



Proper diversification ups the odds of investment success

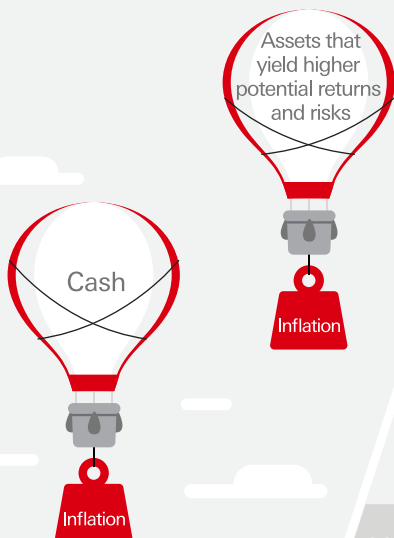
The investment market is capricious. Unexpected events can move investor sentiment and affect market performance any time. Historically no single asset can be an all-time winner. However, many investors are still underestimating the importance of diversification. Choosing to put all your eggs in one basket without properly diversifying your assets, investments and income sources may lead to the following consequences:



- Missing some opportunities for returns
- Facing higher potential risks and unnecessary volatility

Being too conservative, holding cash only

Can't keep up with inflation, missing potential market rebound



Home bias

Missing other investments opportunities across the globe



Betting on one best-performing asset alone

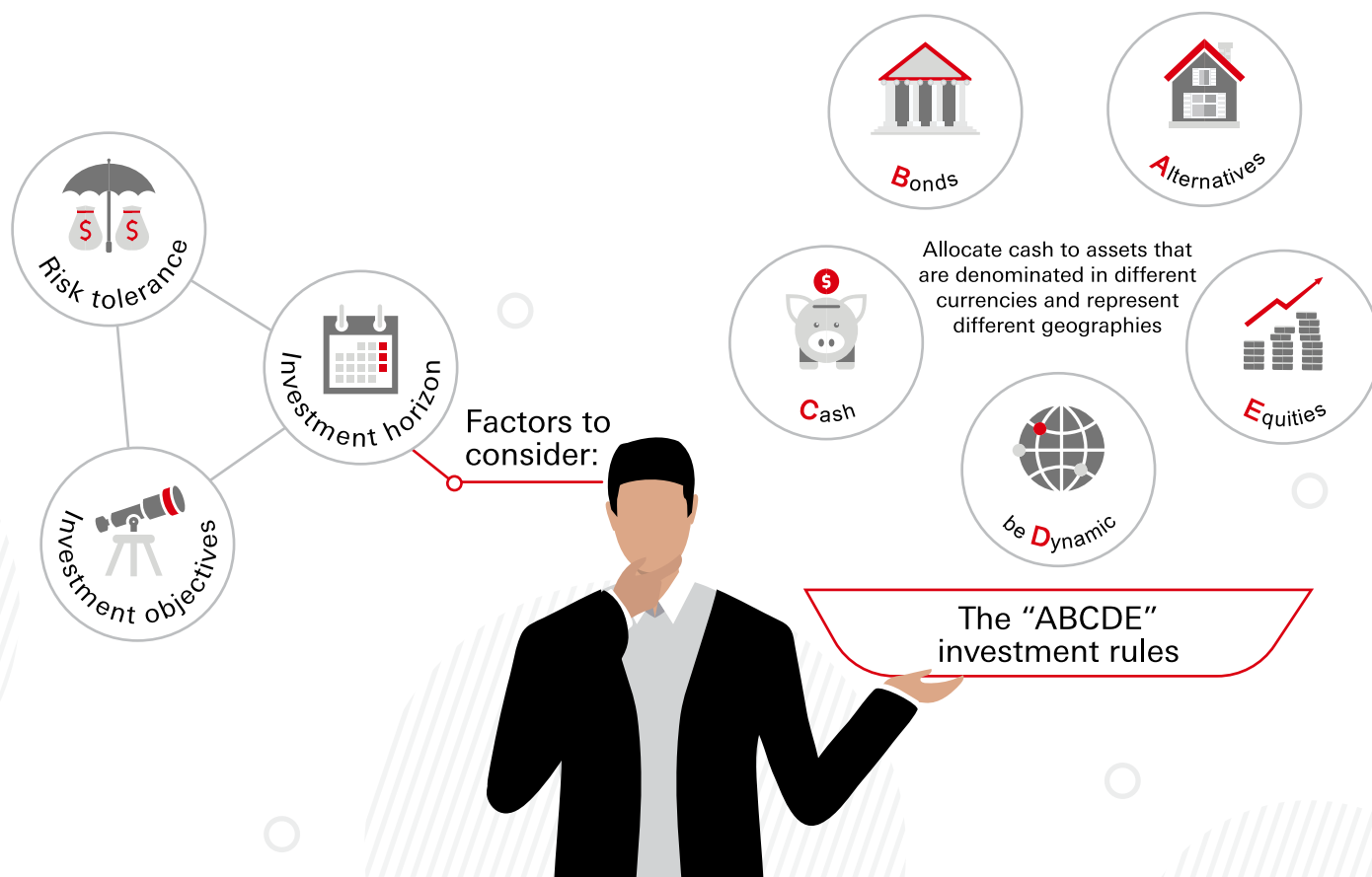
Facing greater risks and missing other opportunities



From today onwards, we have to take action and diversify our investment portfolios.
Where to begin with?

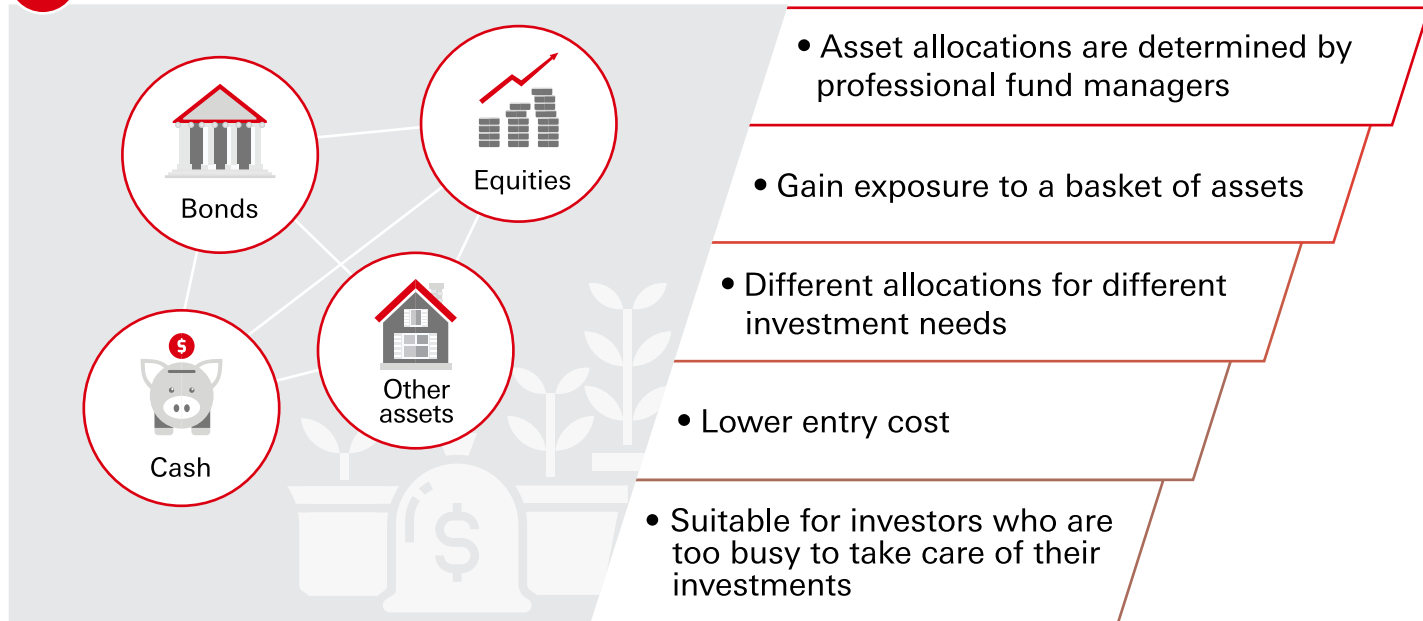


How to diversify your investment portfolio?



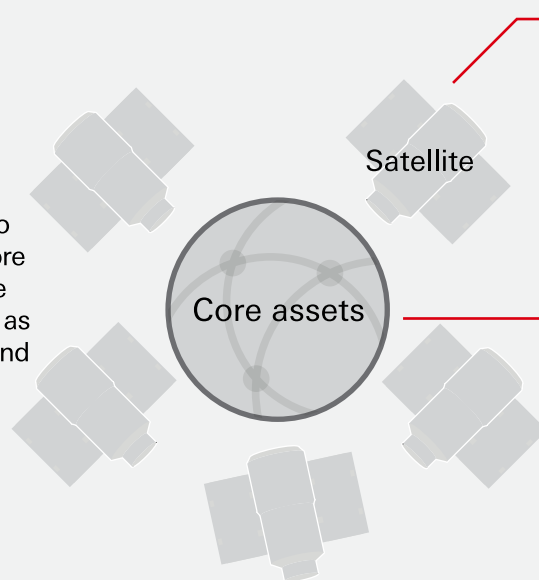
**Building a diversified portfolio is costly.
Are there simpler ways to achieve investment diversification?**

1 Invest in multi-asset mutual funds



2 Use different assets to build core and satellite investment portfolios

Dividing your portfolio into two parts, with one focusing on core long-term investments and the other on satellite strategies so as to achieve risk management and diversification.



Satellite-strategy assets

Take advantage of special situations, target short-term opportunities

Candidates: equity funds that focus on a single market or industry, currencies, real estate, commodities, or other alternative investments

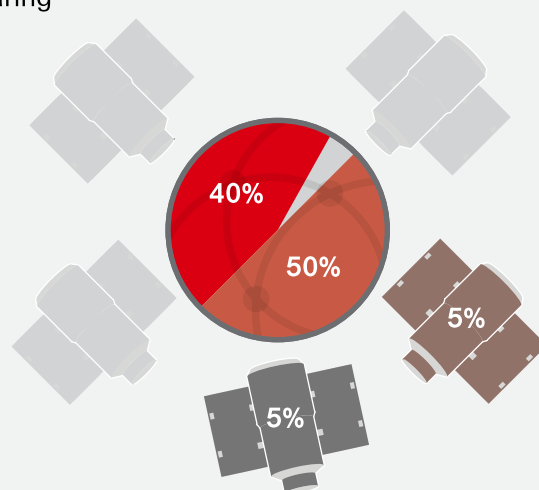
Core long-term assets

Target long-term investments, more diversified, lower volatility

Candidates: global equity or bond funds, multi-asset funds, index funds that track global or regional markets

How to decide the allocation weighting between core and satellite investments?

- Depending on the risk-bearing capacity of the investor
- Core assets are typically assigned heavier weights



An example of a balanced allocation*
(For illustrative purpose only):

- 40% in a global /regional equity fund (Core)
- 50% in a global bond fund (Core)
- 5% in a single market (Satellite)
- 5% in real estate/currencies (Satellite)

* The core part can be replaced by a multi-asset mutual fund



Tips:



Examine your investment portfolio regularly to bring the most out of it

- Rebalance your assets based on asset price changes
- For instance, sell the stocks that have rallied and buy other assets



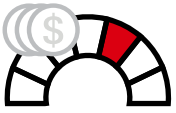
Adjust the weighting of different assets against market changes

- Adjust the weighting of satellite assets based on market conditions and economic outlook
- Increase the weighting of assets with more promising outlook for better performance

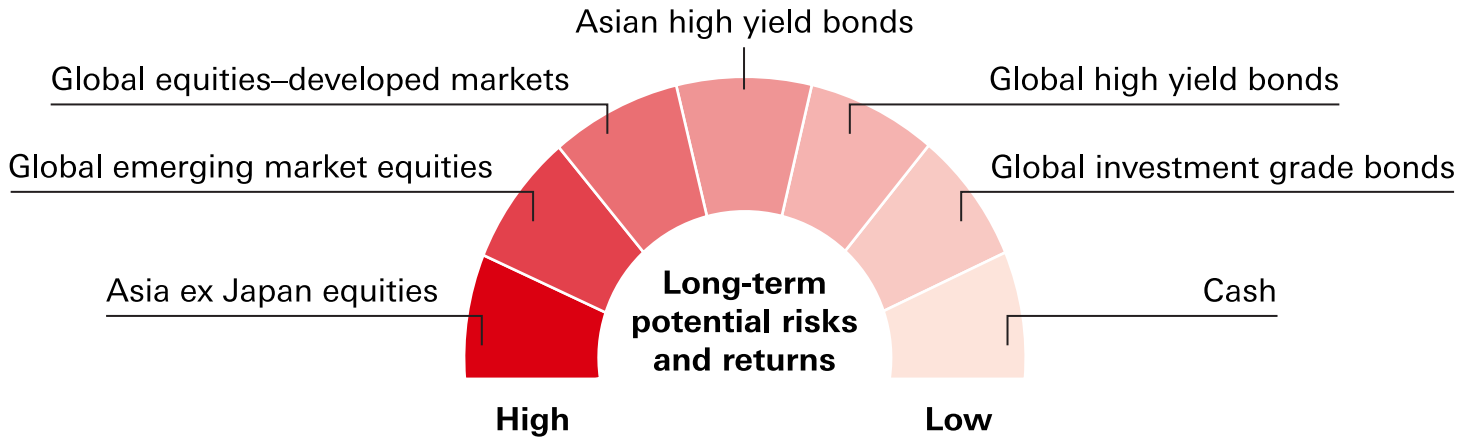


Include both index funds and actively-managed mutual funds

- Index funds that track global or regional benchmarks tend to be highly diversified with a lower management fee, suitable to be part of the core investments
- They are complementary to actively-managed funds that seek to outperform their respective benchmarks



Take advantage of the different risk profiles of different asset classes to build a more diversified investment portfolio



Integrating different asset classes



Supplement lower-yielding assets with higher-yielding ones

The merits of a diversified portfolio:



Mitigate the risks of higher-risk assets with lower-risk assets



Balancing the overall risks and returns



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