News Release

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HSBC PRIVATE BANK UNVEILS ITS "INVESTMENT OUTLOOK 2015"

**** Investment Themes for Asia's Wealthy in the Sixth Year of an Equity Bull Market ****

**** Portfolio-Based Approach to Thematic Investing ****

Amidst slow global economic recovery, HSBC Private Bank looks ahead to identify investment opportunities while managing risk in 2015. Five key investment themes have emerged in HSBC Private Bank's 2015 Investment Outlook: Policy Divergence, Infrastructure, Shifting Demographics, Economic Evolution and Impact Investing.

"We are entering a tricky year. This is the second longest equity bull market since World War II. Ninety percent of performance comes from asset allocation, and this will be more evident this year as volatility picks up, global policies and economics diverge," said Benjamin Pedley, Head of Investment Strategy, Asia at HSBC Private Bank. "Affluent investors in Asia can see single digit returns from the equity market, but should be wary of liquidity risks in their credit holdings."

Policy Divergence: Opportunities from Monetary Divergence Among Global Central Banks
Central banks around the world are at different stages of recovery, so divergent monetary policies are evident as the US moves closer to a rate hike.

For European exporters, we expect European equities to rise, supported by positive earnings growth, attractive valuations and Quantitative Easing (QE).

In 2015 the dollar rally will likely extend on growth differentials and less accommodative Fed policy. Yen weakness means Asian currencies may increasingly be dragged into the broader currency war.

Shifting and diverging global policies assisting in the departure of multi-asset and multi-market correlation combined with an uptick in volatility is a particularly positive environment for hedge funds.

Infrastructure: Continued Focus on Growth
While emerging markets focus on building infrastructure, more developed markets need to repair existing infrastructure. As countries seek innovative approaches to support projected growth, co-investing with private sector or foreign government investment participation emerge as possibilities. Governments are using infrastructure investment as mini stimuli, alongside fiscal and monetary policies to improve GDP growth.

As a result of China's revised Environmental Protection Law, which passed on 24 April 2014, investment in clean energy facilities grows as China in particular continues to fight pollution. Measures from China's low carbon development plan are positive for certain sectors, including natural gas, alternative energy, water treatment and waste management.

Shifting Demographics: Growing Middle Class and Ageing Populations
Longer lifespans drive interest in funding for a longer retirement through income-producing assets. Increasing focus on dividend stocks that provide above-average momentum characteristics are key amidst slow economic recovery. Large cap companies are less volatile typically, so their income support is a buffer against price moves.

Rising prosperity and a growing ageing population lead to growing demand for healthcare, such as modern biopharmaceuticals and medical devices, along with increased spending on lifestyle goods and tourism across Asia.

Economic Evolution: China, India and a New Digital World
Shanghai Hong Kong Stock Connect continues to show significant promise with high-quality Hong Kong stocks and growth potential for A-shares. In 2015, the A-share market might potentially meet the MSCI's criteria for emerging market status. A-share inclusion in the MSCI benchmark would attract billions of dollars of capital and represent a long-term re-rating catalyst.

Nevertheless, we have a preference for investment grade Dim Sum bonds in the wake of recent sharp gains in that market. Chinese-related H-shares in Hong Kong are more attractive due in part to liquidity concerns with some high yield issuers. SOEs are viewed as attractive.

An improving macro-economic backdrop in India and the resurgence of a new, market-friendly government has propelled Indian equities to record highs. Indian assets present an attractive investment proposition based on continued reform implementation, supportive monetary policy, favourable corporate earnings outlook and improving macro fundamentals.

Major players in the handset/phablet market will continue to see demand for their products. E-commerce volume will continue to rise, as will the adoption of alternative payment methods such as mobile wallets. Online-to-Offline (O2O) and in the future omni-channel are shaking up retail in China, with the expectation for the O2O market in 2016 to be nearly as large as all online retail sales in 2013.

Impact Investing: Greater Good and Returns Are Not Mutually Exclusive
Impact investing is an investment strategy designed to provide global investors with financial returns while creating social return as well. It consists of sustainable investing in sectors like energy, healthcare, infrastructure and education. Impact investing strategies are beginning to gain traction as topics such as the empowerment of women, corporate governance, LGBT rights, religious and ideological investing are becoming more entwined with corporations and their business models moving forward. Investors are targeting funds and corporations that make specific attempts to make a profound difference in the social and environmental challenges we face today.

"To manage risk, being aware of the correlation between asset classes can lower risk for similar returns. Affluent investors should consider other variables such as volatility when allocating to portfolios to achieve this goal," adds Benjamin.

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Notes to Editors:

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