularly welcome. We remain positive on discretionary macro managers, equity long/short managers with low net exposure, structured credit, multi-strategy and multi-pm.

Rolling three-year equity-bond correlations turned positive during 2022 for the first time in 20 years, and this has continued, with equities and bonds rising and falling together in response to speculation on the future path of interest rates. Nowhere was this positive correlation between equities and bonds most keenly felt than during the final quarter of last year when equity markets, after an initial retracement, rallied hard into year end and bond yields fell sharply. All seeking the same benign outcome: a lower cost of capital.

Hedge funds can help offer a solution to this challenge by offering uncorrelated sources of return. But why is this the case, and what characteristics do we look for to help create that diversification potential?

When analysing relative value strategies, we look for multi-strategy and macro funds which can blend relative value risks with complementary long volatility exposures, which allows for entry points to buy into market stress and dislocations. For systematic strategies, we are seeking managers with robust trading infrastructure and an ability to evolve the strategy as market conditions evolve.

We remain positive on the opportunity set for discretionary macro managers. While equity market volatility is at 3-year lows, fixed income volatility is still running at elevated levels (albeit well down from the highs of Q1 2023). Many managers in this area are positioned in the front end of the US curve or take a view on the Bank of Japan’s possible actions. FX volatility creates opportunities, and in the emerging markets, carry opportunities look attractive in Latin America.

As for CTAs, we are mindful of their difficulty to accurately predict the prevailing trends and hence retain a neutral outlook. For systematic equity market neutral strategies, we have a mildly overweight view while cognisant of factor crowding that became prevalent recently.

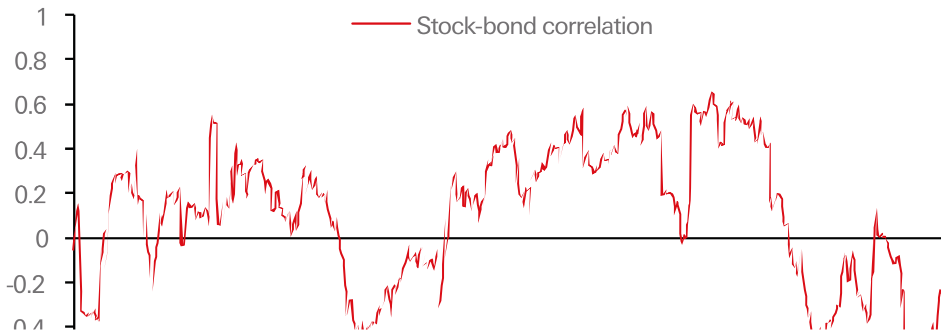
Within equity long/short we expect increased dispersion of company fortunes, which should create opportunities, but we are also aware of valuations that are sometimes a bit quite rich. We favour low net exposure approaches, for which we hold a mildly overweight stance. We maintain our outlook for variable net strategies at neutral but see opportunities for stock picking. We have upgraded our outlook for Asia focused strategies to neutral as earnings forecasts have improved.

We also keep event driven strategies at neutral. Last year witnessed the strongest year for activist campaigns for six years with the announcement of 823 new campaigns (15 courtesy of a single manager at over USD 1 billion each). As market sentiment remains supportive, we expect corporate activity to broaden beyond those activist campaigns, to include a healthier pipeline of M&A announcements.

Our neutral outlook for credit long/short strategies is predicated upon a mixture of healthy dispersion between corporates and sectors, while recognising that spreads may have tightened too much in some areas of the high yield markets. Overall though, carry remains interesting with many strategies generating low double digit annual returns. Structured credit remains our most favoured sub sector with the evolution of the consumer credit cycle creating some dispersion for managers. We remain neutral on distressed strategies where the loan market probably offers the best opportunities.

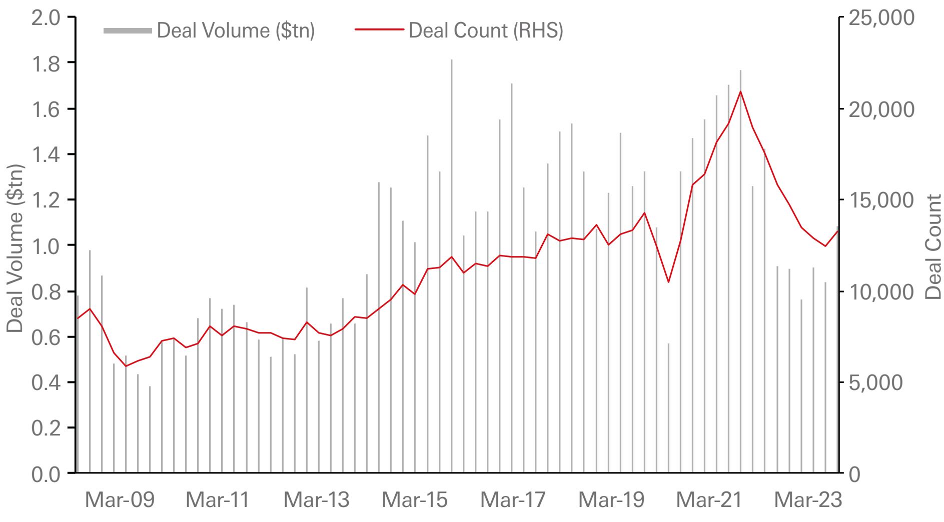
We maintain our overweight view on the operating environment for Multi-Strat and Multi-PM managers. Our focus continues to be on blending discretionary and systematic strategies and we rely on diversification to target a steady return stream across different market environments.

The correlation between bonds and equities has been positive lately



Source: Bloomberg, HSBC Global Private Banking as at 13th March 2024. Past performance is not a reliable indicator of future performance.

M&A activity is starting to pick up

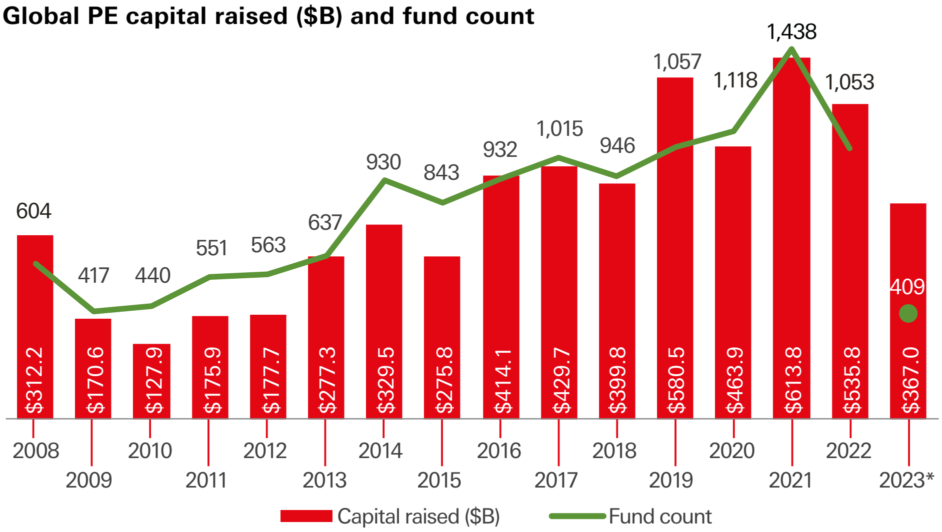


Source: Bloomberg, HSBC Global Private Banking as at 13th March 2024.

Private Markets

The increasing clarity around the macro-outlook could provide conditions for recent and current fund vintages to potentially be strong performers. Investors might be able to take advantage of still relatively low asset prices, balance sheet restructuring, distressed asset sales, active secondary markets and ultimately see potentially outsized returns. However, return dispersion is likely to continue to expand, so emphasis on manager selection is critical to capture top-quartile returns. We see opportunities in both private equity and private credit to diversify potential sources of alpha and income.

Global PE capital raised ($B) and fund count



Source: Pitchbook, PE fundraising activity, 30/09/2023 as at 13th March 2024.

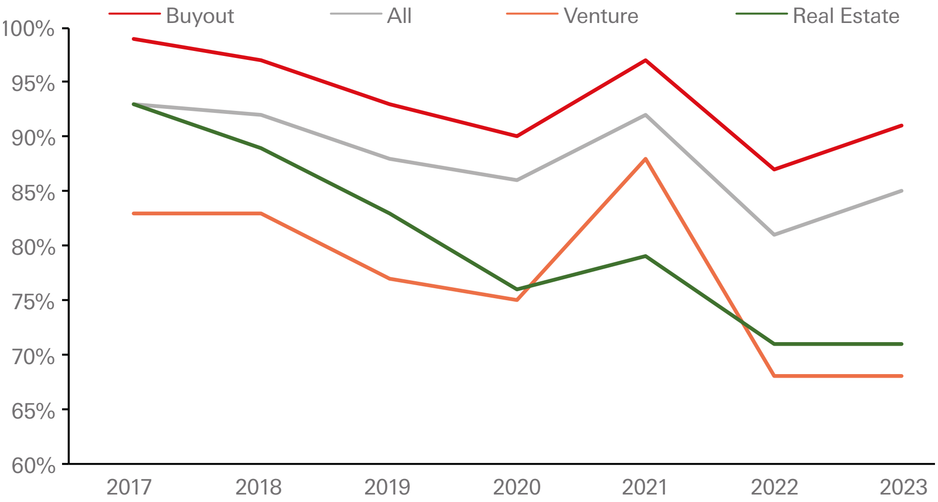
We are seeing large amounts of dry powder held by managers - close to $USD 1.5 trillion[1]. In part this can be linked to PE firms seeking more compelling business cases amid elevated interest rates, which can lead to delayed investment and more cash waiting on the sidelines for deployment. We believe 2024 could see significant PE activity as private market values continue to slowly correct and conditions for investment improve. Managers will capitalise where they see the right valuations, with the available cash offering the benefit of not needing to raise new funds.

Overall, fundraising was down in 2023 (see graph) and remains down from the 2021 peak. However, we expect fundraising to pick up in 2024 in spite of the elevated levels of uncalled capital. The increased activity we foresee will put dry powder to work and could spur a wave of fund commitments from investors for future investments.

Lower exits were a feature of 2023. This spurred funds to look for alternative liquidity options. However, we believe in 2024, a key exit option - IPO markets – could become a viable exit as public equity markets recovered strongly during 2023. For all of 2023, global M&A activity was down 16 percent from 2022 to $3.1 trillion.[2] The industry continues to see a significant focus on liquidity through alternative paths, including secondary transactions – both GP-led and LP-led – to facilitate distributions back to investors. Following an increase in global secondary volume and improvements on pricing in 2023, we believe secondary transaction

1. Pitchbook, Q3 2023, Global private markets fundraising report summary
2. McKinsey & Company, Top M&A trends in 2024 Blueprint for success in the next wave of deals
3. Jeffries, Global Secondary Market Review, January 2024
4. Bain & Company 2023 Private Equity Report, Figure 9 page 11, Dealogic
5. Hamilton Lane, 2023 Market overview

LP-led Secondaries portfolio pricing (%NAV)



Source: Jeffries, Global Secondary Market Review, January 2024 as at 13th March 2024.

volume should increase to record levels in 2024. Strong public markets, a more favourable economic outlook, increased demand for liquidity and a narrowing of the bid-ask spread will most likely drive 2024 secondary activity. Average pricing for LP buyout portfolios was 91% of NAV, representing a 400 basis point improvement from 2022[3]. We expect pricing to continue to improve and deal volume to continue to grow in 2024.

We continue to focus on managers investing in quality businesses and proven ability to generate returns through operational improvement, rather than financial engineering. Should rates begin to decline significantly, growth strategies could start to catch up with other strategies. From a sector perspective, tech remained a strong theme throughout 2023, comprising almost 30% of PE investment by value[4] and we expect this to continue in 2024. Valuations stabilised in H2 2022 and 2023, offering potentially attractive entry points. Further, we continue to favour mid-market funds given generally lower entry multiples, greater value creation potential and broader exit avenues.

Separately, there are some major shifts underway in global lending markets. Rising rates have helped drive private credit returns higher, with many investors looking to private credit as a direct replacement of previous fixed-income allocations. Default rates have generally been low and recovery rates high, while there are investment options for those seeking exposure to short-duration or long-duration investments. We believe that private credit should continue to be a major focus for investors throughout 2024 and an additional source of income in addition to bonds.

To conclude, Private equity and private credit strategies continue to offer the potential for attractive returns, offering an opportunity to widen the opportunity set and help diversify the portfolio. Historically, private equity investments have outperformed public equity markets across a variety of market environments.[5] While private equity faced fundraising challenges and declines in deal activity last year, the long-term investment potential of the asset class remains favourable. However, diligent manager and investment selection remain critical when seeking alpha and top-quartile returns.

Real Estate

In 2023, global property values declined due to higher interest rates, impacting property yields in all regions, though declines have been led by Europe and North America. Rising property yields have been somewhat offset by rising incomes in certain sectors like logistics and residential, and also for best-in-class office and retail assets. Looking ahead, property values are expected to stabilise as liquidity gradually improves and returns become increasingly driven by future income projections.

Declines in property valuations, which began in 2022, spread across most sectors and geographies in 2023 as higher interest rates put upward pressure on property yields. The squeezed spread between property and bond yields created a standoff between potential buyers and sellers and transaction volumes fell throughout the year.

Globally, property values have fallen by 14% (from the peak to the end of 2023), though the declines have varied by geography. The largest decline has been experienced in Europe (-19%), followed by the US (-16%). The correction has been significantly less pronounced in Asia-Pacific (-1%). This partly reflects the fact that Asia did not experience the same degree of price rises prior to the turn in the market in 2022, and partly reflects the ongoing negative interest rates in Japan, supporting a relatively wide property yield spread with interest rates.

Given the importance of debt finance for real estate investors, the prospect of stabilising (and possibly falling) interest rates during 2024 should boost investor activity. However, it may take some time to be reflected in investment volume data due to the length of time it takes to transact on real estate. A rise in investment activity is expected to underpin the floor in capital values in the coming quarters.

The impact of rising property yields has been somewhat cushioned by rising incomes as property market fundamentals have been resilient. This was most apparent for logistics and residential, but best-in-class office and retail assets have also proven relatively resilient. Some of the demand headwinds for real estate are showing signs of fading, however at the same time the outlook for future supply has been downgraded as construction starts have declined in many markets due to the increased cost of labour, materials and finance.

Logistics vacancy rates are now rising in many markets, albeit from historic lows as leasing has fallen back to historic pre-pandemic norms. Many occupiers, such as Amazon, leased significant amounts of space during the pandemic but have yet to operationalise much of it. Whilst the rate of rental growth has slowed in most markets, it remains positive, and recent market rental growth should continue to support net income growth as rents paid continue to adjust to market levels.

The office sector has the most challenging backdrop as the large-scale deployment of remote working means many occupiers have reduced their space requirements. Still, a growing number of businesses are encouraging their employees back to the office so the impact on office demand may not be as severe as initially predicted. Moreover, occupiers are increasingly focussed on high quality, environmentally sustainable offices in the best locations which is driving a bifurcation in rental performance (and capital values) between prime and average buildings.

The scale of further value correction is expected to be worse for the office sector, not only due to the high vacancy rate, but also the elevated capex spending requirements deemed necessary to future proof buildings. Whilst the overall office sector is challenging, repositioning older assets in supply constrained markets may be an attractive strategy in a market which increasingly values better quality space.

Retail values had been under pressure in the years leading up to the pandemic as e-commerce spending undermined physical retail sales. The onset of the pandemic caused many struggling retailers to file for bankruptcy and retail vacancy rates peaked. However, landlords, particularly of high-quality space, have successfully re-tenanted vacant units with expanding retailers or have found alternative uses for vacant space. For example, some mall landlords have replaced vacant department store anchor units with occupiers such as health centres.

The living sector, which includes multifamily apartments as well as student, senior and single-family housing remains broadly attractive. The unaffordability of buying combined with a chronic under development of new product supports landlords' ability to raise rents in most markets. However, in the US, due to excessive near-term development in the apartment sector, we prefer the more supply constrained single family and senior housing sectors.

Looking ahead, we expect property values to stabilise with the possible exception of the office sector where mounting capex requirements and lower occupancy will continue to put downward pressure on valuations. With property yields stabilising, the outlook for returns will become increasingly differentiated by property fundamentals. The widespread decline in development starts across many sectors and geographies is anticipated to support rent levels.

Risk Disclosures

Risks of investment in fixed income

There are several key issues that one should consider before making an investment into fixed income. The risk specific to this type of investment may include, but are not limited to:

Credit risk

Investor is subject to the credit risk of the issuer. Investor is also subject to the credit risk of the government and/or the appointed trustee for debts that are guaranteed by the government.

Risks associated with high yield fixed income instruments

High yield fixed income instruments are typically rated below investment grade or are unrated and as such are often subject to a higher risk of issuer default. The net asset value of a high-yield bond fund may decline or be negatively affected if there is a default of any of the high yield bonds that it invests in or if interest rates change. The special features and risks of high-yield bond funds may also include the following:

- Capital growth risk - some high-yield bond funds may have fees and/ or dividends paid out of capital. As a result, the capital that the fund has available for investment in the future and capital growth may be reduced; and
- Dividend distributions - some high-yield bond funds may not distribute dividends, but instead reinvest the dividends into the fund or alternatively, the investment manager may have discretion on whether or not to make any distribution out of income and/ or capital of the fund. Also, a high distribution yield does not imply a positive or high return on the total investment.
- Vulnerability to economic cycles - during economic downturns such instruments may typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

Risks associated with subordinated debentures, perpetual debentures, and contingent convertible or bail-in debentures

- Subordinated debentures - subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in the event of the issuer's liquidation.
- Perpetual debentures - perpetual debentures often are callable, do not have maturity dates and are subordinated. Investors may incur reinvestment and subordination risks. Investors may lose all their invested principal in certain circumstances. Interest payments may be variable, deferred or cancelled. Investors may face uncertainties over when and how much they can receive such payments.
- Contingent convertible or bail-in debentures - Contingent convertible and bail-in debentures are hybrid debt-equity instruments that may be written off or converted to common stock on the occurrence of a trigger event. Contingent convertible debentures refer to debentures that contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event. These debentures generally absorb losses while the issuer remains a going concern (i.e. in advance of the point of non-viability). "Bail-in" generally refers to (a) contractual mechanisms (i.e. cotractual bail-in) under which debentures contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event, or (b) statutory mechanisms (i.e. statutory bail-in) whereby a national resolution authority writes down or converts debentures under specified conditions to common stock. Bail-in debentures generally absorb losses at the point of non viability. These features can introduce notable risks to investors who may lose all their invested principal.

Contingent convertible securities (CoCos) or bail-in debentures are highly complex, high risk hybrid capital instruments with unusual loss-absorbency features written into their contractual terms.

Investors should note that their capital is at risk and they may lose some or all of their capital.

Changes in legislation and/or regulation

Changes in legislation and/or regulation could affect the performance, prices and mark-to-market valuation on the investment.

Nationalisation risk

The uncertainty as to the coupons and principal will be paid on schedule and/or that the risk on the ranking of the bond seniority would be compromised following nationalisation.

Reinvestment risk

A decline in interest rate would affect investors as coupons received and any return of principal may be reinvested at a lower rate. Changes in interest rate, volatility, credit spread, rating agencies actions, liquidity and market conditions may have a negative effect on the prices, mark-to-market valuations and your overall investment.

Risk disclosure on Dim Sum Bonds

Although sovereign bonds may be guaranteed by the China Central Government, investors should note that unless otherwise specified, other renminbi bonds will not be guaranteed by the China Central Government.

Renminbi bonds are settled in renminbi, changes in exchange rates may have an adverse effect on the value of that investment. You may not get back the same amount of Hong Kong Dollars upon maturity of the bond.

There may not be active secondary market available even if a renminbi bond is listed. Therefore, you need to face a certain degree of liquidity risk.

Renminbi is subject to foreign exchange control. Renminbi is not freely convertible in Hong Kong. Should the China Central Government tighten the control, the liquidity of renminbi or even renminbi bonds in Hong Kong will be affected and you may be exposed to higher liquidity risks. Investors should be prepared that you may need to hold a renminbi bond until maturity.

Alternative Investments

Hedge Fund - Please note Hedge Funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. They can also be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and may involve complex tax structures and delays in distributing important information. Alternative investments are often not subject to the same regulatory requirements as, say, mutual funds, and often charge high fees that may potentially offset trading profits when they occur.

Private Equity - Please note Private Equity is generally illiquid, involving long term investments that do not display the liquid or transparency characteristics often found in other investments (e.g. Listed securities). It can take time for money to be invested (cash drag) and for investments to produce returns after initial losses.

Risk disclosure on Emerging Markets

Investment in emerging markets may involve certain, additional risks which may not be typically associated with investing in more established economies and/ or securities markets. Such risks include (a) the risk of nationalisation or expropriation of assets; (b) economic and political uncertainty; (c) less liquidity in so far of securities markets; (d) fluctuations in currency exchange rate; (c) higher rates of inflation; (f) less oversight by a regulator of local securities market; (g) longer settlement periods in so far as securities transactions and (h) less stringent laws in so far the duties of company officers and protection of Investors.

Risk disclosure on FX Margin

The price fluctuation of FX could be substantial under certain market conditions and/or occurrence of certain events, news or developments and this could pose significant risk to the Customer.

Leveraged FX trading carry a high degree of risk and the Customer may suffer losses exceeding their initial margin funds. Market conditions may make it impossible to square/close-out FX contracts/options. Customers could face substantial margin calls and therefore liquidity problems if the relevant price of the currency goes against them.

The leverage of a product can work against you and losses can exceed those of a direct investment. If the market value of a portfolio falls by a certain amount, this could result in a situation where the value of collateral no longer covers all outstanding loan amounts. This means that investors might have to respond promptly to margin calls. If a portfolio's return is lower than its financing cost then leverage would reduce a portfolio's overall performance and even generate a negative return.

Currency risk – where product relates to other currencies

When an investment is denominated in a currency other than your local or reporting currency, changes in exchange rates may have a negative effect on your investment.

Chinese Yuan ("CNY") risks

There is a liquidity risk associated with CNY products, especially if such investments do not have an active secondary market and their prices have large bid/ offer spreads.

CNY is currently not freely convertible and conversion of CNY through banks in Hong Kong and Singapore is subject to certain restrictions. CNY products are denominated and settled in CNY deliverable in Hong Kong and Singapore, which represents a market which is different from that of CNY deliverable in Mainland China.

There is a possibility of not receiving the full amount in CNY upon settlement, if the Bank is not able to obtain sufficient amount of CNY in a timely manner due to the exchange controls and restrictions applicable to the currency.

Illiquid markets/products

In the case of investments for which there is no recognised market,

it may be difficult for investors to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed.

Environmental, Social and Governance ("ESG") Customer Disclosure

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance ('ESG') and/or other sustainability factors to varying degrees. Certain instruments we classify as sustainable may be in the process of changing to deliver sustainability outcomes. There is no guarantee that ESG and sustainable investing products will produce returns similar to those which don't consider these factors. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for, ESG and sustainable investing or the impact of ESG and sustainable investing products. ESG and Sustainable investing and related impact measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors. HSBC may rely on measurement criteria devised and reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the ESG / sustainability impact or measurement criteria of an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of ESG / sustainability impact will be achieved. ESG and Sustainable investing is an evolving area and new regulations are being developed which will affect how investments can be categorised or labelled. An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future.

Important notice

This is a marketing communication issued by **HSBC Private Banking**. HSBC Private Banking is the principal private banking business of the HSBC Group. Private Banking may be carried out internationally by different HSBC legal entities according to local regulatory requirements. Different companies within HSBC Private Banking or the HSBC Group may provide the services listed in this document. Members of the HSBC Group may trade in products mentioned in this publication.

This document does not constitute independent investment research under the European Markets in Financial Instruments Directive ('MiFID'), or other relevant law or regulation, and is not subject to any prohibition on dealing ahead of its distribution. Any references to specific financial instruments or issuers do not represent HSBC Private Banking's views, opinions or recommendations, express or implied, and are provided for information only. The information contained within this document is intended for general circulation to HSBC Private Banking clients. The content of this document may not be suitable for your financial situation, investment experience and investment objectives, and HSBC Private Banking does not make any representation with respect to the suitability or appropriateness to you of any financial instrument or investment strategy presented in this document.

This document is for information purposes only and does not constitute and should not be construed as legal, tax or investment advice or a solicitation and/or recommendation of any kind from the Bank to you, nor as an offer or invitation from the Bank to you to subscribe to, purchase, redeem or sell any financial instruments, or to enter into any transaction with respect to such instruments. If you have concerns about any investment or are uncertain about the suitability of an investment decision, you should contact your Relationship Manager or seek such financial, legal or tax advice from your professional advisers as appropriate. You should not make any investment decision based solely on the content of any document.

HSBC Private Banking has based this document on information obtained from sources it believes to be reliable, but which may not have been independently verified. While this information has been prepared in good faith including information from sources believed to be reliable, no representation or warranty, expressed or implied, is or will be made by HSBC Private Banking or any part of the HSBC Group or by any of their respective officers, employees or agents as to or in relation to the accuracy or completeness of this document.

It is important to note that the capital value of, and income from, any investment may go down as well as up and you may not get back the original amount invested. Past performance is not a guide to future performance. Forward-looking statements, views and opinions expressed, and estimates given constitute HSBC Private Banking's best judgement at the time of publication, are solely expressed as general commentary and do not constitute investment advice or a guarantee of returns and do not necessarily reflect the views and opinions of other market participants and are subject to change without notice. Actual results may differ materially from the forecasts/estimates.

Foreign securities carry particular risks, such as exposure to currency fluctuations, less developed or less efficient trading markets, political instability, a lack of company information, differing auditing and legal standards, volatility and, potentially, less liquidity.

Investment in emerging markets may involve certain additional risks, which may not be typically associated with investing in more established economies and/or securities markets. Such risks include (a) the risk of nationalization or expropriation of assets; (b) economic and political uncertainty; (c) less liquidity in so far of securities markets; (d) fluctuations in currency exchange rate; (e) higher rates of inflation; (f) less oversight by a regulator of local securities market; (g) longer settlement periods in so far as securities transactions and (h) less stringent laws in so far the duties of company officers and protection of Investors.

Some HSBC Offices listed may act only as representatives of HSBC Private Banking, and are therefore not permitted to sell products and services, or offer advice to customers. They serve as points of contact only. Further details are available on request.

In the United Kingdom, this document has been approved for distribution by HSBC UK Bank plc whose Private Banking office is located at 8 Cork Street, London W1S 3LJ and whose registered office is at 1 Centenary Square, Birmingham, B1 1HQ. HSBC UK Bank plc is registered in England under number 09928412. Clients should be aware that the rules and regulations made under the Financial Services and Markets Act 2000 for the protection of investors, including the protection of the Financial Services Compensation Scheme, do not apply to investment business undertaken with the non-UK offices of the HSBC Group. This publication is a Financial Promotion for the purposes of Section 21 of the Financial Services & Markets Act 2000 and has been approved for distribution in the United Kingdom in accordance with the Financial Promotion Rules by HSBC UK Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In Guernsey, this material is distributed by HSBC Private Banking (C.I.), which is the trading name of HSBC Private Bank (Suisse) SA, Guernsey Branch, with registered office in Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3NF. HSBC Private Bank (Suisse) SA, Guernsey Branch is licensed by the Guernsey Financial Services Commission for Banking, Credit, Insurance Intermediary and Investment Business. HSBC Private Bank (Suisse) SA is registered in Switzerland under UID number CHE-101.727.921, with registered office in Quai des Bergues 9-17, 1201 Geneva (GE), Switzerland. HSBC Private Bank (Suisse) SA is licensed as a Bank and Securities Dealer by the Swiss Financial Market Supervisory Authority FINMA.

In Jersey, this material is issued by HSBC Private Banking (Jersey) which is a division of HSBC Bank plc, Jersey Branch: HSBC House, Esplanade, St. Helier, Jersey, JE1 1HS. HSBC Bank plc, Jersey Branch is regulated by the Jersey Financial Services Commission for Banking, General Insurance Mediation, Fund Services and Investment Business. HSBC Bank plc is registered in England and Wales, number 14259. Registered office 8 Canada Square, London, E14 5HQ. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In Isle of Man, this material is issued by HSBC Bank plc, HSBC House, Ridgeway Street, Douglas, Isle of Man IM99 1AU. HSBC Bank plc is licensed and regulated by the Isle of Man Financial Services Authority. HSBC Bank plc is registered in England and Wales, number 14259. Registered office 8 Canada Square, London, E14 5HQ. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In France, this material is distributed by HSBC Private Bank Luxembourg French Branch - SIREN 911 971 083 RCS Paris. HSBC Private Banking in France is subject to approval and control by the Autorité de Contrôle Prudentiel et de Résolution [Prudential Control and Resolution Authority]. HSBC Private Banking is a Branch of HSBC Private Bank (Luxembourg) S.A. 18 Boulevard de Kockelscheuer L-1821 Luxembourg, Public Limited Luxembourg Company with share capital of : 160.000.000 euros, RCS Luxembourg : B52461, Trade and Companies Register of Paris Bank and Insurance Intermediary registered with the Organisme pour le Registre des Intermédiaires en Assurances [Organisation for the Register of Insurance Intermediaries] under no. 2011CM008 (www.orias.fr) - Intra-community VAT number: FR34911971083. HSBC Private Banking in France - Registered office: 38, avenue Kléber 75116 Paris- FRANCE- Tel. +33 (0) 1 49 52 20 00.

In or from Switzerland, this marketing material is distributed by HSBC Private Bank (Suisse) SA, a bank regulated by the Swiss Financial Market Supervisory Authority FINMA, whose office is located at Quai des Bergues 9-17, 1201 Genève, Switzerland. This document does not constitute independent financial research, and has not been prepared in accordance with the Swiss Bankers Association's "Directive on the Independence of Financial Research", or any other relevant body of law.

In Abu Dhabi Global Markets (ADGM) this material is handed out by HSBC Bank Middle East Limited, ADGM Branch, PO BOX 113027, Al Maqam Tower, ADGM, Abu Dhabi, is regulated by the ADGM Financial Services Regulatory Authority (FSRA) and lead regulated by the Dubai Financial Services Authority. Content in this document is directed at FSRA defined Professional Clients and only a Person meeting this criteria should act upon it.

In Dubai International Financial Centre (DIFC), this material is distributed by HSBC Private Bank (Suisse) S.A., DIFC Branch, P.O. Box 506553 Dubai, UAE which is regulated by the Dubai Financial Services Authority (DFSA) and FINMA. HSBC Private Bank (Suisse) S.A, DIFC Branch only deals with clients who meet the requirements for being treated as Professional Clients as defined by the DFSA and this presentation is directed at Professional Clients only.

In South Africa, this material is distributed by HSBC Private Bank (Suisse) SA, South Africa Representative Office approved by the South African Reserve Board (SARB) under registration no. 00252 and authorized as a financial services provider (FSP) for the provision of Advice and Intermediary Services by the Financial Sector Conduct Authority of South Africa (FSCA) under registration no. 49434. The Representative Office has its registered address at 2 Exchange Square, 85 Maude Street, Sandown, Sandton.

In Bahrain and Qatar, this material is distributed by the respective branches of HSBC Bank Middle East Limited, which is locally regulated by the respective local country Central Banks (Central Bank of Bahrain and Qatar Central Bank respectively) and lead regulated by the Dubai Financial Services Authority.

In Lebanon, this material is distributed by HSBC Financial Services (Lebanon) S.A.L. ("HFLB"), licensed by the Capital Markets Authority as a financial intermediation company Sub N°12/8/18 to carry out Advising and Arranging activities, having its registered address at Centre Ville 1341 Building, 4th floor, Patriarche Howayek Street, Beirut, Lebanon, P.O. Box Riad El Solh 9597.

In Hong Kong and Singapore, THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED OR ENDORSED BY ANY REGULATORY AUTHORITY IN HONG KONG OR SINGAPORE. HSBC Private Banking is a division of Hongkong and Shanghai Banking Corporation Limited. In Hong Kong, this document has been distributed by The Hongkong and Shanghai Banking Corporation Limited in the conduct of its Hong Kong regulated business. In Singapore, the document is distributed by the Singapore Branch of The Hongkong and Shanghai Banking Corporation Limited. Both Hongkong and Shanghai Banking Corporation Limited and Singapore Branch of Hongkong and Shanghai Banking Corporation Limited are part of the HSBC Group. This document is not intended for and must not be distributed to retail investors in Hong Kong and Singapore. The recipient(s) should qualify as professional investor(s) as defined under the Securities and Futures Ordinance in Hong Kong or accredited investor(s) or institutional investor(s) or other relevant person(s) as defined under the Securities and Futures Act in Singapore. Please contact a representative of The Hong Kong and Shanghai Banking Corporation Limited or the Singapore Branch of The Hong Kong and Shanghai Banking Corporation Limited respectively in respect of any matters arising from, or in connection with this report.

Some of the products are only available to professional investors as defined under the Securities and Futures Ordinance in Hong Kong / accredited investor(s), institutional investor(s) or other relevant person(s) as defined under the Securities and Futures Act in Singapore. Please contact your Relationship Manager for more details.

The specific investment objectives, personal situation and particular needs of any specific persons were not taken into consideration in the writing of this document. To the extent we are required to conduct a suitability assessment in Hong Kong where this is permitted by cross border rules depending on your place of domicile or incorporation, we will take reasonable steps to ensure the suitability of the solicitation and/or recommendation. In all other cases, you are responsible for assessing and satisfying yourself that any investment or other dealing to be entered into is in your best interest and is suitable for you.

In all cases, we recommend that you make investment decisions only after having carefully reviewed the relevant investment product and offering documentation, HSBC's Standard Terms and Conditions, the "Risk Disclosure Statement" detailed in the Account Opening Booklet, and all notices, risk warnings and disclaimers contained in or accompanying such documents and having understood and accepted the nature, risks of and the terms and conditions governing the relevant transaction and any associated margin requirements. In addition to any suitability assessment made in Hong Kong by HSBC (if any), you should exercise your own judgment in deciding whether or not a particular product is appropriate for you, taking into account your own circumstances (including, without limitation, the possible tax consequences, legal requirements and any foreign exchange restrictions or exchange control requirements which you may encounter under the laws of the countries of your citizenship, residence or domicile and which may be relevant to the subscription, holding or disposal of any investment) and, where appropriate, you should consider taking professional advice including as to your legal, tax or accounting position. Please note that this information is neither intended to aid in decision making for legal or other consulting questions, nor should it be the basis of any such decision. If you require further information on any product or product class or the definition of Financial Products, please contact your Relationship Manager.

In Thailand, this material is distributed by The Hongkong and Shanghai Banking Corporation Limited, Bangkok branch. Registered and incorporated in Hong Kong SAR. Registered office: 1 Queen's Road Central, Hong Kong SAR and registered as a branch office in Thailand having registered number: 0100544000390. Bangkok branch registered office: No. 968 Rama IV Road, Si Lom Sub-district, Bang Rak District, Bangkok Metropolis. Authorized and supervised by the Bank of Thailand and the Securities and Exchange Commission, Thailand.

In Luxembourg, this material is distributed by HSBC Private Banking (Luxembourg) SA, which is located at 18 Boulevard de Kockelscheuer L-1821 Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier ("CSSF").

HSBC Private Banking is the marketing name for the private banking business conducted by the principal private banking subsidiaries of the HSBC Group worldwide. **In the United States**, HSBC Private Banking offers banking services through HSBC Bank USA, N.A., and provides securities and brokerage services through HSBC Securities (USA) Inc. HSBC Bank USA, N.A. - Member FDIC. Investments and certain insurance products, including annuities, are offered by HSBC Securities (USA) Inc. (HSI), member NYSE/FINRA/SIPC. In California, HSI conducts insurance business as HSBC Securities Insurance Services. License #: **0E67746**. HSI is an affiliate of HSBC Bank USA, N.A. Whole life, universal life and term life are provided by unaffiliated third parties and are offered through Insurance Agents of HSBC Insurance Agency (USA) Inc., which is a wholly owned subsidiary of HSBC Bank USA, N.A. Products and services may vary by state and are not available in all states. California license # **OD36843**

Investments, Annuity and Insurance Products are; not a deposit or other obligation of the bank or any of its affiliates; not FDIC insured or insured by any federal government agency of the United States; not guaranteed by the bank or any of its affiliates; and are subject to investment risk, including possible loss of principal invested.

All decisions regarding the tax implications of your investment(s) should be made in connection with your independent tax advisor.

In Australia, the present communication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (ABN 65 117 925 970, AFSL 301737). The present communication is for wholesale clients only and is not available for distribution to retail clients (as defined under the Corporations Act 2001). Any information provided in the present communication is general in nature only and does not take into account your personal needs and objectives nor whether any investment is appropriate for you.

The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch is a foreign Authorised Deposit-taking Institution ("foreign ADI") supervised by the Australian Prudential Regulatory Authority. Except for it and HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL 232595), no other HSBC Group entity described in this document, is an authorised deposit-taking institution in Australia.

Transactions which you enter into with an entity or branch other than The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch, does not represent a deposit with, or a liability of, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch. Unless expressly stated otherwise in any document, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch does not stand behind, or support by way of guarantee or otherwise, the obligations of any other related entity of the HSBC Group (including HSBC Bank Australia Limited). Transactions you enter into with a branch of The Hongkong and Shanghai Banking Corporation Limited other than the Sydney Branch, will not be booked in Australia and is not a transaction with the Sydney Branch.

The Hongkong and Shanghai Banking Corporation Limited also does not guarantee the performance of any products of another HSBC Group entity or branch.

Transactions you enter into with another HSBC Group entity is exposed to a variety of risks such as investment risk, including possible delays in repayment and loss of income and principal invested.

As a foreign ADI, provisions in the Banking Act 1959 (Cth) for the protection of depositors do not apply to The Hong Kong and Shanghai Banking Corporation Limited, Sydney Branch. For example, depositors with foreign ADIs do not receive the benefit of the following protections:

- Deposits are not covered by the financial claims scheme and are not guaranteed by the Australian Government.
- Deposits do not receive priority ahead of amounts owed to other creditors. This means that if a foreign ADI was unable to meet its obligations or otherwise is in financial difficulties and ceases to make payments, its depositors in Australia would not receive priority for repayment of their deposits from the foreign ADI's assets in Australia.

A foreign ADI is not required to hold assets in Australia to cover its deposit liabilities in Australia. This means that if the foreign ADI were unable to meet its obligations or otherwise is in financial difficulties and ceases to make payments, it is uncertain whether depositors would be able to access the full amount of their deposit.

In Germany, this material is distributed by HSBC Continental Europe S.A., Germany, a bank regulated by the Bundesanstalt für Finanzdiensleistungsaufsicht, whose office is located at Hansaallee 3, 40549 Düsseldorf, Germany. The General Data Protection Regulation (GDPR) has been in force in all EU Member States since May 25, 2018. Our updated privacy policy can be found on the HSBC Germany website. If not explicitly stated, transaction costs and if applicable custody fees are not taken into account in the calculation of performance statistics, however, they have a negative impact on it. If, for example, the initial investment is 1.000 EUR, and the transactions costs for buying and selling are 1,00 % each time, and the custody fee is 0,50 % per year (for our actual fee structure please see our schedule of prices & services), the performance over a 5-year-investment-horizon would be reduced 45 EUR

In mainland China, this material is distributed by HSBC Bank (China) Company Limited ("HBCN") to its customers for general reference only. This document has no contractual value and is not and should not be construed as an offer or the solicitation of an offer or a recommendation for the purchase or sale of any investment or subscribe for, or to participate in, any services. HBCN is not recommending or soliciting any action based on it.

In HSBC Bank Middle East Limited UAE Branch (HBME), regulated by the Central Bank of UAE, for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority. In respect of certain financial services and activities by HBM, it is regulated by the Securities and Commodities Authority in the UAE under license number 602004

In Kuwait, these materials are distributed by HSBC Bank Middle East Limited, Kuwait Branch (HBME KUWAIT) which is regulated by the Central Bank of Kuwait, Capital Markets Authority for licensed Securities Activities and lead regulated by the Dubai Financial Services Authority. This document is directed to clients of HBME KUWAIT and should not be acted upon by any other person. HBME KUWAIT is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document. The content of this document is for general information purposes only and does not constitute the offering of advice or recommendation to invest and should not be used as the basis for any decision to buy or sell investments."

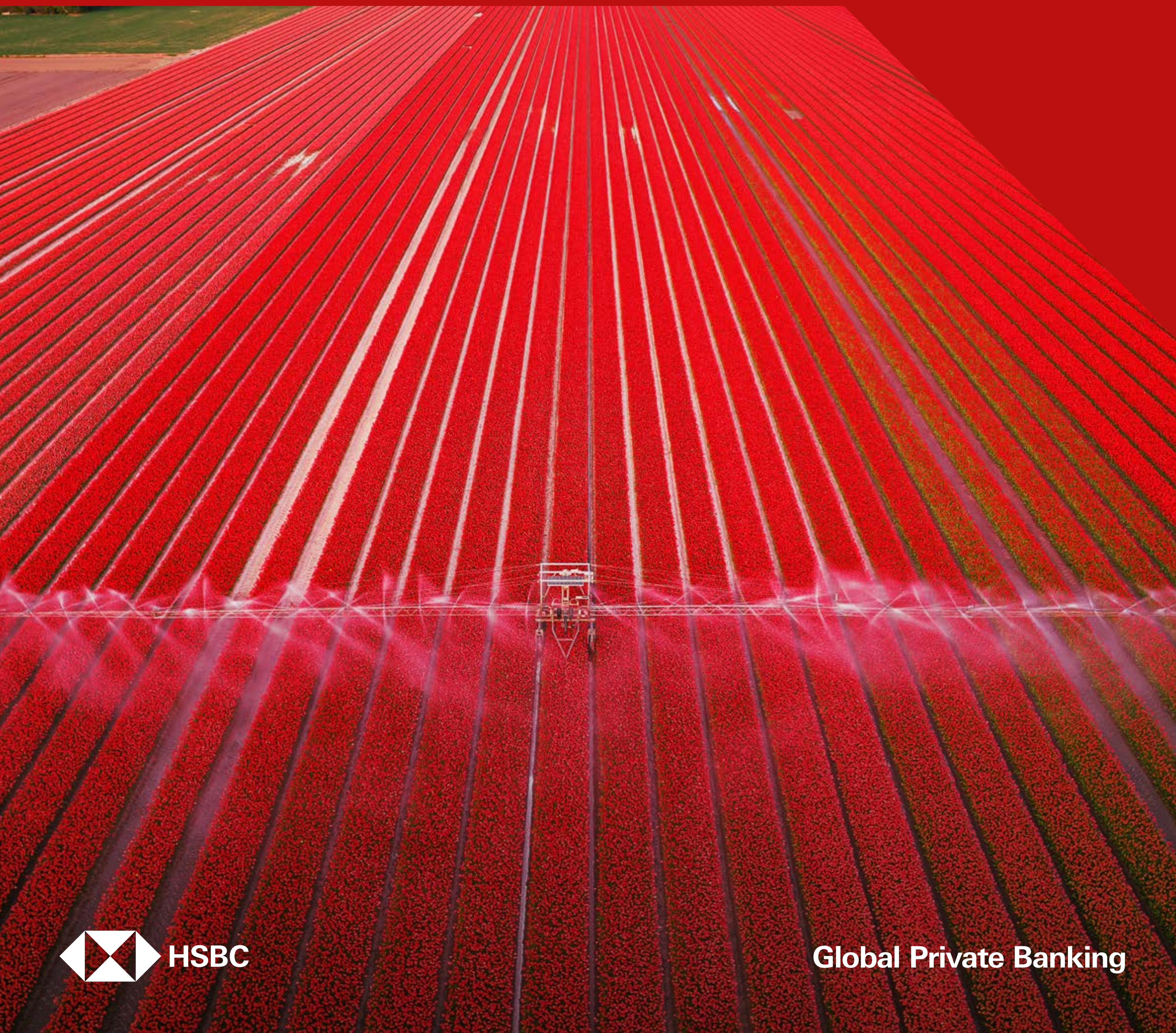
In HSBC India, this material is distributed by Hongkong and Shanghai Banking Corporation Limited, India ("HSBC India"). HSBC India is a branch of the Hongkong and Shanghai Banking Corporation Limited. HSBC India is a distributor of select mutual funds and referrer of investment products from third party entities registered and regulated in India. HSBC India does not distribute investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or any other jurisdiction where such distribution would be contrary to law or regulation. HSBC India, will receive commission from HSBC Asset Management (India) Private Limited, in its capacity as a AMFI registered mutual fund distributor of HSBC Mutual Fund. The Sponsor of HSBC Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), a member of the HSBC Group. Please note that HSBC India and the Sponsor being part of the HSBC Group, may give rise to real, perceived, or potential conflicts of interest. HSBC India has a policy in place to identify, prevent and manage such conflict of interest. HSBC India provides non-discretionary portfolio advisory services for select Private Banking customers under the SEBI (Portfolio Managers) Regulations, 2020 ("PMS Regulations") vide registration no. INP000000795. Performance of each portfolio may vary for each investor because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints. 'Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

For SAA/TAA

This is an illustrative approach of a globally diversified portfolio allocation strategy across asset classes; the strategy and the underlying fulfilment options are not applicable to India customers.

Where your location of residence differs from that of the HSBC entity where your account is held, please go to **HSBC Global Private Banking website > Disclaimer > Cross Border Disclaimer** for disclosure of cross-border considerations regarding your location of residence.

A complete list of private banking entities is available on our HSBC Private Bank website.



HSBC

Global Private Banking