HSBC Asset Management

News Release

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FOUR IN FIVE INVESTORS BELIEVE IN ESG BUT ONLY A QUARTER WILL CONSIDER IT IN THEIR INVESTMENTS, SHOWS HSBC ASSET MANAGEMENT SURVEY

- *Half of investors in Asian markets believe their portfolio will comprise 100% sustainable investments in the next three to five years*
- *Multi-asset ESG investments are popular among Hong Kong and Singapore investors while mainland Chinese investors prefer thematic funds*
- *A lack of suitable sustainable investment products and limited investment choice are major barriers to sustainable investing*

The outbreak of the pandemic has caused people to re-think the way they invest. On average, 64%[1] of investors in the three Asian markets (Hong Kong, mainland China and Singapore) said that the pandemic has raised their awareness of environmental, social and governance (ESG) considerations and prompted them to re-evaluate ways of investing, shows a new sustainable investing survey by HSBC Asset Management ("the survey").

In these three Asian markets, 84% of investors believe sustainable, environmental and ethical issues are central to managing their investments: Hong Kong (84%), mainland China (89%) and Singapore (80%). Around 65% of investors say they do not want to lose out financially when tackling ESG issues, most pronounced among mainland Chinese investors (69%).

However, only a quarter (26%) of their investments explicitly consider ESG factors compared to the UK (33%): Hong Kong (25%); Singapore (26%); mainland China (27%). Also, nearly 60% of investors say they do not know how to approach ESG investments.

In parallel, advisers in the three Asian markets say that about half of their clients see ESG investments as important. The proportion of those who believe ESG is important to clients increases with firm size.

Within the next three to five years, half of investors in the three Asian markets (mainland China 54%; Hong Kong 51%; Singapore 46%) believe their portfolio will comprise 100% sustainable investments compared to only a third (34%) in the UK. The key drivers for future take up of ESG investments include products matching risk and return goals, a wider range of ESG investment vehicles and strategies, government incentives and better information on investment performance and ESG issues.

The survey, conducted in January and February 2021, was commissioned by HSBC Asset Management to study attitudes towards sustainable investing among mass affluent and high net worth investors, as well as advisers in Hong Kong, Mainland China, Singapore and the UK.

Pedro Bastos, Chief Executive Officer, Asia Pacific, HSBC Asset Management, said "Sustainable investing is taking centre stage as the pandemic is accelerating efforts to transition to a low-carbon economy. While awareness for ESG issues has intensified, our survey still revealed a significant gap between investors' intentions and actions in sustainable investing. This signals promising future demand which we need to support today through education, product development and investment strategies that better embed ESG principles to meet investor goals.

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“A key driver for investors and advisers alike is return and sustainable investing is proving that this strategy can meet investment goals. In fact, some sustainable funds such as equity funds outperformed their traditional peers in 2020[3], sending a strong message that sustainable investing can offer compelling growth and portfolio diversification.”

Important ESG issues for investors and advisers

The survey reveals that sustainability (62%), environmental impact (57%) and climate change (52%) are the top three ESG issues for investors across the three Asian markets, except for mainland China where consumer protection (50%) is considered slightly more important than climate change (47%). On the other hand, advisers attach more weight to environmental impact (77%), climate change (66%), clean and/or renewable energy (65%).

Barriers to ESG investing

What’s stopping investors? Close to half of investors across the three Asian markets point to a lack of sustainable investment products that meet their needs and concerns, with mainland Chinese investors expressing the biggest concern (57%), followed by Hong Kong (48%). 37% of investors do not want to limit the range of sectors or companies they invest in and around one third cite high costs as a hurdle. In Hong Kong, 30% of investors also said they have not been offered such products.

Advisers in Hong Kong, Mainland China and Singapore also point to a shortage in suitable products (60%) as the biggest barrier and then a lack of client demand for sustainable investment (57%). These findings seem to conflict with the importance that investors attach to ESG issues, indicating poor levels of communication between advisers and their clients.

Pedro added, “As a leading global asset manager with a long-term commitment to sustainability, we harness our deep knowledge and investment expertise across the HSBC Group to help clients capture opportunities from the transition to a low-carbon future.”

“Clients are clearly calling for more tailored and targeted ESG products and we will continue to expand our product suite to meet their growing demand, particularly among high net worth and ultra-high net worth clients. HSBC’s lower carbon fund offerings in Hong Kong, mainland China, Singapore and Taiwan, as well as the launch of global equity climate change funds in India, Hong Kong and mainland China demonstrate our continued efforts to deliver relevant climate change investment solutions. Our role is to help clients achieve long-term investment objectives while contributing to a more sustainable world for future generations.”

The survey further shows that actively managed sustainable investment products are the preferred choice amongst investors and advisers. Multi-asset investing is the most popular approach for investors in Hong Kong (53%) as in Singapore (49%). Investors in mainland China are more inclined to gain ESG exposure through thematic funds (50%).

Stepping up dialogue between advisers and investors

The internet is the most important source of information for investors looking to gain an understanding of ESG issues. Notably, Hong Kong and mainland Chinese investors (both 43%) are far more likely to turn to social media as their fount of knowledge, while Singaporean investors rely on their financial advisers for information (52%).

The majority of investors say they take ESG issues into account at least once a year. However, 21% of investors in Singapore have never spoken with their advisers, much higher than Hong Kong (15%) and mainland China (6%). Mainland Chinese investors demonstrate more enthusiasm in engaging with advisers, with 57% discussing it weekly or monthly.

Only 28% of investors in the three Asian markets think their advisers are knowledgeable about ESG issues and investing while about two in five (39%) advisers in the region claim this to be true.

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Notes to editors:

1. Asian figures cited in the press release are calculated on average basis of the three Asian markets, Hong Kong, Mainland China and Singapore
2. HSBC Asset Management sustainable investing survey: it is a research conducted by Core Data Research between 1 January 2021 – 28 February 2021 with 250 investors in each market: Hong Kong, mainland China, Singapore and UK - (120 with net investable assets from USD250k – 500k, 80 with USD500k - 1million, 50 with USD1million or above) as well as 100 advisers in each market with average assets under advice of between USD100 million and USD500 million.
3. Source: Morningstar "sustainability matters" www.morningstar.com/articles/1017056/sustainable-equity-funds-outperform-traditional-peers-in-2020

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HSBC Asset Management

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The Hongkong and Shanghai Banking Corporation Limited

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