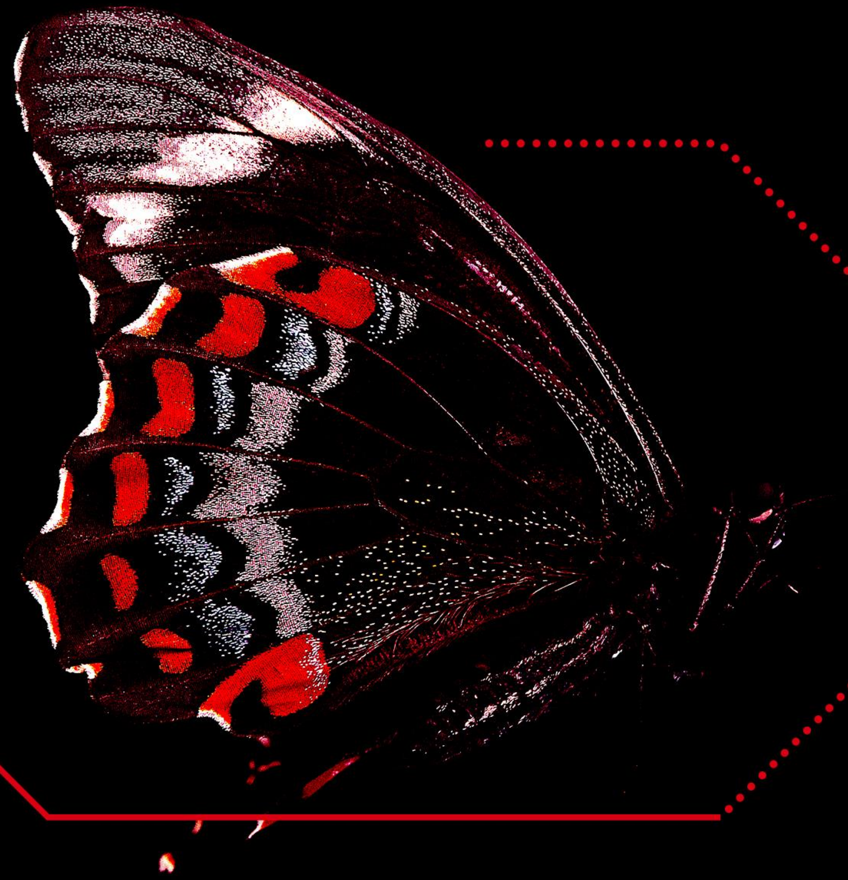
Theory-based sales aids to support investment conversations

Addressing typical client questions around why and how to invest

Put CASH
to WORK

Put Cash to work

Investment Avenues



March 2024

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This document should not be distributed to or relied upon by retail clients/investors.

HSBC Asset Management

1. Why should I invest?

Why should I invest?

Summary

Typical questions

The world is so uncertain. Why not hold cash instead?

Why does inflation matter for investors?

If prices keep going up, how can we maintain our purchasing power?

Due to inflation, or the rising prices of goods and services, holding cash means your money is losing value

Everyone needs to hold some cash for 'rainy days' or to meet living expenses.

However, over the last 2 decades, inflation has almost halved the value of a US dollar

Investing is a way to grow your money

Investing is an effective way to grow the value of your savings above and beyond inflation over the long term

Starting sooner will allow you to benefit more from the compounding effect

Interest has been losing to inflation for most of the last two decades

The 'real interest rate' considers the effect of inflation

Despite recently turning positive, negative real interest rates in past years means that even with interest payments factored in, the value of cash fell significantly

Benefits of investing endure, even with higher interest rates

Investing over the long-term has supported capital growth, well beyond inflation, across different environments

Last year, despite higher interest rates, investing across most other asset classes delivered better returns than interest generated from cash

Why should I invest?

Put CASH to WORK

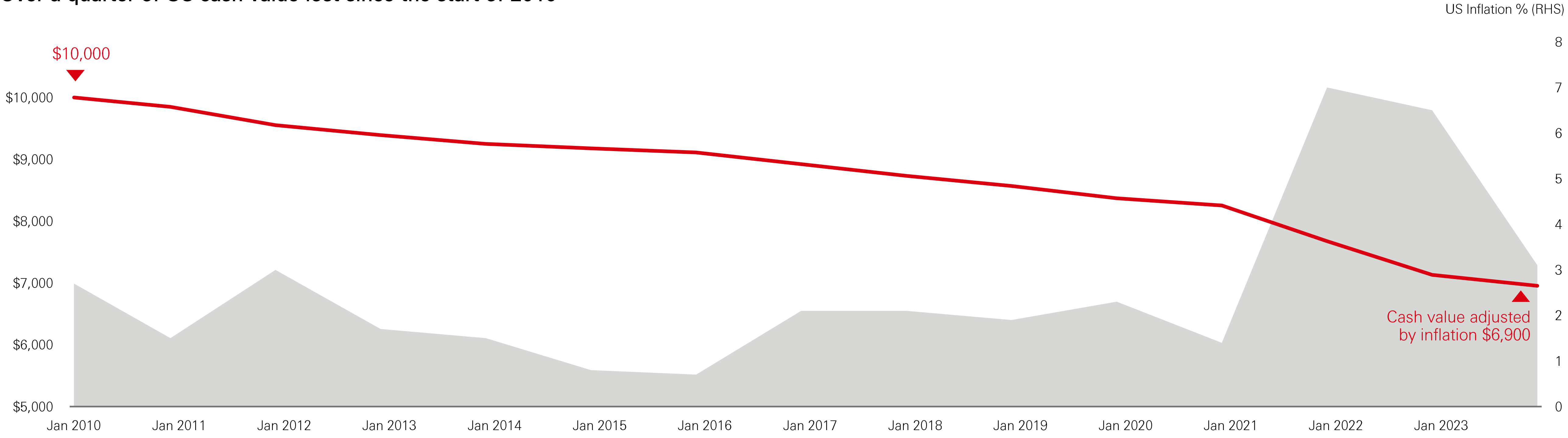
Holding cash means your money is losing value

Inflation, or rising prices for goods and services, means what you can buy with your cash is diminishing over time

The chart below demonstrates this decline in the value of money

Per the spike on the right of the chart, higher energy costs, labour shortages and supply-chain issues led to some of the highest inflation readings in decades for markets such as the US

Over a quarter of US cash value lost since the start of 2010



Source: Bloomberg, HSBC Asset Management, as at 31 December 2023. US inflation % = US CPI YOY change.

Why should I invest?

Inflation is slowing down, but won't disappear

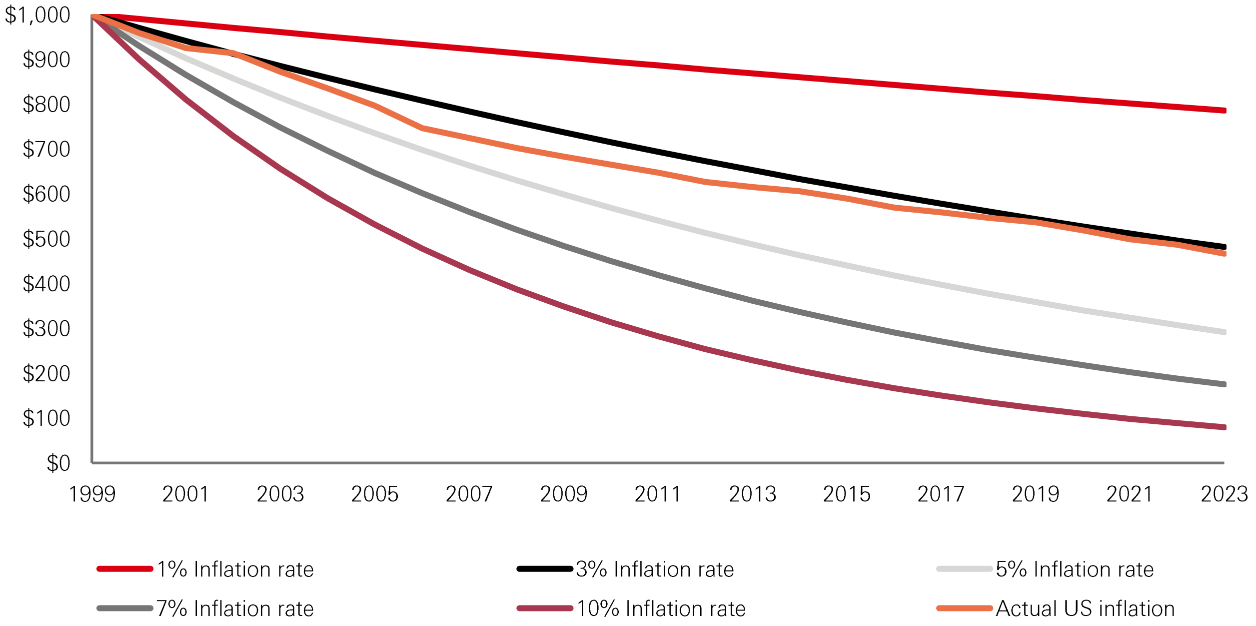
Higher interest rates implemented across many economies in 2023 have slowed demand and economic growth, to curb inflation

While price pressures have eased significantly, inflation will not disappear, leaving the value of your money still deteriorating

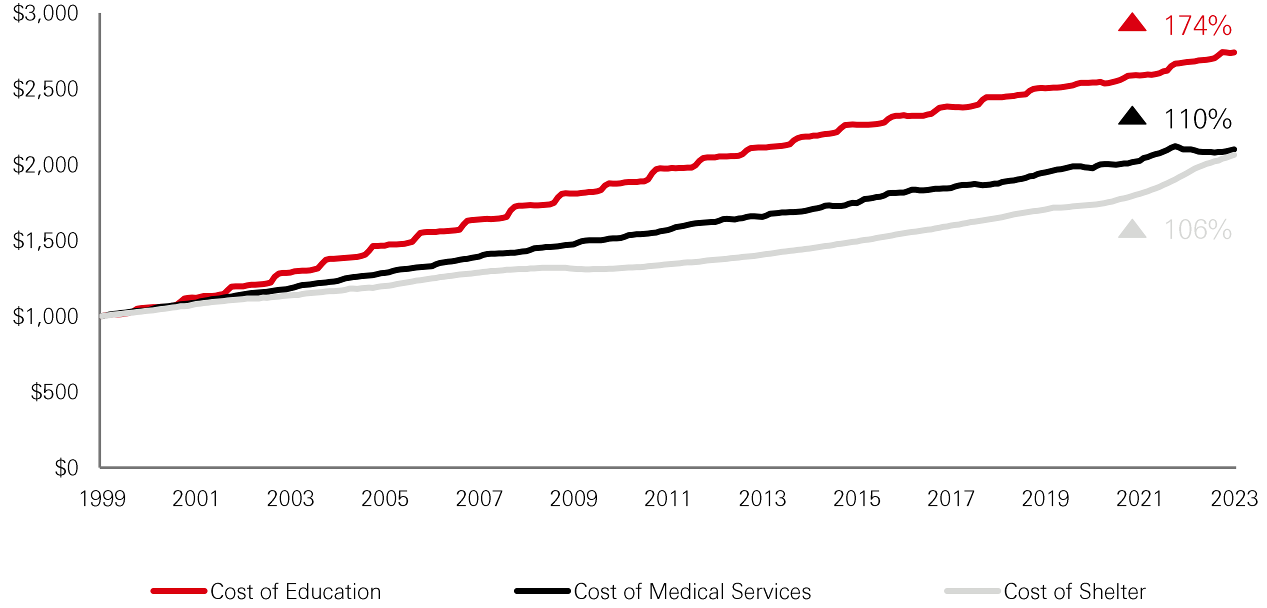
We can see below that over the last two decades, inflation has almost halved the value of $1,000, as costs for basic amenities such as education, medical services and shelter more than doubled in the US

Impact of Inflation

Value of $1,000



Cost of basic amenities in the US



Source: HSBC Asset Management, Refinitiv, as at January 2024.

Why should I invest?

A way to grow your money

Investing is an effective way to grow the value of your savings above and beyond inflation over the long term

Starting sooner will allow you to benefit more from the compounding effect

This means as you reinvest the returns from your investment, the original investment can continue to grow along with the money the investment has generated

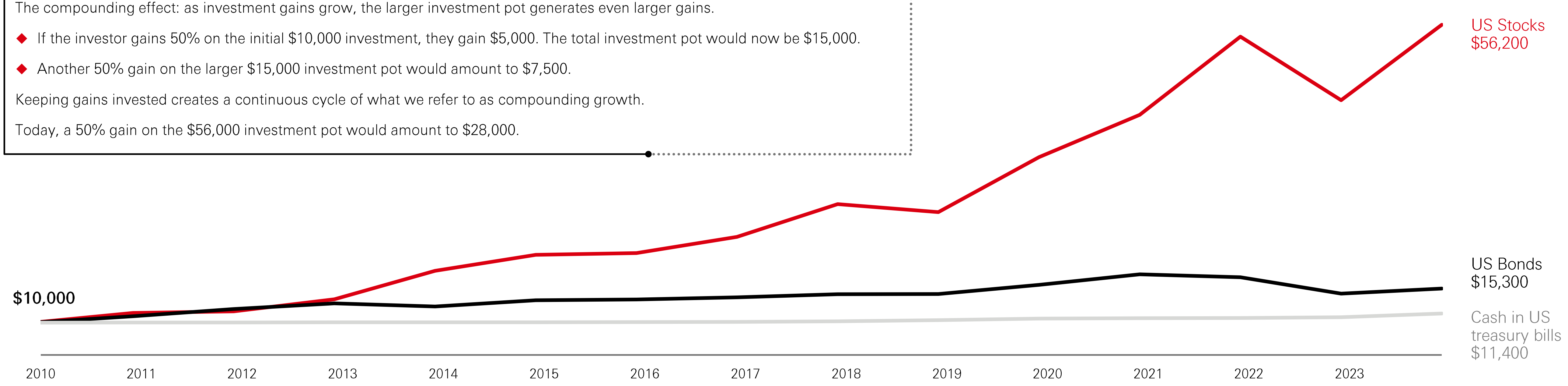
Growth of $10,000 since start of 2010

The compounding effect: as investment gains grow, the larger investment pot generates even larger gains.

- If the investor gains 50% on the initial $10,000 investment, they gain $5,000. The total investment pot would now be $15,000.
- Another 50% gain on the larger $15,000 investment pot would amount to $7,500.

Keeping gains invested creates a continuous cycle of what we refer to as compounding growth.

Today, a 50% gain on the $56,000 investment pot would amount to $28,000.



Past performance is no guarantee of future returns.

Source: Bloomberg, HSBC Asset Management, as at 31 December 2023. Indices used: Equities - S&P 500 Total Return Index. Bonds - US 7-10year Aggregate Bond Total Return Index. Savings - USA Total Return T-Bill Index.

Why should I invest?

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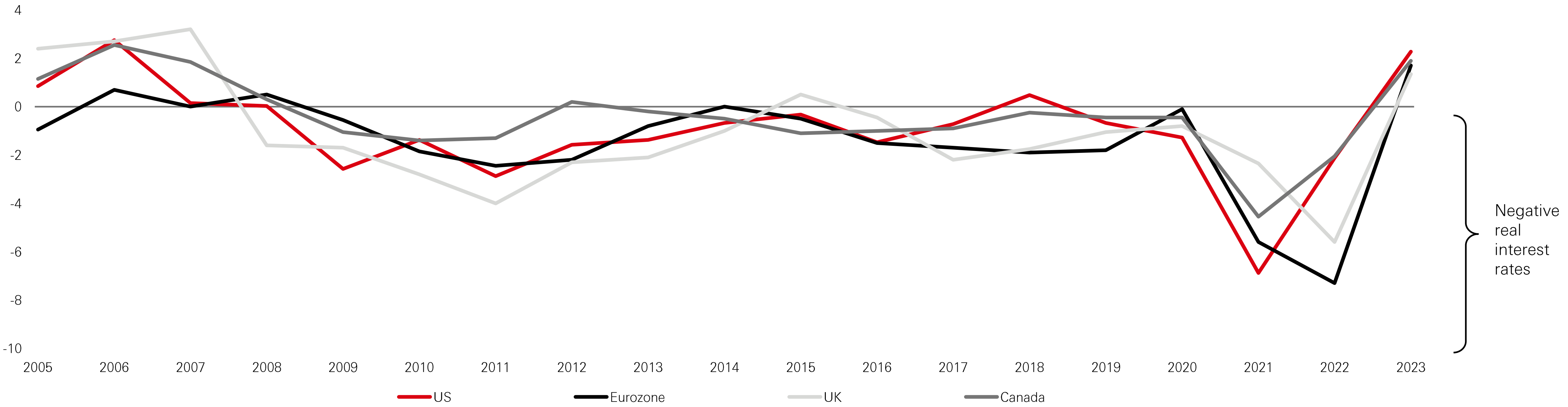
Interest has been losing to inflation for most of the last two decades

The 'real interest rate' considers the effect of inflation

Negative real interest rates mean that inflation is higher than interest rates

Despite recently turning positive, negative real interest rates in past years means that even with interest payments factored in, the value of your cash would have eroded significantly

Real interest rates since 2005 (%)



Source: Bloomberg, HSBC Asset Management, data as of 31 December 2023. Calculated using average CPI for the year and year-end central bank/base rate.

Why should I invest?

Put CASH to WORK

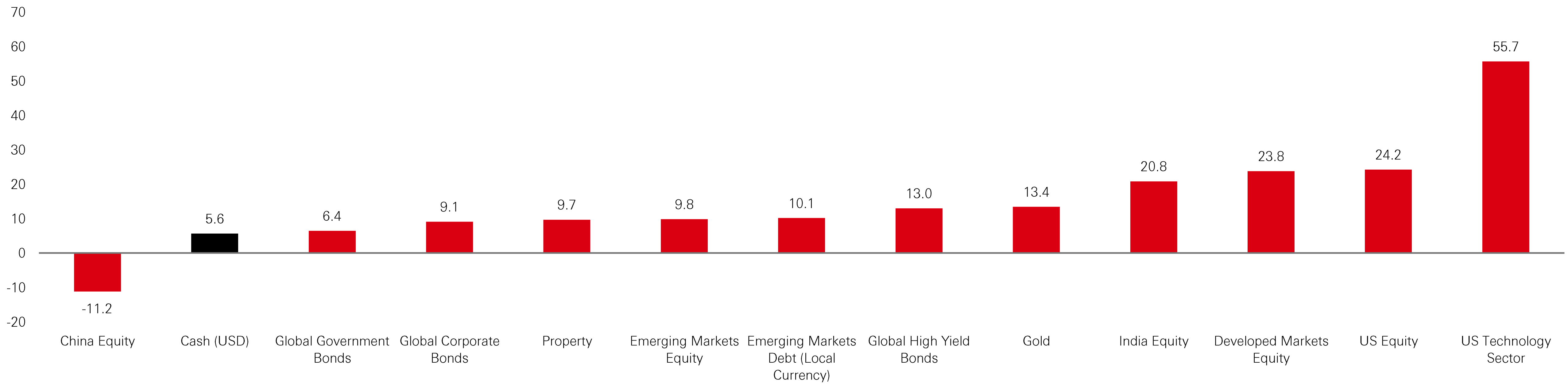
Benefits of investing endure, even with higher interest rates

When inflation is high, central banks raise interest rates to reduce borrowing and investment, slowing the economy while making cash deposits more appealing due to higher rates

As inflation has fallen in many markets, the resulting positive real interest rates today can be appealing

Yet, despite higher interest rates in 2023, we can see that investing across most other asset classes delivered better returns than holding cash

2023 Asset class return (%)



Past performance is no guarantee of future returns.

Source: Morningstar, HSBC Asset Management, data to December 2023. All returns in USD, total return. Indices used: China Equities: MSCI China Index; Cash: ICE LIBOR 3 Month; Global Government Bond: FTSE World Government Bond Index; Global Corporate Bond: Bloomberg Barclays Global Aggregate Corporate Bond Index; Property: FTSE EPRA/NAREIT Developed NR USD Index; EM Equities: MSCI Emerging Market Equity; EMD Local currency: Bloomberg EM Local Currency Government Diversified; Global High Yield Bond: ICE Bank of America Merrill Lynch Global High Yield; Gold: S&P GSCI Gold Spot Index; India: MSCI India NR Index; DM Equities: MSCI World Index; US Equity: S&P 500 Index; US Technology: S&P Technology Select Sector Index; Bond indices are hedged, ex EMD local currency (i.e. global government, global corporate, global high yield). Equities are unhedged.

2. Why invest in bonds?

Why invest in bonds?

Put CASH to WORK

Summary

Typical questions

Markets are doing well lately, but can I rely on steady returns ahead?

Why invest now and not wait until interest rates on cash have fallen?

Which bond markets should I look at?

Following a relatively calm and strong period in equity markets, and with much economic uncertainty ahead, volatility is likely to increase

Geopolitical events such as elections in many major economies could exacerbate uncertainties

In such times, bonds can offer stable cash flows that are much higher now than recent history

With central banks expected to cut interest rates, bond price appreciation should contribute to total returns

The inverse relationship between interest rates and bond prices that has hurt bonds in past years should now be a tailwind

Investing in bonds now allows you to lock in higher yields for an extended time and benefit from price appreciation should interest rates fall as expected

Bonds offer yields at 15-year highs

Currently, coupons on global bonds are offering nearly double the income of equity dividends

Higher quality bonds offer more safety and stability, while high yield bonds are offering 'equity-like' returns

Why invest in bonds?

Expect equity volatility ahead

The global economic outlook is very uncertain and may contribute to higher volatility in equity markets, which are now pricing in a benign scenario after the recent rally

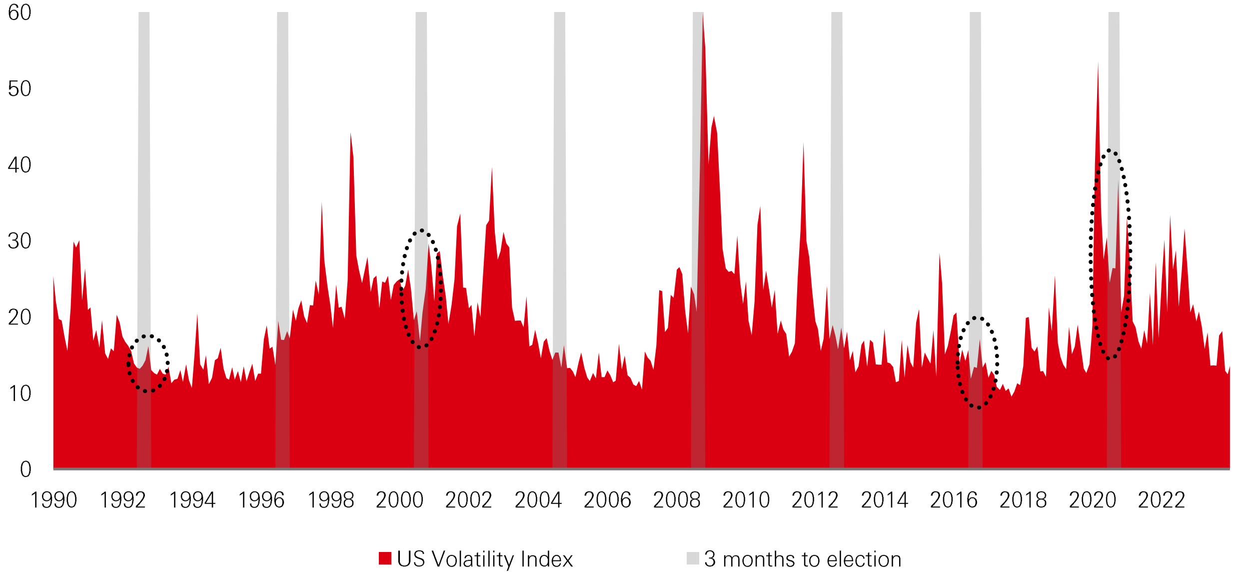
On top of that, this year will feature national elections in around 50 countries, collectively representing half of the global population and includes major economies such as the US, UK, European Union, and India

Geopolitical events like elections tend to bring heightened volatility due to political uncertainties and potential policy shifts

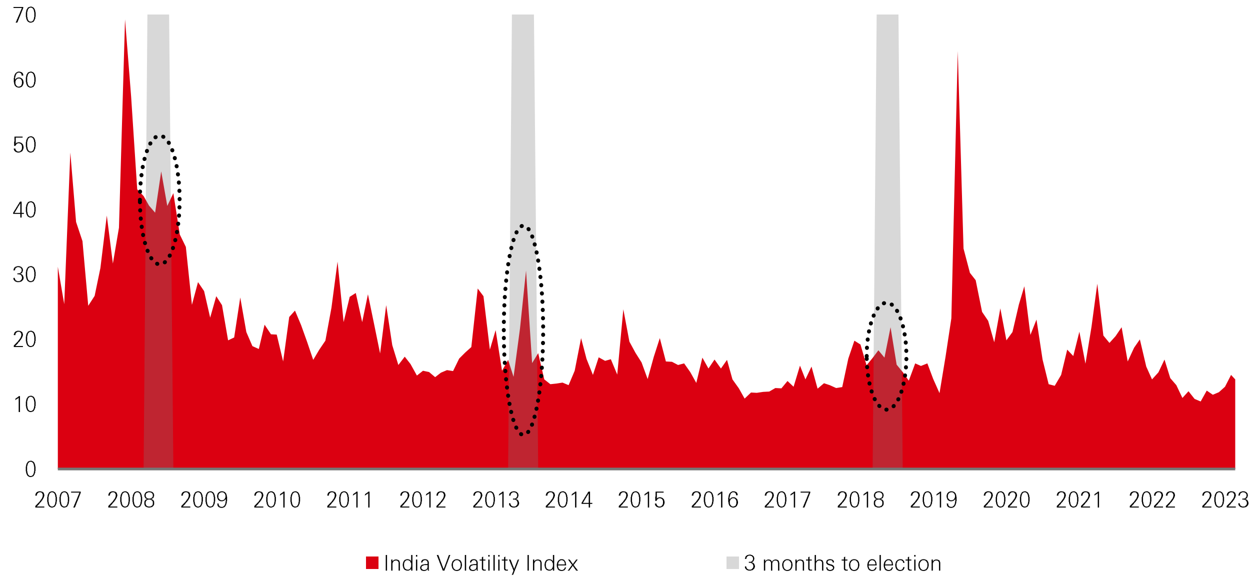
Bonds can offer more stability amidst this uncertainty, with steady cash flows that are far higher today than recent history

Equity volatility tends to increase before government elections

US Volatility Index



India Volatility Index



Past performance is no guarantee of future returns.
Source: Bloomberg, HSBC Asset Management, as at 31 December 2023.

Why invest in bonds?

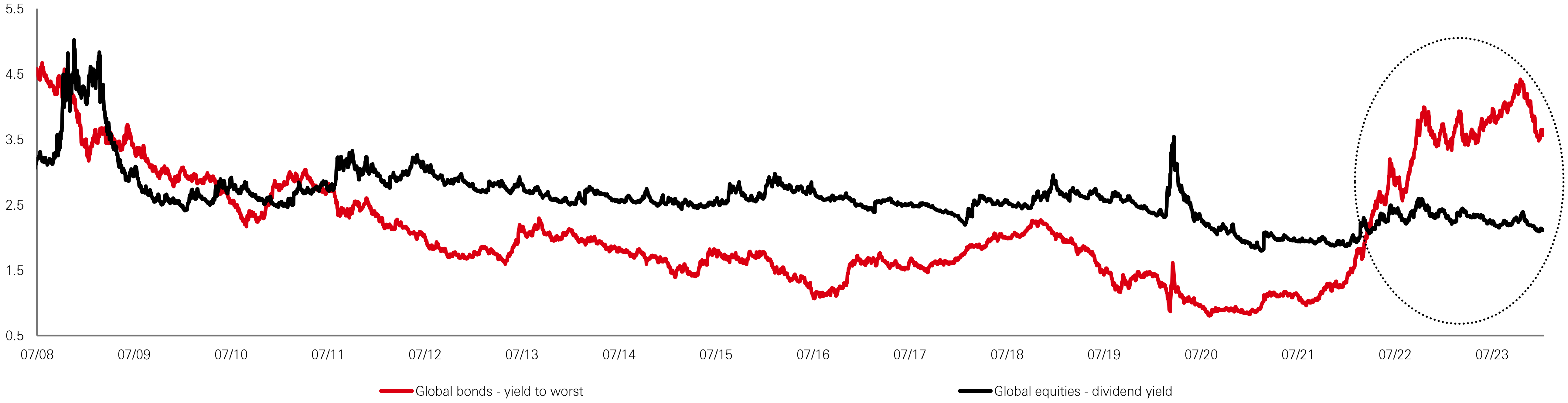
Yields at highest levels in 15 years

For most of the last two decades, investors could receive more in dividend yields from stocks than they could from bond coupons

This has now reversed sharply, with bonds offering nearly double the income compared to equity dividends

Bond investors also stand to benefit from central banks entering a rate cutting cycle, which would support price appreciation alongside the relatively high yields available today

Spread level between global bond yield and equity dividend yield at 15-year high



Past performance is no guarantee of future returns.

Source: Bloomberg; MSCI, as of 15 January 2024. Global bonds: Bloomberg Global Aggregate Yield to Worst Index; Global equities: MSCI AC World Index

Why invest in bonds?

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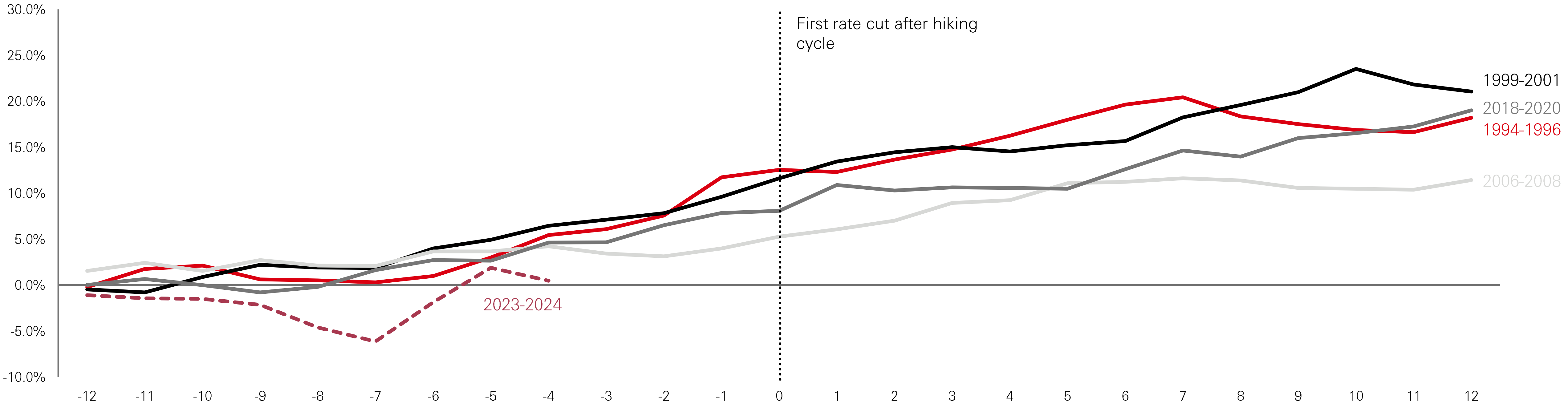
An opportune time to capture price appreciation

The inverse relationship between bond prices and interest rates hurt bond investors as interest rates rose over the last few years, but bond investors now stand to benefit from interest rates moving lower

Bond prices began gaining late last year as inflation fell and investors began to anticipate the start of a rate cutting cycle from key central banks such as the US Federal Reserve and the European Central Bank

Per the below chart, this upward trend should continue if interest rate cuts materialise as expected later this year

Bond price appreciation around the start of Fed rate cutting cycles



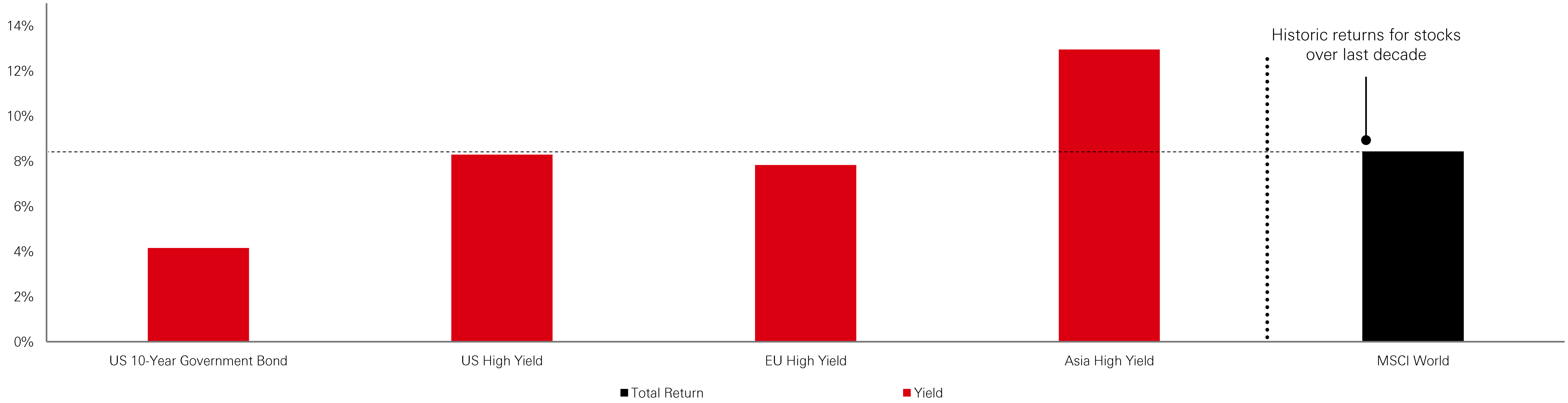
Past performance is no guarantee of future returns.
Source: Bloomberg, HSBC Asset Management as at February 2024. Index used: Bloomberg US Aggregate Total Return Unhedged USD Index

Why invest in bonds?

Lock in yields today that are providing 'equity-like' returns

- Investment grade bonds continue to offer yields close to 15-year highs and present an opportunity to lock in attractive yields on high quality fixed income
- Per the below, high yield bonds are now providing yields that are competitive, or even higher than average historical returns from stocks
- High yield bonds include higher default risks, which can increase during economic slowdowns, meaning a cautious approach is warranted

Average non-investment grade bond yields exceed historical returns from equity



Past performance is no guarantee of future returns.
Source: HSBC AM, Bloomberg, December 2023.

Why invest in bonds?

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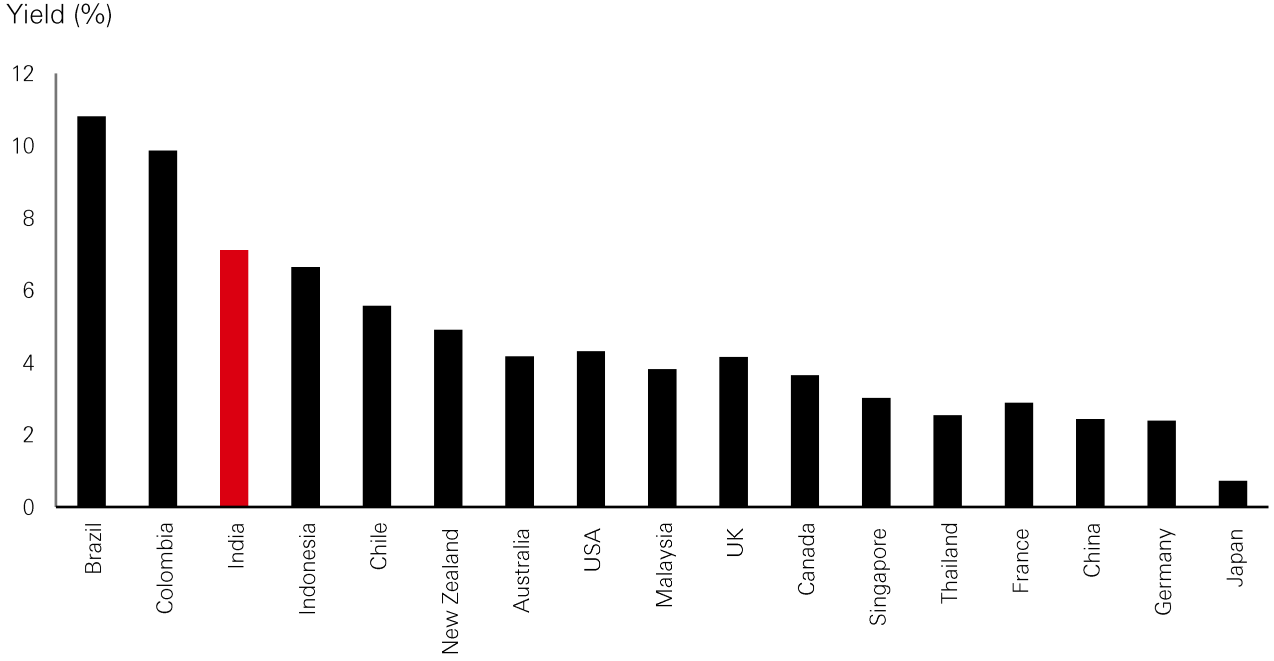
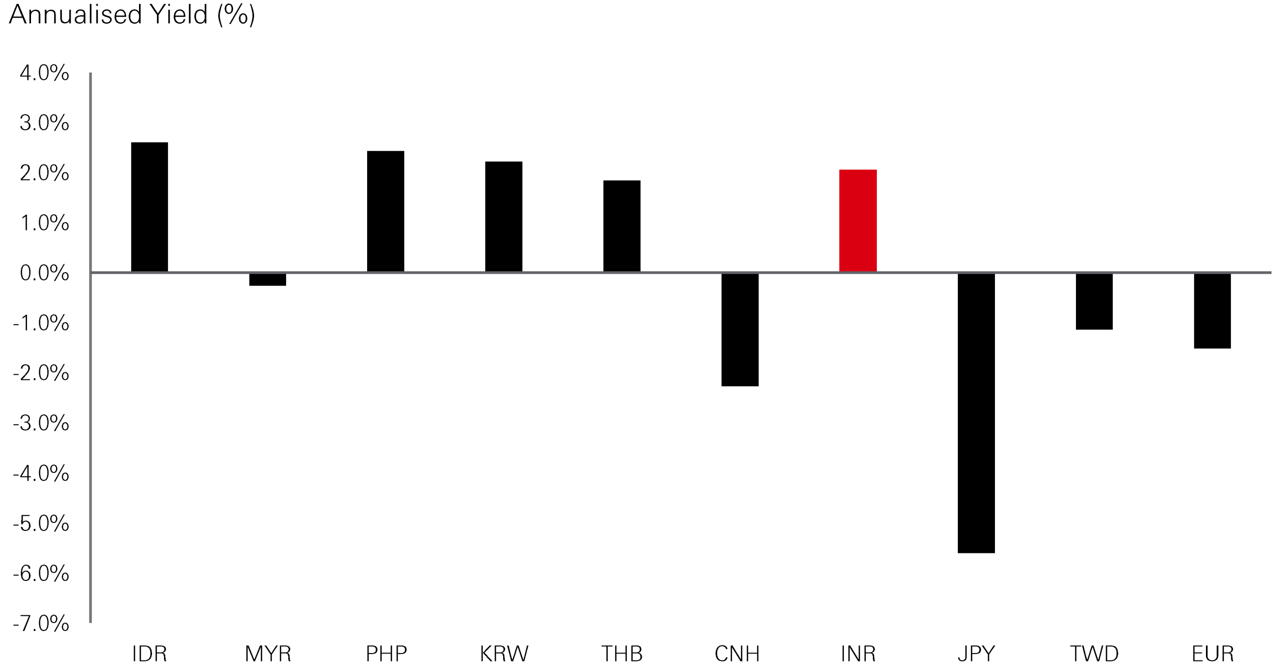
Potential for currency appreciation alongside higher yields in emerging markets

- Higher yields in Asia may present selective opportunities, as stronger economic growth in the region from markets such as India can cushion default risks
- Alongside the yield benefits, local currencies offer appreciation potential as the Federal Reserve prepares to begin cutting interest rates
- Falling US interest rates have historically boded well for emerging market assets and currencies

India 10Y bond yield attractive relative to peers



Annualized yield of 3-month FX forwards



Past performance is no guarantee of future returns.
Source: Bloomberg, data as of 13 February 2024.

3. Should I wait for the right time to invest?

Should I wait for the right time to invest?

Summary

Typical questions

If I can avoid the worst days, will my investment return increase?

What happens during times of market turmoil?

Perhaps I can time the market to buy low and sell high? Why don't I just invest when prices are low?

I only have a small amount to invest each month, does it make sense?

Time in, not timing: the power of compounding

Due to the compounding effect, starting to invest sooner, rather than later, is typically what is more important to growing your savings

Missed opportunities can be costly

Missing just a few of those best performing days can result in a huge difference in your return.

Long-term gains overcome short-term declines

It is the ability to 'ride out' short-term fluctuations that tend to bring positive returns over a longer time frame

Staying invested is the key

Patience and a commitment to a long-term approach is key to growing your savings

Selling during volatile periods, such as 2020 or 2023, would have meant missing out on a very strong market rebound

Regular investing helps smooth out the effects and fear of market movements

Investing a set amount at regular intervals enables you to buy more shares when prices are low and less when prices are high

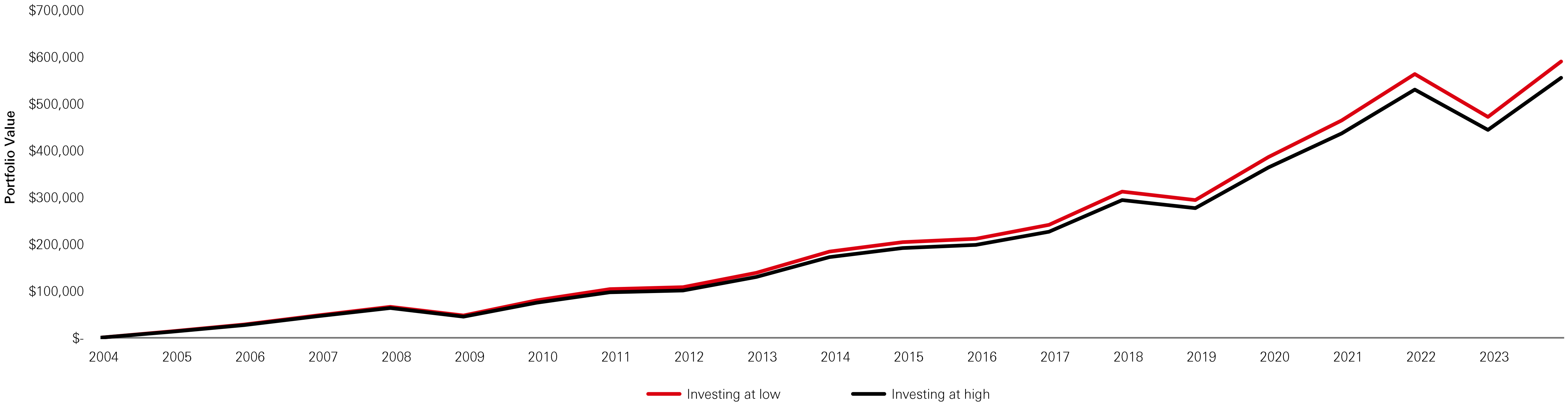
Should I wait for the right time to invest?

Time in, not timing: the power of compounding

The chart shows what happened to $1,000 invested in global stocks at the monthly low or high, every month since January 2004

Whether investing at the monthly low or high, it does not create a significant difference in the end value

Growth from investing $1,000 per month in global equities



Past performance is no guarantee of future returns.
Source: Bloomberg, HSBC Asset Management. Investing = MSCI AWCI Net Return Index, 1 January 2004 to 31 December 2023.

Should I wait for the right time to invest?

Put CASH to WORK

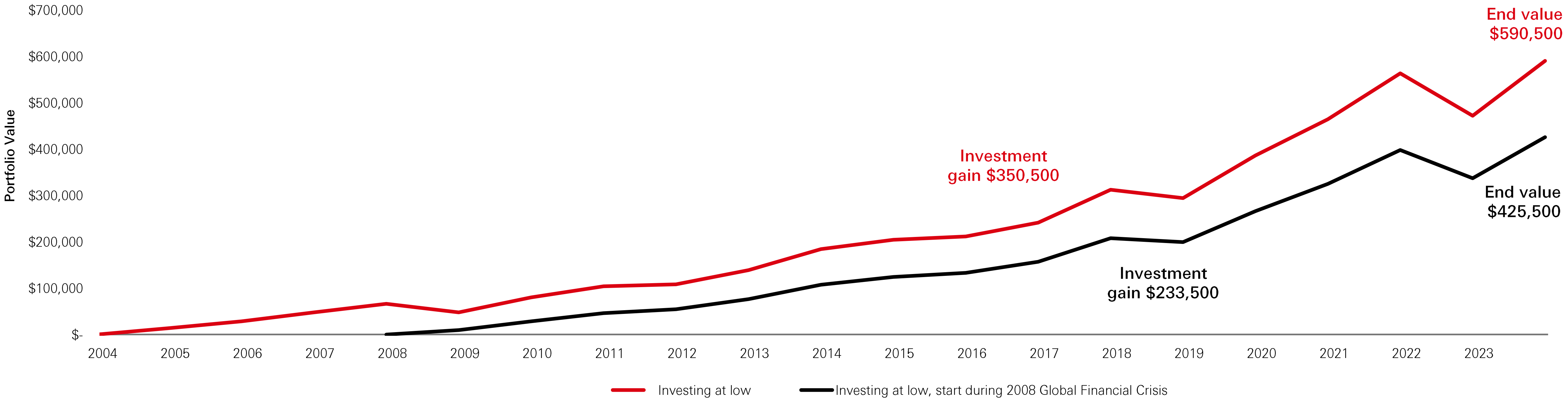
Time in, not timing: the power of compounding

Now the black line represents an investor that waited for a big market drop to start investing

Even though this investor has impeccable timing to not only invest at the monthly low, but start during a market crash when asset values were particularly low, the end outcome is much worse

Starting earlier (red line) meant investing $48,000 more over this time, but created an extra $165,000 in the end value – this is the power of compounding

Growth from investing $1,000 per month in global equities



Past performance is no guarantee of future returns.

Source: Bloomberg, HSBC Asset Management. Investing = MSCI AWCI Net Return Index, 1 January 2004 to 31 December 2023.

Should I wait for the right time to invest?

Missed opportunities can be costly

For $100,000 invested in stocks since 2005

- Missing the top 20 days reduced the end investment value from around $410,000 to $146,000

Past performance is no guarantee of future returns.

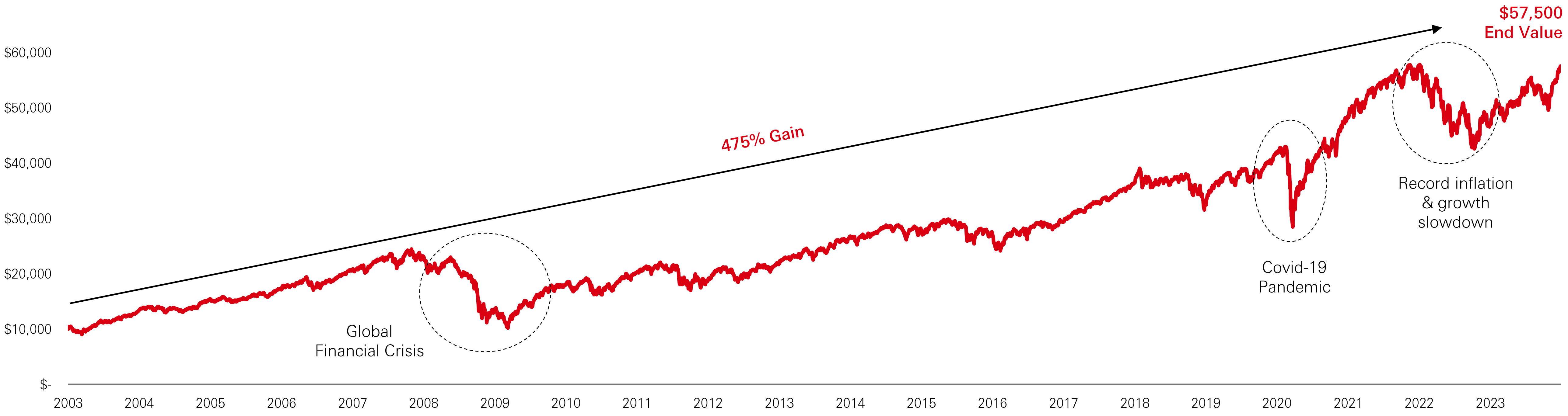
Source: Bloomberg, HSBC Asset Management. Returns are for developed market stocks - MSCI World Daily Total Return Gross World Index, as at January 2024.

Should I wait for the right time to invest?

Long-term gains overcome short-term declines

- Nobody can predict when is the right time, so it is important to determine an appropriate long-term investment strategy and understand that the market will be volatile
- History has shown that financial markets eventually recover from even the biggest turmoil
- It is the ability to 'ride out' these short-term fluctuations that tend to bring positive returns over a longer time frame
- Staying on the sidelines or selling during volatile periods can result in missing the recovery and losing out on long term gains

Returns from $10,000 invested in global equities over the last 2 decades



Past performance is no guarantee of future returns.
Source: Bloomberg, HSBC Asset Management as at 31 December 2023. MSCI ACWI Net Return index.

Should I wait for the right time to invest?

Staying invested is the key

Below we zoom in on bouts of short-term volatility from recent years

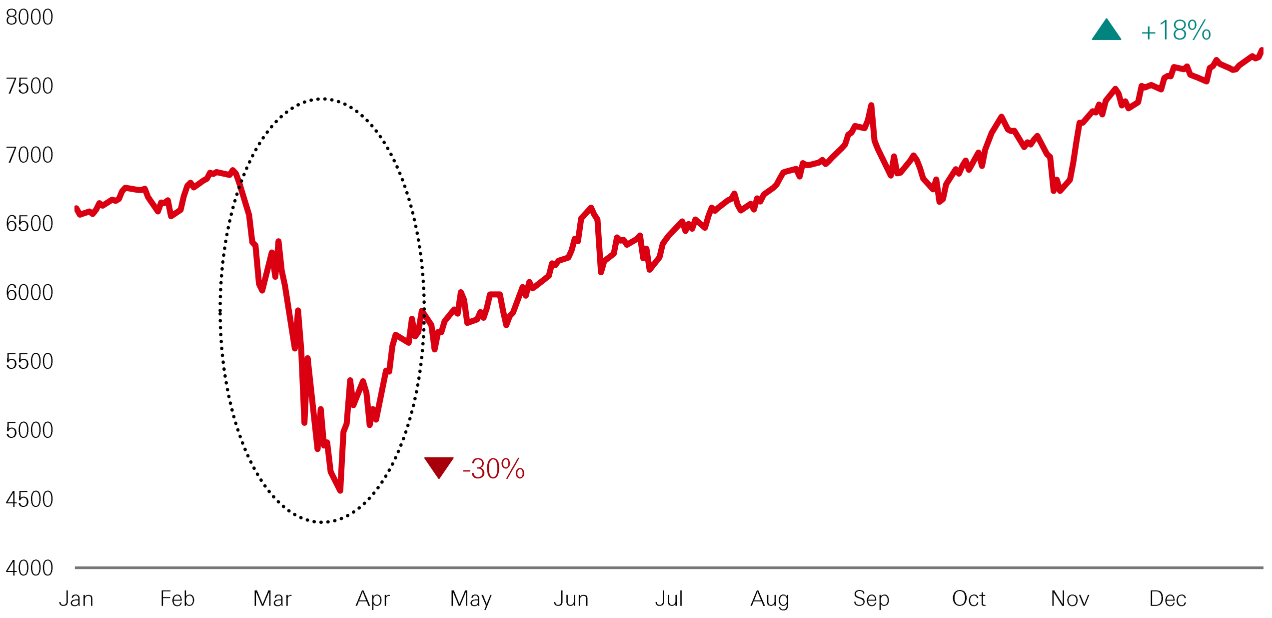
Most would remember March 2020 as a frightening time – not just for their investments! But investors who sold at that time would have sold assets at a significant discount, and missed the subsequent stock rally that generated close to a 20% return for the year

While not as extreme, 2023 was another year in which investors experienced ups and downs, but a very positive end outcome

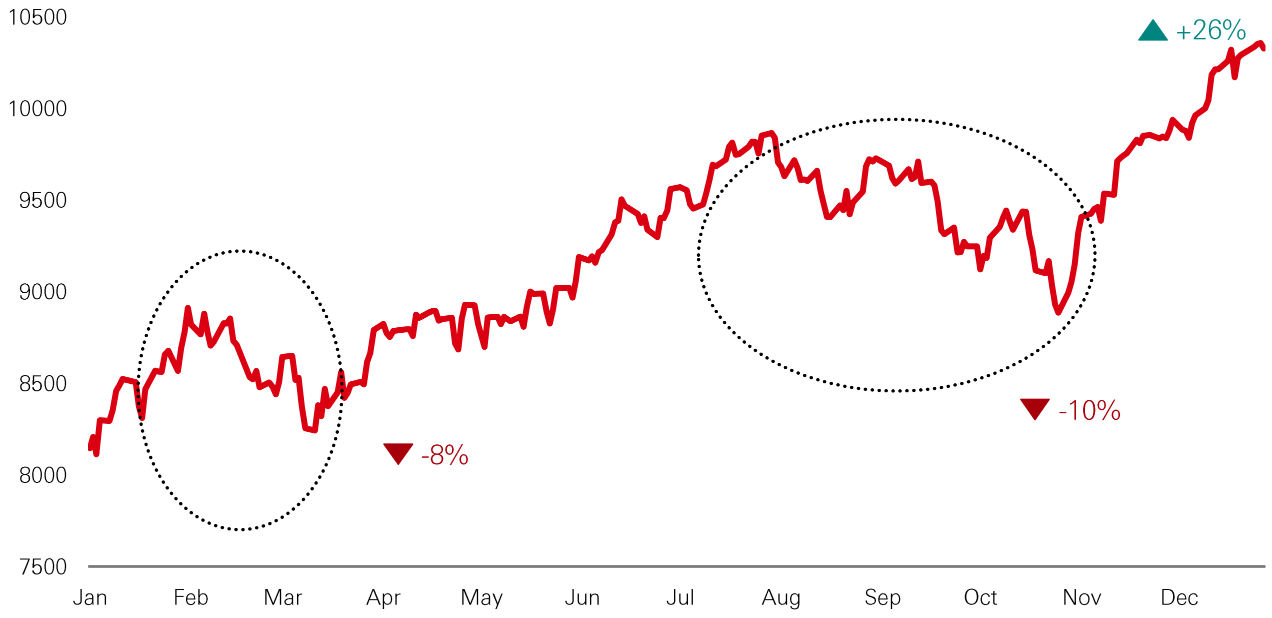
The only investment strategy required for these positive outcomes was patience and commitment to a long-term approach

US stock performance (S&P 500 total returns) during 2020 and 2023

2020



2023



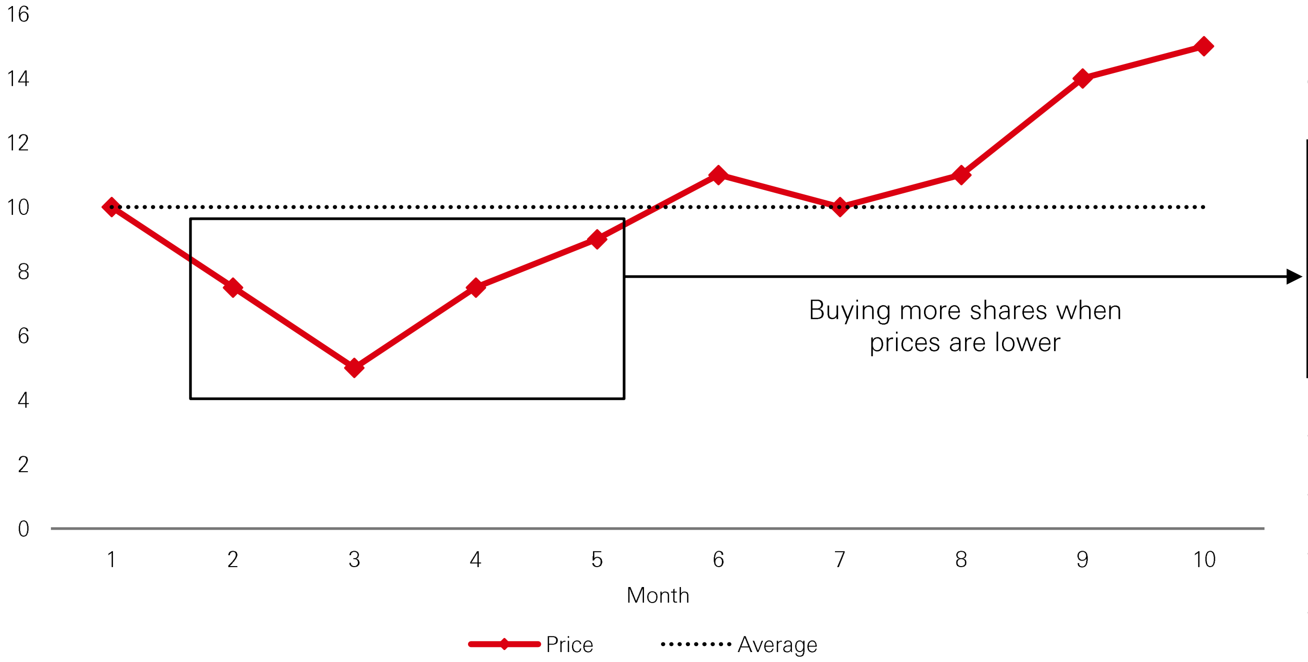
Source: Bloomberg, HSBC Asset Management, as at 31 December 2023. Index used: S&P 500 Total Return Index.

Should I wait for the right time to invest?

Regular investing helps smooth out the effects and fear of market movements

- The below is an example outcome from investing $1,000 monthly amidst fluctuating share prices
- More shares are purchased when prices are lower, and less shares are purchased when prices are higher
- This approach allowed the investor to gain more than would have been achieved with a lump sum investment at the start of the period
- While this wouldn't be the case in a steadily rising market, this approach can help you stick to an investment plan by reducing the impact of short-term market movements on your portfolio

Price per share ($)



Price ($)	# of shares bought	Value	Price Gain	Investor Gain
10	100	$1,000	-	-
7.5	133.33	$1,750	-25%	-13%
5	200	$2,167	-50%	-28%
7.5	133.33	$4,250	-25%	6%
9	111.11	$6,100	-10%	22%
11	90.90	$8,456	10%	41%
10	100	$8,687	0%	24%
11	90.90	$10,556	10%	32%
14	71.43	$14,434	40%	60%
15	66.67	$16,465	50%	65%

Past performance is no guarantee of future returns.
Source: HSBC Asset Management. For illustrative purposes only and does not relate to any investments. The figures are purely hypothetical.

Should I wait for the right time to invest?

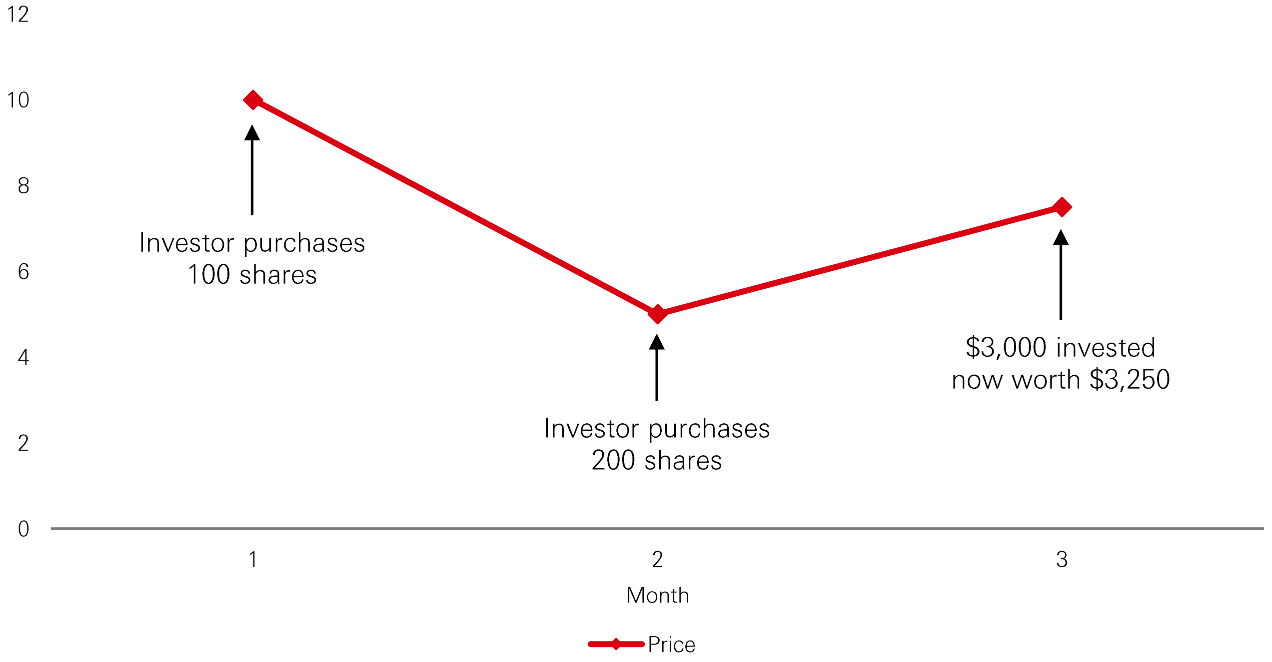
Regular investing helps smooth out the effects and fear of market movements

In this simplified example the share price for the investment drops by half to $5, before rebounding some to $7.50

Even though the investor buys $1,000 worth of shares at both a price of $10 and $5 per share, the outcome is a gain

This is because investing a fixed dollar amount means buying double the number of shares at the lower $5 price versus the original amount purchased at $10

Price per share ($)



Price ($)	# of shares bought	Value	Price Gain	Investor Gain
10	100	$1,000	-	-
5	200	$1,500	-50%	-25%
7.5	133.33	$3,250	-25%	8%

Past performance is no guarantee of future returns.

Source: HSBC Asset Management. For illustrative purposes only and does not relate to any investments. The figures are purely hypothetical.

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3. How can I start investing?

How can I start investing?

Summary

Typical questions

How can I get a smoother investment journey and reduce the risk of negative returns?

How can I stay on top of investment opportunities with everything else I have to do?

I read some recommendations for an asset that will be the best performer of the year. How much of my portfolio should I invest in it?

How can I invest more responsibly without sacrificing returns?

Single asset class performance can vary significantly from year to year

Diversification means investing in various assets at the same time, which can smooth your returns by reducing exposure to individual asset fluctuations

Balance risk and reward

A diversified approach captures return opportunities while reducing the risk your portfolio is exposed to

Prepare for different scenarios

Events such as national elections, of which there are around 50 this year, bring unique impacts to affected countries and markets

Professional attention to detail can help improve outcomes

Professionals can help ease the burden on yourself, and also maximise returns for a given risk level by optimising the asset mix based on market conditions

Focus on diversification and a long-term approach

Today's winners can be tomorrow's losers. It is important to stick to a long-term strategy that captures a diverse set of opportunities

Consider long-term sustainability

ESG considerations allow investors to better understand companies' long-term sustainability impacts and how 'future-fit' they are

How can I start investing?

Most common assets

- **Cash** involves putting money into accounts which are easily accessible whilst also providing an interest rate return
- **Global Government Bonds** are loans to a national government in return for which the lender receives regular payments, (known as the coupon) and a promise that the original investment (principal) is paid back at a specified date
- **Global Corporate Bonds** are issued by a company to raise money. In return for lending the company money the investor will receive interest payments (coupon) plus the return of the original investment when the bond matures
- **Global High Yield Bonds** are issued by companies of lower credit quality. These companies are more likely to default but provide a higher yield than investment grade (higher credit quality) bonds
- **Emerging Market Debt (EMD)** are bonds issued by emerging market governments or corporates. Hard currency debt refers to emerging market bonds denominated in a so called ‘hard currency’, typically US dollars. Local currency debt refers to emerging market bonds issued in their local market currencies
- **Asset-Backed Securities (ABS)** are a type of debt instrument backed by a pool of assets, such as mortgages or other financial products. For example, Bank A has provided mortgages for 10,000 customers and receives interest and capital repayments from this pool of mortgages. The bank may decide to issue Asset-Backed Securities, which are tied to these mortgages. The payments made by mortgage customers are passed through to investors in the Asset Backed Securities
- **Equities** is another name for shares. A share is a stake in the company that has issued it. The value of the shares will depend on a number of factors including how well the company is performing financially
- **Alternatives** are assets that do not fall into the traditional asset class categories such as shares, bonds and cash; and can include property, and commodities such as gold
- **Property** consists of investments in physical buildings which could be built for corporate, retail or residential purposes

How can I start investing?

Achieving a smoother ride

Single asset class performance can vary significantly from year to year

Diversification means investing in various asset classes at the same time – allowing your investment to be less exposed to large fluctuations

The best-performing asset class in one year...

Best performing asset class in year

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	15-Year Annualised return	15-Year Annualised volatility
Emerging Markets Equity	26.68	15.02	1.30	16.21	37.28	2.60	27.67	18.31	26.09	2.46	23.79	10.70	24.65
EM Debt (Local Currency)	13.09	8.35	0.63	11.19	22.40	2.37	21.91	15.90	21.82	-11.39	15.95	9.76	16.00
Diversified	7.10	7.60	0.32	9.48	15.88	-1.00	19.85	11.00	11.35	-12.73	12.97	9.30	15.63
Developed Markets Equity	3.67	7.31	-0.24	7.93	14.44	-1.90	18.44	8.26	3.04	-12.86	12.58	7.32	14.23
EMD (Hard Currency)	0.27	5.84	-0.79	7.51	10.36	-4.63	14.54	6.61	0.16	-14.11	10.14	6.56	10.77
Global Government	0.22	4.94	-0.87	6.77	10.01	-5.40	14.31	6.11	-0.79	-16.75	9.83	5.69	10.61
Cash	0.07	2.53	-1.50	6.22	8.02	-5.63	12.51	5.13	-2.29	-18.14	9.67	4.61	10.41
Global Corporate	-2.60	0.24	-2.03	4.06	5.70	-5.69	11.07	4.79	-2.54	-18.33	9.10	2.88	7.09
Global High Yield	-5.05	-2.19	-11.14	3.75	2.14	-8.71	7.59	0.67	-2.62	-20.09	6.42	2.38	4.98
Property	-5.79	-3.40	-14.92	0.76	1.29	-14.58	2.39	-9.04	-9.32	-25.09	5.62	1.22	1.42

Worst performing asset class in year

...can be the worst-performing the following year

Past performance is no guarantee of future returns.

Source: Morningstar, HSBC Asset Management, data to December 2023. All returns in USD, total return. Indices used: DM Equities: MSCI World Index; EM Equities: MSCI Emerging Market Equity; EMD Local currency: Bloomberg EM Local Currency Government Diversified; EMD Hard currency: ICE Bank of America Merrill Lynch Emerging Market Bond Index; Global Corporate Bond: Bloomberg Barclays Global Aggregate Corporate Bond Index; Global High Yield Bond: ICE Bank of America Merrill Lynch Global High Yield; Global Government Bond: FTSE World Government Bond Index; Property: FTSE EPPRA/NAREIT Developed Property Index; Cash: ICE LIBOR 3 Month; Diversified: 'Diversified' performance was calculated using representative asset allocation to all of the stated indices. Bond indices are hedged, ex EMD local currency (i.e. global government, global corporate, global high yield, EMD hard currency). Equities are unhedged.

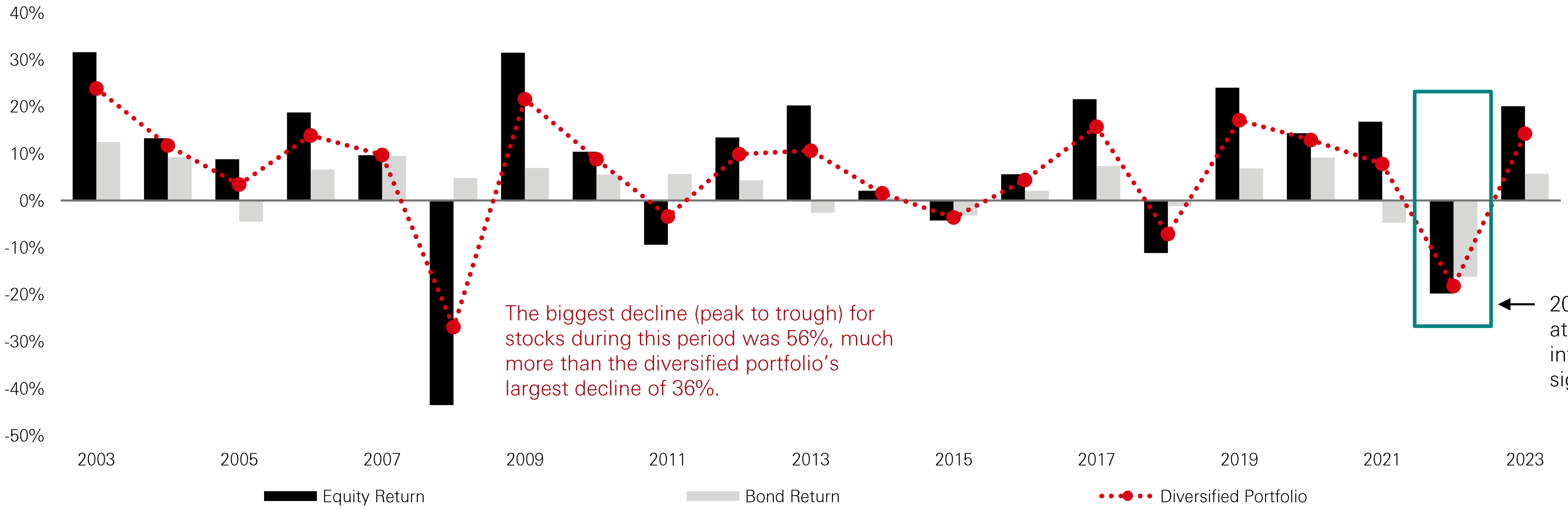
Balancing risk and reward

In this simplified example, the red line represents a portfolio mix of 60% stocks and 40% bonds, striking a balance between the higher potential returns from equities and the greater stability of bonds

The diversified portfolio delivered returns close to that of the all-equity portfolio, but reduced volatility (how much the portfolio value fluctuated) by roughly one-third.

This demonstrates how a diversified approach captures return opportunities while reducing the risk your portfolio is exposed to

Annual returns for stocks, bonds and a '60:40 portfolio'



	Average Annual Return	Average Annual Volatility	Growth of $100
Equity	6.5%	15.5%	$379.62
Bond	2.7%	6.1%	$176.39
60:40 Portfolio	5.2%	10.6%	$293.64

Past performance is no guarantee of future returns.

Currency: USD. Source: Bloomberg, HSBC Asset Management, as at 31 December 2023. Indices used: Equities – MSCI AC World Total Return Index. Bonds – Bloomberg Global-Aggregate Total Return Index Value Unhedged USD.

How can I start investing?

Put CASH to WORK

Prepare for different scenarios

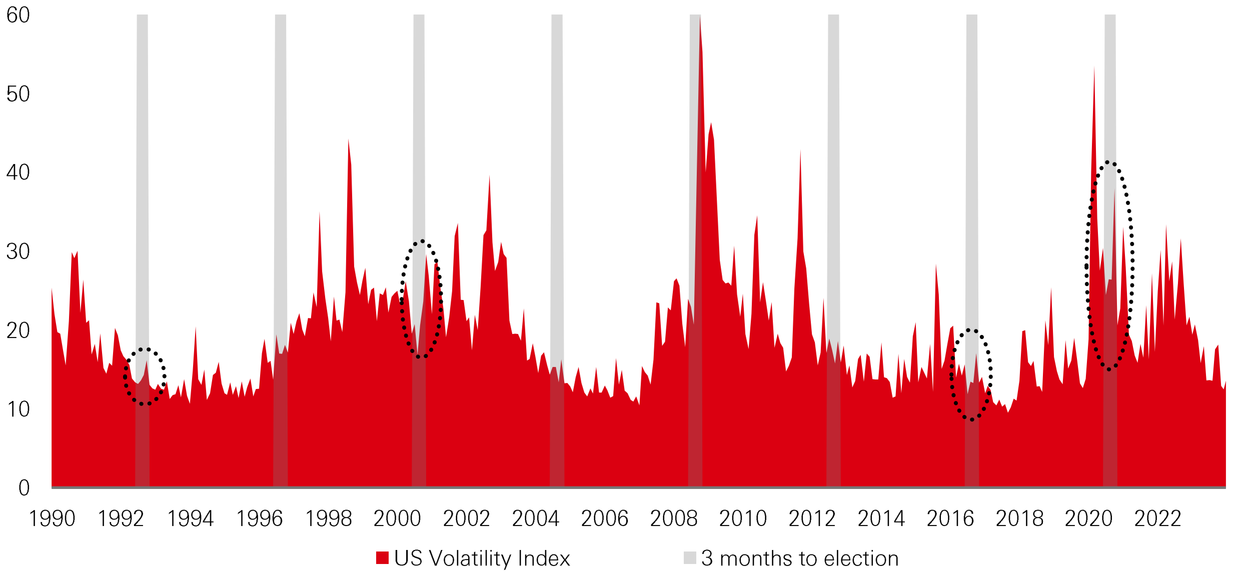
This year will feature national elections in around 50 countries, collectively representing half of the global population, and includes major economies such as the US, UK, European Union, and India

Geopolitical events like elections may introduce heightened market volatility influenced by political uncertainties and policy shifts

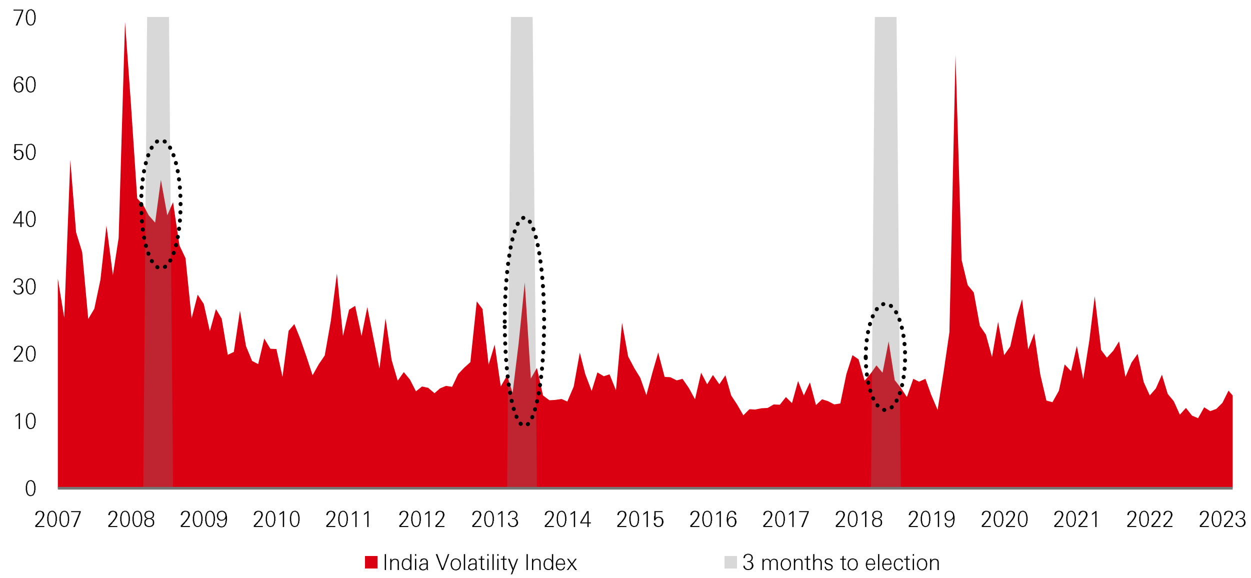
Anticipating the impact of such events and trying to time the market is unlikely to be a successful endeavour, but investors can navigate any market fluctuations by maintaining a globally diversified portfolio that captures opportunities and limits individual risks

Market volatility tends to increase before government elections

US Volatility Index



India Volatility Index



Past performance is no guarantee of future returns.
Source: Bloomberg, HSBC Asset Management, as at 31 December 2023.

How can I start investing?

Professional attention to detail can help improve outcomes

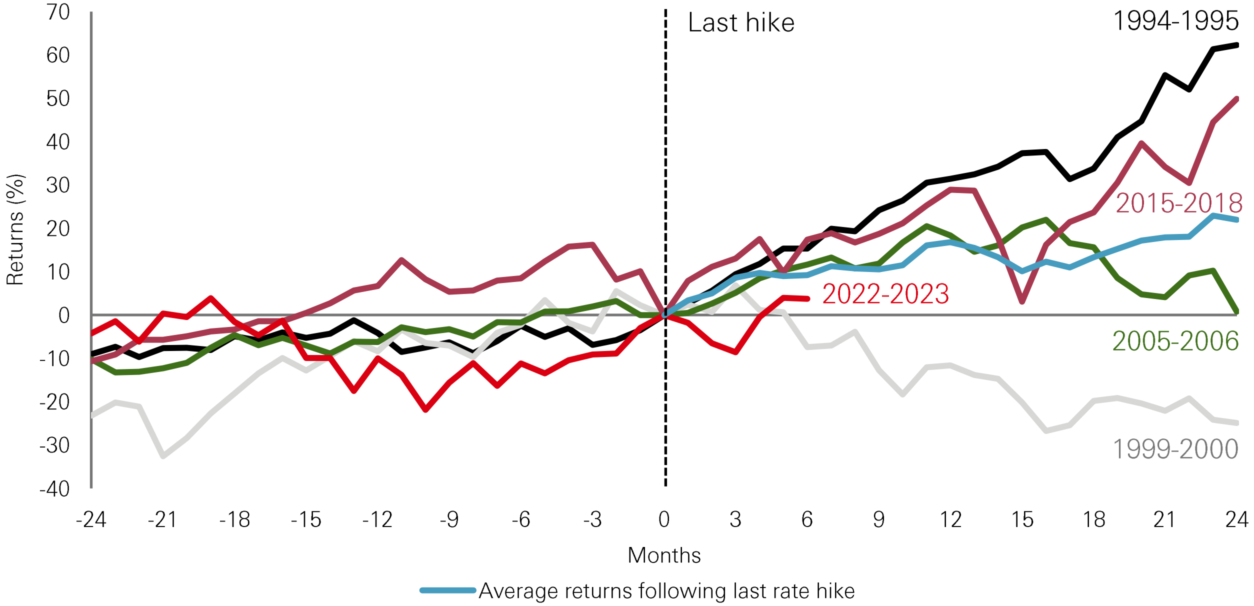
Determining the right mix of assets to be prepared for what happens in markets tomorrow requires significant time and effort

Investment professionals can help by allocating to assets that respond differently to market scenarios, and adjusting the portfolio towards assets that are positioned to perform better going forward

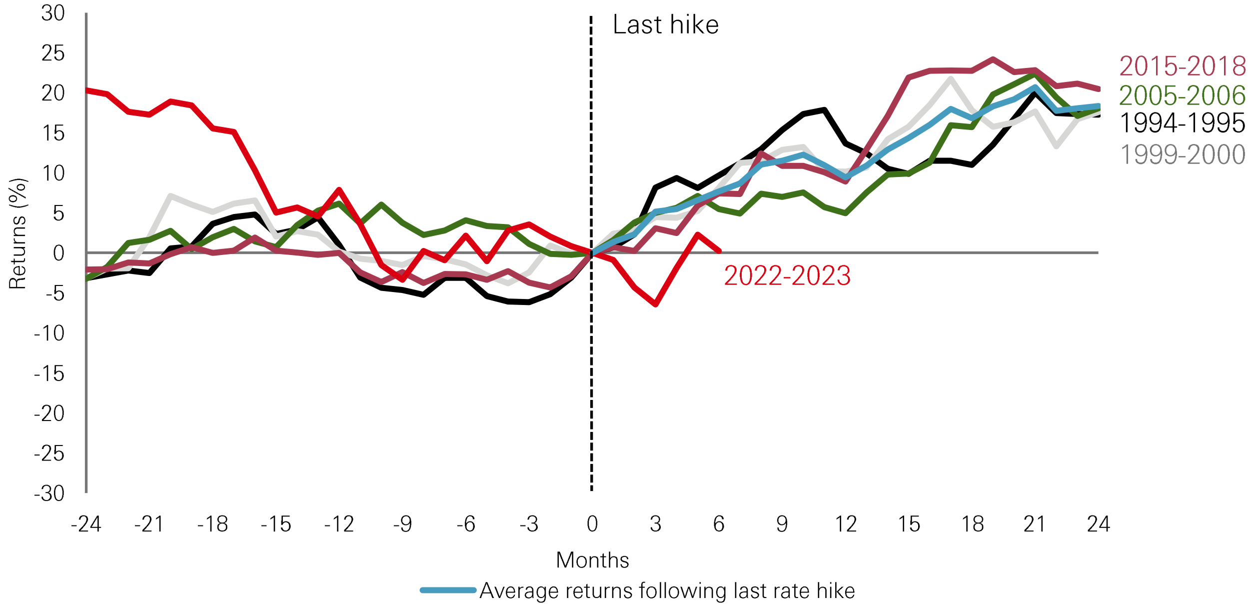
For instance, the below illustrates how US stocks and government bonds have historically performed around the end of interest rate hikes by the Federal Reserve. Proper attention to such considerations can support better results for your portfolio.

Returns around the end of Fed hiking cycle

S&P 500 Index



US 10Y Returns



Past performance is no guarantee of future returns.
Currency: USD. Source: Bloomberg, HSBC Asset Management, as at 31 December 2023.

How can I start investing?

Put CASH to WORK

Focus on diversification and a long-term approach

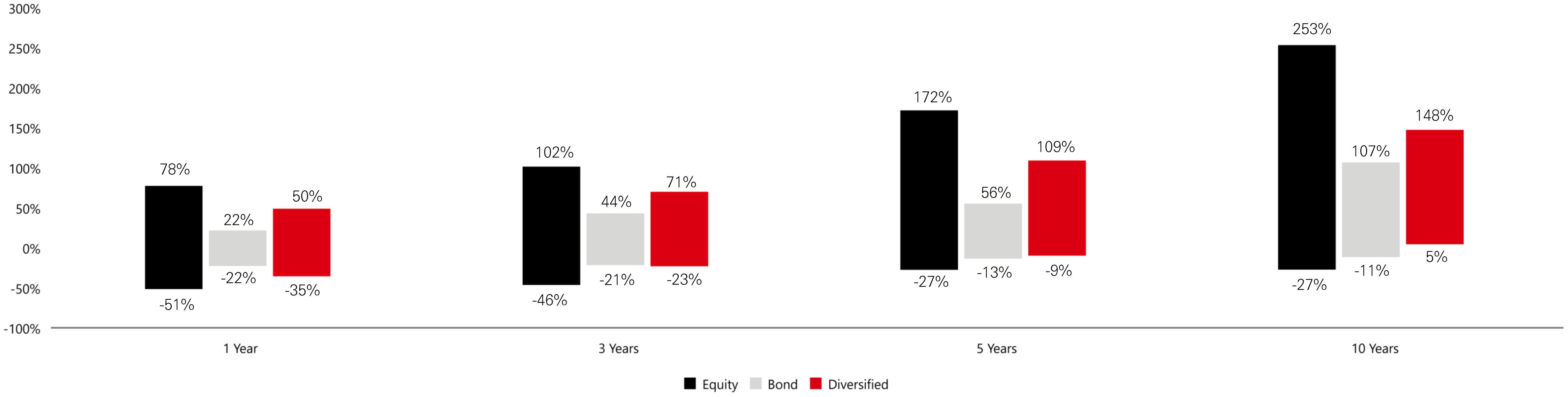
The below chart shows the range of returns for global stocks, bonds, and a 60/40 stock/bond mix over different periods

You can see that the longer the investment time frame, the less likely a negative return.

For example, if you look at the 1-year bar chart (far left), this shows that performance of global equities over any 1-year period between 1999 and 2023 ranged between -51% and 78%. For any 10-year period, returns ranged between -27% and 253%.

The diversified approach is the only one that generated positive returns over any 10-year period

Range of returns over different time frames since 1999



Past performance is no guarantee of future returns.

Currency: USD. Source: Bloomberg, HSBC Asset Management, as at 31 December 2023. Indices used: Equities – MSCI AC World Total Return Index. Bonds – Bloomberg Global-Aggregate Total Return Index Value Unhedged USD.

Stick to long-term objectives

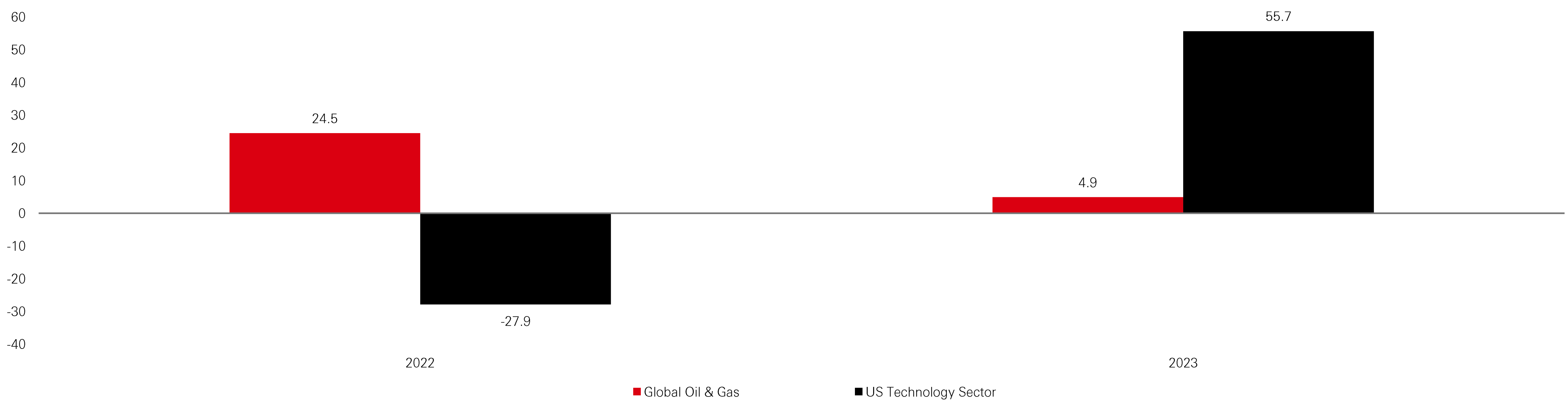
Focusing on short-term winners can be counterproductive

Consider oil and US technology stocks over the last couple of years. Stocks of oil companies delivered double digit returns in 2022 as US technology stocks led declines for broader stock markets. And then fortunes reversed heavily in 2023

Focusing solely on past winners can distract from potential opportunities elsewhere, jeopardising portfolio returns

A diversified approach ensures you capture opportunities across markets

Annual returns for stocks of oil and gas companies versus US technology companies (%)



Past performance is no guarantee of future returns.
Currency: USD. Source: Refinitiv, HSBC Asset Management, as at 31 December 2023. Indices used: S&P Global Oil Index, S&P Technology Select Sector Index.

Stick to long-term objectives

Take emerging markets equity as another example

The asset class has been very volatile, generating the biggest calendar year return over the last decade (nearly 40% in 2017), but also generating more years of negative returns than positive during this time

It is important not to be distracted by large gains in any one asset. Exposure to such opportunities is beneficial, but focusing on recent winners can create unrealistic performance benchmarks that ignore the advantages of a disciplined and diversified approach

Best performing asset class in year

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	15-Year Annualised return	Annualised volatility
Emerging Markets Equity	26.68	15.02	1.30	16.21	37.28	2.60	27.67	18.31	26.09	2.46	23.79	10.70	24.65
EM Debt (Local Currency)	13.09	8.35	0.63	11.19	22.40	2.37	21.91	15.90	21.82	-11.39	15.95	9.76	16.00
Diversified	7.10	7.60	0.32	9.48	15.88	-1.00	19.85	11.00	11.35	-12.73	12.97	9.30	15.63
Developed Markets Equity	3.67	7.31	-0.24	7.93	14.44	-1.90	18.44	8.26	3.04	-12.86	12.58	7.32	14.23
EMD (Hard Currency)	0.27	5.84	-0.79	7.51	10.36	-4.63	14.54	6.61	0.16	-14.11	10.14	6.56	10.77
Global Government	0.22	4.94	-0.87	6.77	10.01	-5.40	14.31	6.11	-0.79	-16.75	9.83	5.69	10.61
Cash	0.07	2.53	-1.50	6.22	8.02	-5.63	12.51	5.13	-2.29	-18.14	9.67	4.61	10.41
Global Corporate	-2.60	0.24	-2.03	4.06	5.70	-5.69	11.07	4.79	-2.54	-18.33	9.10	2.88	7.09
Global High Yield	-5.05	-2.19	-11.14	3.75	2.14	-8.71	7.59	0.67	-2.62	-20.09	6.42	2.38	4.98
Property	-5.79	-3.40	-14.92	0.76	1.29	-14.58	2.39	-9.04	-9.32	-25.09	5.62	1.22	1.42

Worst performing asset class in year

The diversified approach delivered one of the best long-term returns, with less volatility than many individual asset classes

Past performance is no guarantee of future returns.

Source: Morningstar, HSBC Asset Management, data to December 2023. All returns in USD, total return. Indices used: DM Equities: MSCI World Index; EM Equities: MSCI Emerging Market Equity; EMD Local currency: Bloomberg EM Local Currency Government Diversified; EMD Hard currency: ICE Bank of America Merrill Lynch Emerging Market Bond Index; Global Corporate Bond: Bloomberg Barclays Global Aggregate Corporate Bond Index; Global High Yield Bond: ICE Bank of America Merrill Lynch Global High Yield; Global Government Bond: FTSE World Government Bond Index; Property: FTSE EPPRA/NAREIT Developed Property Index; Cash: ICE LIBOR 3 Month; Diversified: 'Diversified' performance was calculated using representative asset allocation to all of the stated indices. Bond indices are hedged, ex EMD local currency (i.e. global government, global corporate, global high yield, EMD hard currency). Equities are unhedged.

How can I start investing?

Consider long-term sustainability

Prioritising environmental, social and governance (ESG) considerations can reduce your exposure to companies with less responsible approaches to important issues such as climate change or their social impact

Such an approach can support your personal goals and will help shift your investments towards more resilient companies

As such, an emphasis on ESG qualities has become more widespread and can potentially improve the risk/return balance of a portfolio by reducing exposure to companies with elevated reputational, regulatory or environmental risks

Global Equities – Standard vs ESG Leaders

Past performance is no guarantee of future returns.
Source: Bloomberg, HSBC Asset Management as at 31 December 2023. MSCI ACWI ESG Leaders Total Return index and MSCI ACWI Total Return index.

Important Information

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