

# Investment Monthly

## A stronger case for equities on improved fundamentals and positive growth

March 2024



### Key takeaways

- ◆ The recent upside surprise on US inflation data does not change our view that the Fed will cut rates in June. Improved margins and secular drivers (e.g. technological and healthcare innovation) should support US earnings growth. Historically, US equities have performed well in an election year. All of these make us comfortable to add US equity exposure in a broad range of sectors.
- ◆ We expect Japanese equities to further outperform thanks to the reflation trend and corporate governance reforms. Companies are encouraged to improve capital efficiency and are increasing spending on AI technologies, digitalisation, and automation. With an upgrade in Japanese equities and a more bullish view on the US, we also upgrade global equities to overweight.
- ◆ Bonds remain in favour amid a disinflationary environment, falling real yields and increased geopolitical risks. They are still in demand for income generation and diversification benefits. Markets have lowered their Fed rate cut expectations more realistically to 0.8% for 2024, close to our forecast of 0.75%. We continue to favour quality bonds with extended duration for major DM government bonds (7-10 years) and see good value in US investment grade credit (5-7 years).



**Willem Sels**

Global Chief Investment Officer  
HSBC Global Private Banking and Wealth



**Lucia Ku**

Global Head of Wealth Insights  
HSBC Wealth and Personal Banking

Asset class	6-month view	Comment
Global equities	▲↑	Solid earnings growth and slowing inflation are supportive of global equities. While market sentiment in the US remains strong, we also see structural opportunities in Japan and EM Asia, supporting us to upgrade global equities.
Government bonds	▶	The current levels of yields justify our overweight on most DM government bonds with a preference for medium-to-long maturities. Japanese government bonds remain unattractive due to likely policy normalisation ahead.
Investment grade (IG) corporate bonds	▲	Interest rate risk is more attractively priced than credit risk, so we stick to quality with a preference for 5-7 year maturities.
High yield (HY) corporate bonds	▶	We favour investment grade over high yield bonds as the spread pick-up in high yield is insufficient with default risks rising somewhat.
Gold	▶	Despite continued risks in the Middle East, oil prices remain range-bound amid global growth concerns and broadly balanced supply and demand. Falling yields should support gold to range trade, but USD strength is an obstacle.

▲ "Overweight" implies a positive tilt towards the asset class, within the context of a well-diversified, typically multi-asset portfolio.

▼ "Underweight" implies a negative tilt towards the asset class, within the context of a well-diversified, typically multi-asset portfolio.

▶ "Neutral" implies neither a particularly negative nor a positive tilt towards the asset class, within the context of a well-diversified, typically multi-asset portfolio.

Icons: ↑ View on this asset class has been upgraded; ↓ View on this asset class has been downgraded.

# Talking points

Each month, we discuss 3 key issues facing investors

## 1. Is higher-than-expected inflation in the US a concern?

- ◆ Despite upside surprises on US inflation data in January, which caused us to lift our average headline inflation forecast to 3.4% in 2024 (previously 3.1%), we continue to see a disinflation trend and hold the view that the Fed will start cutting rates in June this year. The prospect of lower policy rates should support margins, which continue to grow, especially in the US.
- ◆ US earnings growth remains strong with a full-year forecast of 10.9%, well above its long-term historical average of 7%. Secular drivers such as technological and healthcare innovation, the nearshoring of industry and US re-industrialisation, provide tailwinds for economic growth, earnings and return on capital across sectors. US equities have also historically performed well in an election year.
- ◆ With all of these positive drivers, we have further added to our existing overweight in US equities, favouring a broad range of sectors including IT, Industrials, Communications, Financials, Consumer Discretionary and Healthcare.

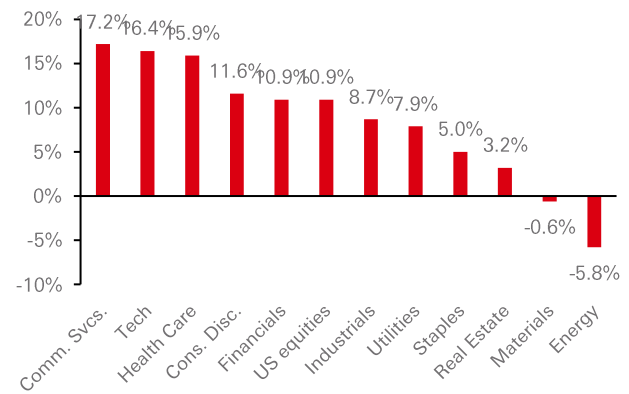
## 2. Why are we more positive on global equities?

- ◆ Apart from the US, we see structural opportunities in Japan, driven by the reflation trend and corporate governance reforms. The rally of the Japanese equities is likely to continue.
- ◆ The announcement of the Tokyo Stock Exchange to publish a monthly list of companies that have disclosed plans to improve their capital efficiency has prompted more Japanese companies to reduce cash on their balance sheets via share buybacks and increased dividend payouts. The Nippon Individual Savings Account (NISA) programme, which exempts retail investors from paying capital gains taxes on stocks, is another catalyst.
- ◆ As high profits are driving corporate spending on wages and capital expenditure on AI technologies, digitalisation and automation, we expect a solid 9.9% EPS growth for Japanese companies in 2024. Therefore, we upgrade Japanese equities to overweight. In China, the PBoC's 5-year loan prime rate (LPR) cut by 0.25% to 3.95% came as a positive surprise but more forceful policy actions to mitigate structural headwinds are needed. We continue to diversify into Asia by focusing on Japan, India, Indonesia and South Korea. The overall supportive macro outlook gives us confidence in also upgrading global equities to overweight.

## 3. Will bonds become less attractive?

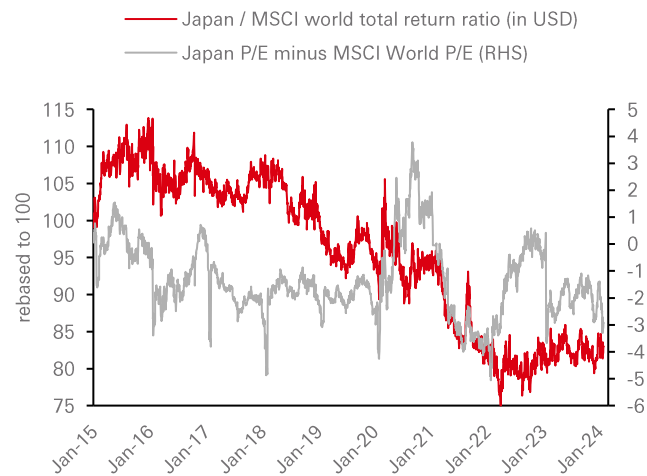
- ◆ We continue to favour bonds amid a disinflationary environment, falling real yields and continued geopolitical risks, which should boost demand for highly rated bonds. Trillions of US dollars sitting in money market funds and cash also means that bonds should still be in demand for income generation and diversification benefits.
- ◆ Higher-than-expected inflation for January, strong earnings reports and comments from Fed officials have driven markets to reassess the Fed rate cut expectations. But they are now more realistic, pricing in just 0.8% of cuts by year end (close to our 0.75% forecast) instead of the 1.5% they were looking for in January.
- ◆ We still prefer quality bonds for a better risk-adjusted return and expect the short-end of the yield curve to remain volatile, hence are focusing on the medium-to-long end (7-10 years) of DM sovereign debt and the medium duration (5-7 years) of investment grade (IG) credit. We see better value in the US IGs than in its EUR and GBP counterparts.

**Chart 1: Despite downward revisions, US earnings are expected to rise almost 11% in 2024**



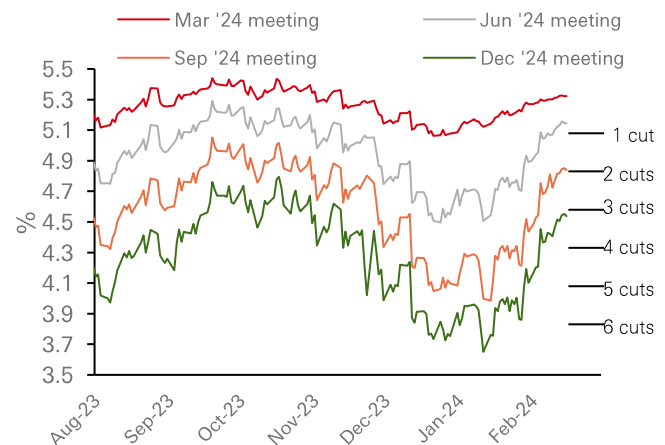
Source: FactSet, HSBC Global Private Banking and Wealth as at 20 February 2024. Past performance is not a reliable indicator of future performance.

**Chart 2: The outperformance of Japanese stocks has been mild, leaving further scope**



Source: LSEG, HSBC Global Private Banking as at 20 February 2024. Past performance is not a reliable indicator of future performance.

**Chart 3: Markets have become more realistic about the prospect of rate cuts, now pricing the first cut in June**



Source: Bloomberg, HSBC Global Private Banking as at 20 February 2024. Past performance is not a reliable indicator of future performance. 2

# Asset Class Views

Our latest house view on various asset classes

Asset class	6-month view	Comment
<b>Global equities</b>		
Global	▲↑	Solid earnings growth and slowing inflation are supportive of equities. While market sentiment in the US remains strong, we also see structural opportunities in Japan and emerging Asia, supporting us to upgrade global equities to overweight.
United States	▲	With a resilient economy, strong earnings and margin power, we expect the US equity rally to continue and broaden beyond big tech to other areas including consumer discretionary, industrials, financials and healthcare stocks.
United Kingdom	▶	Valuations are cheap but sticky inflation and weak growth remain headwinds. It's too early to look for a cyclical recovery.
Europe	▼	Valuations have lagged other global markets, but growth and risk appetite remain challenged. Sticky inflation, the reliance on energy imports, geopolitical uncertainty and high exposure to China are also obstacles.
Japan	▲↑	We upgrade Japanese equities to overweight as corporate reforms, the AI investment boom and the end of the deflationary trend should create scope for further re-rating.
Emerging Markets (EM)	▶	We expect more emerging markets to cut rates following some of the Latin American countries. We prefer structural growth leaders including India, Indonesia and South Korea in Asia, as well as Mexico and Brazil in Latin America.
EM EMEA	▼	Weak growth in Europe and high global interest rate levels continue to pose challenges for the region.
EM LatAm	▲	Local rate cuts and the re-industrialisation of North America are positive drivers. Mexico benefits from the supply chain diversification while valuations of Brazil remain attractive.
<b>Asia ex Japan equities</b>		
Asia ex-Japan	▲	Valuations and earnings growth remain attractive despite moderating economic growth. We continue to diversify in Asia with a focus on earnings and structural leaders including India, Indonesia and South Korea.
Mainland China	▶	Recent monetary policy intervention is a positive but concerns about the structural headwinds remain. We prefer quality service consumption leaders, IT hardware linked with AI innovation, and winners in the EV supply chain.
India	▲	The recent budget announcement reinforced the trend of rising infrastructure spending while keeping fiscal discipline. Global supply chain diversification, foreign and domestic investment and young demographics are key growth drivers.
Hong Kong	▶	The property market remains under pressure. In view of the potential rate cuts by the Fed, we focus on quality developers and banks with strong balance sheets and competitive positions.
Singapore	▶	The 2024 Singapore budget indicated a return to fiscal surplus as the growth outlook improves. We expect Singapore's GDP growth to bounce back this year, supported by a rebound in industrial production and travel-related services.
South Korea	▲	South Korean equities will benefit from stronger demand for chips and related hardware thanks to the wider adoption of AI, and a recovery of the memory market. The recently announced Value-Up plan could be a new catalyst for the stock market.
Taiwan	▶	In view of strong global AI-related demand and the cyclical recovery in the broader tech sector, we continue to prefer the semiconductor and tech hardware sectors in Taiwan.
<b>Government bonds</b>		
Developed markets (DM)	▶	The current levels of yields justify our overweight on most developed markets government bonds with a preference for medium-to-long maturities. Japanese government bonds remain unattractive due to likely policy normalisation ahead.
United States	▲	While real yields remain elevated, we expect them to come down in coming months. Volatility can offer entry opportunities and we maintain our preference for 7-10 years.
United Kingdom	▲	As wage growth remains elevated, we expect the Bank of England to keep policy rates on hold and start cutting in summer. We stay positive on gilts and would seek opportunities to extend duration up to 10 years.
Eurozone	▶	Aggressive rate cut expectations have pushed European sovereign bonds to decline but hawkish rhetoric of most ECB governors has forced markets to consolidate. We maintain a neutral stance on sovereign debt.
Japan	▼	We expect the Bank of Japan to remove yield curve control in March and end the negative interest rate policy in Q2. This may push up bond yields and hence returns on Japanese government bonds could be hit.
Emerging Markets (Local currency)	▼	Policy rate expectations are changing, with a rebuild of risk premia. Amid USD strength, returns could be hit.
Emerging Markets (Hard currency)	▶	Amid higher Treasury volatility, we still find yield but remain selective, focusing on quality issuers.
<b>Corporate bonds</b>		
Global investment grade (IG)	▲	Interest rate risk is more attractively priced than credit risk, so we stick to quality with a preference for 5-7 year maturities.
USD investment grade (IG)	▲	More attractive US real yields are driving flows into USD investment grade credit compared to other markets. We favour companies with strong cash flows.
EUR and GBP investment grade (IG)	▲	EUR and GBP investment grade bond spreads are tighter relative to their US counterparts. We have taken some profit after one year of continuous spread compression but remain overweight.
Asia investment grade (IG)	▲	The fundamentals for Asian credit remain solid with attractive valuations supported by tight supply. We favour Asian financials, Indonesian quasi-sovereign IGs, South Korean IGs, Macau gaming, and Chinese technology, media and telecom.
Global high-yield (HY)	▶	We favour investment grade over high yield bonds as the spread pick-up in high yield is insufficient with default risks rising somewhat.
US high-yield (HY)	▶	Although defaults remain low and refinancing risk is manageable, risk premia are too low in our view.
EUR and GBP high-yield (HY)	▶	European HY issuers often have lower leverage than in the US, but economic growth is lower, hurting cash flows.
Asia high-yield (HY)	▶	We expect default rate to stay high in 2024 and hold the view that investment grade can deliver higher total returns versus high yield in the region.
<b>Commodities</b>		
Gold	▶	Despite continued risks in the Middle East, oil prices remain range-bound amid global growth concerns and broadly balanced supply and demand. Falling yields should support gold to range trade, but USD strength is an obstacle.
Oil	▶	Oil prices should remain volatile due to geopolitical reasons and uncertainties around supply and demand.

## Sector Views

Global and regional sector views based on a 6-month horizon

Sector	Global	US	Europe	Asia	Comment
<b>Consumer Discretionary</b>	▲	▲	▶	▲	Inflationary pressures have eased in many regions, but spending remains selective, benefitting only certain areas of the sector. Tourist activity helps to lift luxury demand in most regions. Hospitality and restaurants should benefit from these trends. The auto sector is seeing signs of improving demand although EV demand has dropped. European and US automaker valuations are very low reflecting concerns about their EV products being unable to compete with Asian products.
<b>Financials</b>	▲	▲	▲	▶	An improving economic and corporate outlook combined with solid fundamentals and low valuations should support the sector, in particular, capital markets which see an expected pick-up in trading volumes and new issuance volumes. Interest rates look set to decline but only slowly, with a modest impact on earnings. Regional banks with significant exposure to the real estate sector are experiencing some challenges.
<b>Industrials</b>	▲	▲	▶	▶	US Industrials are benefitting both from robust domestic demand and the reshoring/near-shoring initiatives fuelled by the US's Inflation Reduction Act (IRA) and CHIPS Act. Industrials in other regions continue to see soft demand as sentiment remains muted and capital investments are below trend. Aerospace, defence and automation remain potential bright spots.
<b>Information Technology</b>	▲	▲	▲	▲	Fundamentals are strong, with AI-related developments being a major growth catalyst for productivity and new applications. As a result, high-end semiconductors, digital infrastructure, software and related supply areas are all seeing growth. Consumer sentiment is also improving as new intelligent, AI-enabled products and services are introduced. Digital advertising growth is showing signs of improving.
<b>Communications Services</b>	▶	▲	▼	▲	US Communications continue to deliver stellar earnings growth with the strongest sector growth forecast for this year as fundamentals and attractive prices continue to attract investors. In Asia, the stabilising regulatory environment and low valuations offer an attractive risk-return profile. In contrast, Europe's telecom services sector has little room for optimism.
<b>Materials</b>	▶	▶	▶	▶	Iron ore and steel prices have softened in the last month, and copper and aluminium prices have remained flat for the last 18 months. Nickel's long decline has paused. Electric vehicle demand has declined as insufficient charging infrastructure has impacted consumer appetite, reducing demand for battery metals. Chemicals stocks remain range-bound. Construction materials are seeing some improvement in early demand, but weak infrastructure spending remains a headwind.
<b>Real Estate</b>	▼	▼	▶	▼	The outlook for commercial real estate is mixed, while retail and office segments still look unattractive. Warehousing is seeing improved demand and prices after a sustained period of weakness. The sentiment of the housing sector in some markets is improving in anticipation of lower interest rates. Chinese real estate remains problematic. Easing inflation and interest rates may lift sentiment and activity.
<b>Consumer Staples</b>	▶	▶	▶	▲	Consumer staples cost margins appear secure as cost pressures have eased. The sector should benefit from strong seasonal demand with solid results going forward despite tough YoY comparables. The sector trades in line with historical valuations. We focus on quality stocks with strong brands and more resilient pricing power.
<b>Energy</b>	▶	▶	▲	▶	Energy price momentum has stalled in oil and natural gas with unseasonably warm weather, and reserves and supplies remaining strong. Low valuations, strong cashflows and high dividend yields will attract investors, but sales and earnings growth are likely to be muted given last year's higher prices. In 2024, energy prices may not benefit from geo-political uncertainties as they have over the last two years.
<b>Healthcare</b>	▲	▲	▲	▼	New product launches, a less hostile pricing environment and the ebbing wave of major product patent expirations should help lift the sector after a period of under-performance. Healthcare sales growth should start to benefit from easier comparables and new pharma products should lift sentiment and expectations. In Asia, valuations remain elevated, trading well above historical levels.
<b>Utilities</b>	▶	▼	▶	▲	The outlook for European and US renewable energy projects has started to improve as governments have started to adopt more realistic pricing for new project auctions following a period of unprecedented cost increases. Utilities may benefit as interest rates fall and investors look for high dividend paying stocks.

## DISCLAIMER

This document or video is prepared by The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), 1 Queen's Road Central, Hong Kong. HBAP is incorporated in Hong Kong and is part of the HSBC Group. This document or video is distributed and/or made available by HSBC Bank Canada (including one or more of its subsidiaries HSBC Investment Funds (Canada) Inc. ("HIFC"), HSBC Private Investment Counsel (Canada) Inc. ("HPIC") and HSBC InvestDirect division of HSBC Securities (Canada) Inc. ("HIDC")), HSBC Bank (China) Company Limited, HBAP, HSBC Bank (Singapore) Limited, HSBC Bank Middle East Limited (UAE), HSBC UK Bank Plc, HSBC Bank Malaysia Berhad (198401015221 (127776-V))/HSBC Amanah Malaysia Berhad (20080100642 1 (807705-X)), HSBC Bank (Taiwan) Limited, HSBC Bank plc, Jersey Branch, HSBC Bank plc, Guernsey Branch, HSBC Bank plc in the Isle of Man, HSBC Continental Europe, Greece, The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India), HSBC Bank (Vietnam) Limited, PT Bank HSBC Indonesia (HBID), HSBC Bank (Uruguay) S.A. (HSBC Uruguay is authorised and oversought by Banco Central del Uruguay), HBAP Sri Lanka Branch, The Hongkong and Shanghai Banking Corporation Limited – Philippine Branch, HSBC Investment and Insurance Brokerage, Philippines Inc, and HSBC FinTech Services (Shanghai) Company Limited and HSBC Mexico, S.A. Multiple Banking Institution HSBC Financial Group (collectively, the "Distributors") to their respective clients. This document or video is for general circulation and information purposes only.

The contents of this document or video may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. This document or video must not be distributed in any jurisdiction where its distribution is unlawful. All non-authorized reproduction or use of this document or video will be the responsibility of the user and may lead to legal proceedings. The material contained in this document or video is for general information purposes only and does not constitute investment research or advice or a recommendation to buy or sell investments. Some of the statements contained in this document or video may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. HBAP and the Distributors do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward looking statements. This document or video has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed are based on the HSBC Global Investment Committee at the time of preparation and are subject to change at any time. **These views may not necessarily indicate HSBC Asset Management's current portfolios' composition. Individual portfolios managed by HSBC Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity.**

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance contained in this document or video is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Investments are subject to market risks, read all investment related documents carefully.

This document or video provides a high level overview of the recent economic environment and has been prepared for information purposes only. The views presented are those of HBAP and are based on HBAP's global views and may not necessarily align with the Distributors' local views. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. It is not intended to provide and should not be relied on for accounting, legal or tax advice. Before you make any investment decision, you may wish to consult an independent financial adviser. In the event that you choose not to seek advice from a financial adviser, you should carefully consider whether the investment product is suitable for you. You are advised to obtain appropriate professional advice where necessary.

The accuracy and/or completeness of any third-party information obtained from sources which we believe to be reliable might have not been independently verified, hence Customer must seek from several sources prior to making investment decision.

### Important Information about HSBC Global Asset Management (Canada) Limited ("AMCA")

HSBC Asset Management is a group of companies, including AMCA, that are engaged in investment advisory and fund management activities, which are ultimately owned by HSBC Holdings plc. AMCA is a wholly owned subsidiary of, but separate entity from, HSBC Bank Canada.

### Important Information about HSBC Investment Funds (Canada) Inc. ("HIFC")

HIFC is the principal distributor of the HSBC Mutual Funds and offers the HSBC Mutual Funds and/or the HSBC Pooled Funds through the HSBC World Selection® Portfolio service. HIFC is a subsidiary of AMCA, and indirect subsidiary of HSBC Bank Canada, and provides its products and services in all provinces of Canada except Prince Edward Island. Mutual fund investments are subject to risks. Please read the Fund Facts before investing.

®World Selection is a registered trademark of HSBC Group Management Services Limited.

### Important Information about HSBC Private Investment Counsel (Canada) Inc. ("HPIC")

HPIC is a direct subsidiary of HSBC Bank Canada and provides services in all provinces of Canada except Prince Edward Island. The Private Investment Counsel service is a discretionary portfolio management service offered by HPIC. Under this discretionary service, assets of participating clients will be invested by HPIC or its delegated portfolio manager, AMCA, in securities, including but not limited to, stocks, bonds, mutual funds, pooled funds and derivatives. The value of an investment in or purchased as part of the Private Investment Counsel service may change frequently and past performance may not be repeated.

### Important Information about HSBC InvestDirect ("HIDC")

HIDC is a division of HSBC Securities (Canada) Inc., a direct subsidiary of, but separate entity from, HSBC Bank Canada. HIDC is an order execution only service. HIDC will not conduct suitability assessments of client account holdings or of the orders submitted by clients or from anyone authorized to trade on the client's behalf. Clients have the sole responsibility for their investment decisions and securities transactions.

### The following statement is only applicable to HSBC Mexico, S.A. Multiple Banking Institution HSBC Financial Group with regard to how the publication is distributed to its customers:

This publication is distributed by Wealth Insights of HSBC México, and its objective is for informational purposes only and should not be interpreted as an offer or invitation to buy or sell any security related to financial instruments, investments or other financial product. This communication is not intended to contain an exhaustive description of the considerations that may be important in making a decision to make any change and/or modification to any product, and what is contained or reflected in this report does not constitute, and is not intended to constitute, nor should it be construed as advice, investment advice or a recommendation, offer or solicitation to buy or sell any service, product, security, merchandise, currency or any other asset.

Receiving parties should not consider this document as a substitute for their own judgment. The past performance of the securities or financial instruments mentioned herein is not necessarily indicative of future results. All information, as well as prices indicated, are subject to change without prior notice; Wealth Insights of HSBC Mexico is not obliged to update or keep it current or to give any notification in the event that the information presented here undergoes any update or change. The securities and investment products described herein may not be suitable for sale in all jurisdictions or may not be suitable for some categories of investors.

The information contained in this communication is derived from a variety of sources deemed reliable; however, its accuracy or completeness cannot be guaranteed. HSBC México will not be responsible for any loss or damage of any kind that may arise from transmission errors, inaccuracies, omissions, changes in market factors or conditions, or any other circumstance beyond the control of HSBC. Different HSBC legal entities may carry out Wealth Insights internationally in accordance with local regulatory requirements. HSBC specifically prohibits the redistribution of this material and is not responsible for any actions that third parties may take to and/or with it.

### Important Information about the 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 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, Australia or New Zealand or any other jurisdiction where such distribution would be contrary to law or regulation.

**The following statement is only applicable to HSBC Bank (Taiwan) Limited with regard to how the publication is distributed to its customers:** HSBC Bank (Taiwan) Limited ("the Bank") shall fulfill the fiduciary duty act as a reasonable person once in exercising offering/conducting ordinary care in offering trust services/ business. However, the Bank disclaims any guarantee on the management or operation performance of the trust business.

**The following statement is only applicable to PT Bank HSBC Indonesia ("HBID"):** PT Bank HSBC Indonesia ("HBID") is licensed and supervised by Indonesia Financial Services Authority ("OJK"). Customer must understand that historical performance does not guarantee future performance. Investment product that are offered in HBID is third party products, HBID is a selling agent for third party product such as Mutual Fund and Bonds. HBID and HSBC Group (HSBC Holdings Plc and its subsidiaries and associates company or any of its branches) does not guarantee the underlying investment, principal or return on customer investment. Investment in Mutual Funds and Bonds is not covered by the deposit insurance program of the Indonesian Deposit Insurance Corporation (LPS).

THE CONTENTS OF THIS DOCUMENT OR VIDEO HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG OR ANY OTHER JURISDICTION.

YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE INVESTMENT AND THIS DOCUMENT OR VIDEO. IF YOU ARE IN DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT OR VIDEO, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

© Copyright 2024. The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED.

No part of this document or video may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited.

### Important information on sustainable investing

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance 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.