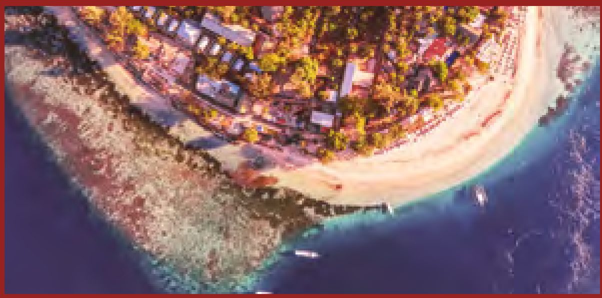
Top Trends and
High Conviction Themes
Q1 2024

Riding the Waves: Trends and Themes Shaping our World

HSBC

Global Private Banking

Contents



Welcome

Willem Sels,
Global Chief
Investment Officer
December 2023

Dear client,
We live in a complex world and deal with volatile markets every day. So, when we look for direction, it often helps to tune down the noise of the busy economic data flow and zoom out. Gathering inputs from sociologists, scientists, futurists and political commentators can help us to form a clearer picture of the big trends that will impact our investment environment. That's important to help ensure that we don't miss the big turns and opportunities, and it is therefore a great and necessary complement to the usual data analysis. And, frankly speaking, big real-world trends often 'speak' more to investors than economic data, so we hope this publication will be fun to read.

Typically, the themes under our Disruptive Technologies trend get the most attention. That's not surprising, especially in light of the breakthrough in generative AI creating much excitement in 2023. The revolution in aerospace continues as well, with India managing to land on the moon's south pole and commercial satellites becoming ever cheaper and widespread. The technological capabilities of the human race continue to grow exponentially, and speed of progress is pushed to a maximum as the big economies compete in our multi-polar world, spending billions on industrial policies.

These growing technological abilities combine with two other structural trends to create even more change. First, innovative breakthroughs should help address global warming and the loss of biodiversity, which is a clear imperative and well-established trend. It is a worthwhile investment as well, as the University of Wellington in New Zealand calculates that human-caused global heating costs the world economy $140bn per year.

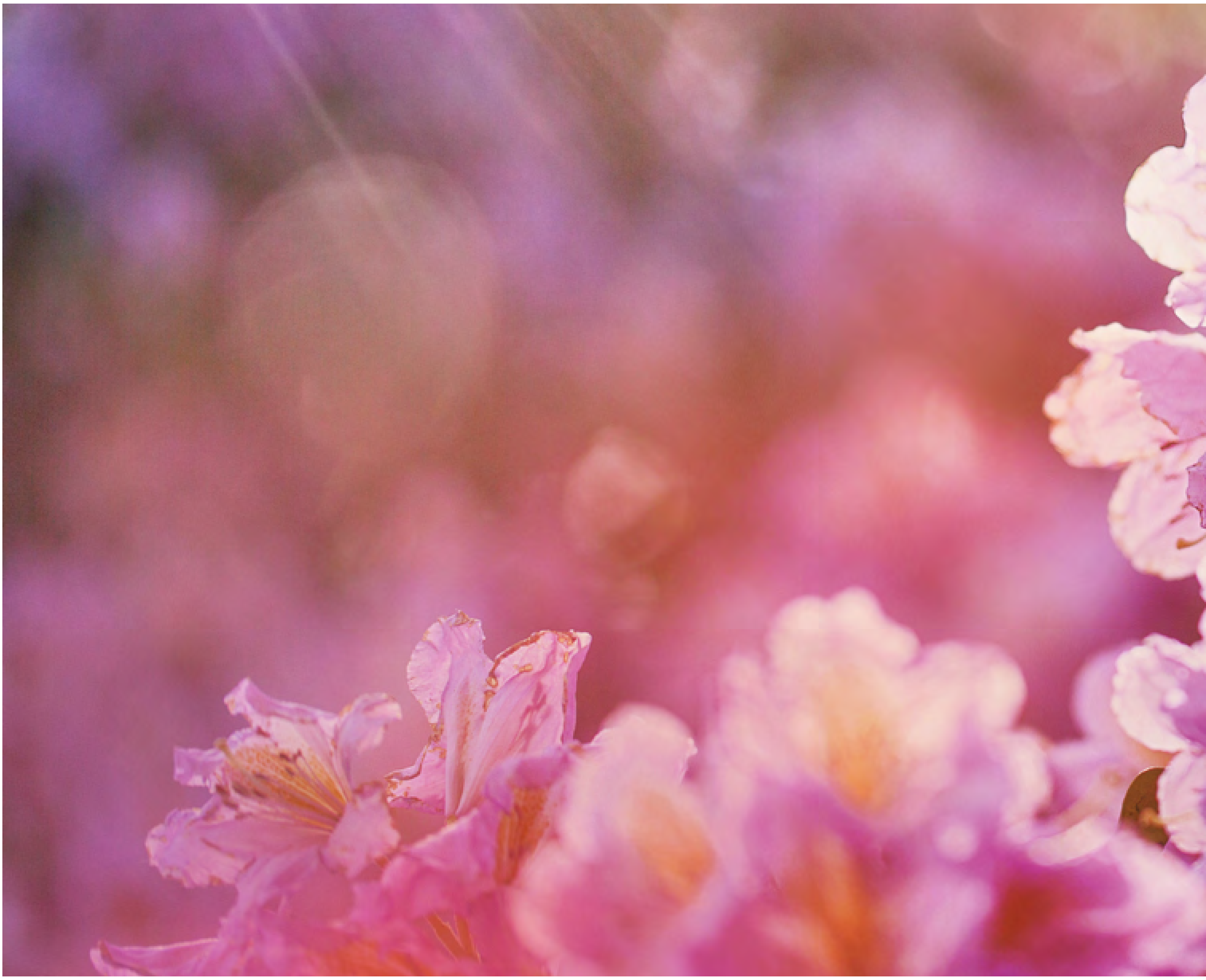
Technology also allows us to change our lives for the better. Those changes in the way we want to live is what we group under our new trend of 'Evolving Society'. The COVID-19 pandemic caused many of us to realise our health is precious, and many tech innovations allow better monitoring of our health and more widespread access to healthcare. And while some of us migrated to the countryside during the pandemic, cities are now trying to tempt us to come back. Investment in infrastructure to make them more liveable, better connected and greener is creating real smart cities.

One often mentioned trend is deglobalisation, but we think that many of our readers still live global lives, run businesses in several countries and invest in a global way. That's what our recent Global Entrepreneurial Wealth Report concluded. And to us, it makes sense as a global approach not only diversifies your risks but also opens doors to more opportunities and interesting lives.

But it is true that we live in a new world order, so our Asian trend adapts to that. Across Asia, there are companies that are reshaping their own supply chains or benefiting from other companies doing so. India and ASEAN are well-positioned to tap into this supply chain reorientation, but also into the net zero transition and consumption growth. The future consumer, in our view, will be very discerning, largely online, looking for interesting experiences and, increasingly, exciting local brands.

There are some shorter-term trends too, and the resilience of the US (sometimes called 'US exceptionalism') stands out here. To balance thematic portfolios, we therefore tap into US consumption and re-onshoring trends. Further balance of portfolios can be achieved by adding a solid income component, in both developed market or EM credit, but with the common denominator of our strategy being the focus on quality borrowers.

Our menu of themes hopefully includes a number that catch your interest. By combining different sources of return supported by strong trends, we think we can weather short-term uncertainties and position for the future.



Our Thematic Investment Strategy

Regular readers of our publications will be familiar with our Top Trends framework. For several years, we have considered three structural trends, around the Digital Transformation, the Sustainability Revolution and the Secular Rise of Asia. We have been complementing those three themes with some shorter-term ones, to take advantage of more cyclical opportunities.

We refresh our thinking process and introduce a new trend which we call '**Evolving Society**'. This trend recognises that big shocks, like the COVID-19 pandemic, have caused changes in our habits, the way we want to live and what we value. Slower-moving changes like global ageing and expanding EM middle classes are shaping our societies and consumption behaviours as well, creating specific investment opportunities linked to those changes.

As our diagram shows, this leaves us with three global structural trends, which include **Evolving Society**, **Disruptive Technology** and **Climate Action** – each of them with a number of specific High Conviction Themes. As before, we complement this with Asia-focused themes and some more cyclical themes.

In Asia, we look for countries and businesses that are well adapted to the changes in the New World Order, which we think are key for not only their long-term success, but also for shorter-term returns, as the market currently pays a lot of attention to this topic. The supply-chain reorientation is key here, so we look for companies that are at the forefront of this move. And geographically, we see many opportunities in India and ASEAN.

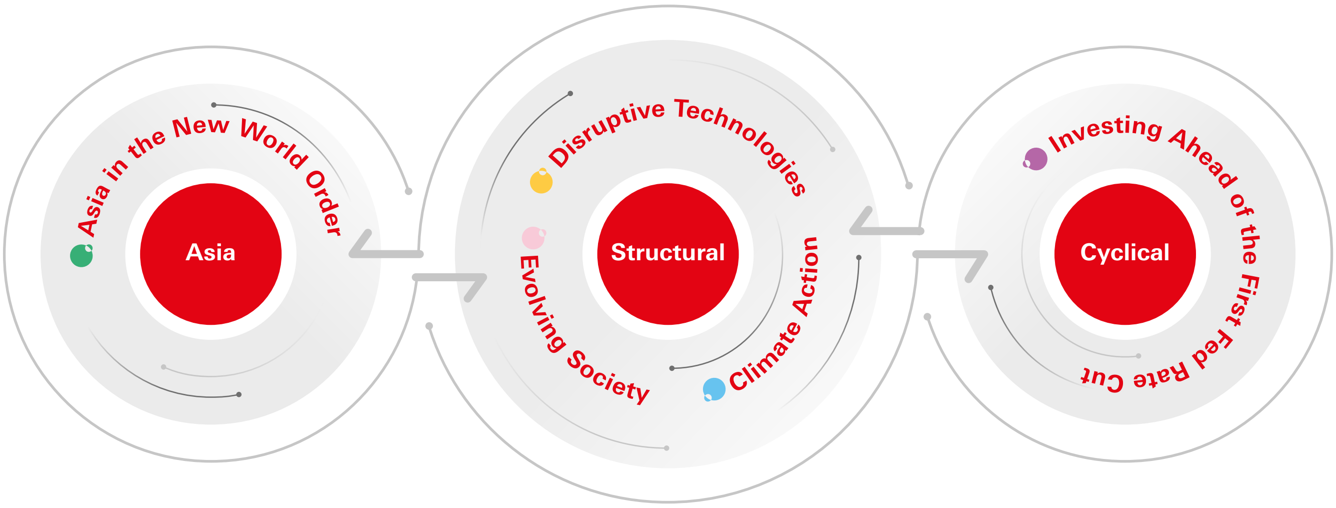
As for the more cyclical themes, we think the first rate cut of the Fed will be the number one milestone for investors in 2024. This benefits bonds directly, of course, so we include two fixed income themes. But stocks should do well too, with the US remaining our favourite market – hence, we have two US-focused high conviction themes under this trend.

Clearly, there is some overlap between these themes. For example, the future Asian consumer is quite digitally aware, and some of Asia's internet leaders have large consumer retail operations. The reshaping of Asia's supply chain is mirrored in North America's re-industrialisation. Indeed, the US now trades more with Mexico than with China – a big change from the past decade. This overlap not only means that investors can choose which aspects they want to emphasize, but also means that we should be careful not to double up on exposure to similar trends.

More broadly, this also applies to other aspects of portfolio construction. Many investments in new exciting trends favour companies that will see significant growth in the future and can therefore be classified as 'growth-style' stocks. That means that they are interest rate sensitive, which can hurt their performance when rates are rising, as was the case in 2022 and 2023. While we think that the headwind from rising rates is now largely behind us, it's important to realise the style biases of thematic investments and try to balance them. For example, our North American Re-industrialisation theme has a value bias, while our Healthcare Innovation theme is generally low volatility. Finally, our fixed income themes add an income component, further helping to smooth performance.

So, in summary, our themes should be seen as a menu. Prudent investors clearly wouldn't choose excessive exposure to one sector or market, and similarly we would also diversify our thematic exposure to avoid unbalanced portfolios.

Our Top Trends and High Conviction Themes



High Conviction Themes

Asia	Structural			Cyclical
Asia in the New World Order	**Disruptive Technologies**	**Climate Action**	**Evolving Society**	**Investing Ahead of the First Fed Rate Cut**
• Reshaping Asia's Supply Chain • Future Asian Consumer • Rise of India and ASEAN • Capturing Peaking Asian Yields	• Generative AI & Robots • New Energy Transportation • Aerospace	• Biodiversity and Circular Economy • Opportunities in Sustainable Energy	• Infrastructure and Future Cities • Healthcare Innovation • Social Empowerment and Well-being	• American Resilience • North American Re-Industrialisation • Defensive Positioning across DM Financial Bonds • Opportunities in Quality Credit

Asia in the New World Order

Going against the global headwinds, Asia's robust private wealth accumulation, resilient middle class consumers, digital transformation and green transition offer important domestic drivers to support GDP growth for Asia ex-Japan in 2024, that almost double the global growth rate based on our forecasts.

Our four high conviction themes

1. Reshaping Asia's Supply Chain
2. Future Asian Consumer
3. Rise of India and ASEAN
4. Capturing Peaking Asian Yields

While Asia remains on track to contribute two-thirds of global growth in 2023, the region is facing multiple challenges from high USD rates, weaker global demand, slower Chinese growth, tightened global liquidity and geo-economic fragmentation going into 2024. US-China trade tensions and US technology restrictions have prompted many multinational corporations and also Chinese manufacturers to diversify their manufacturing supply chains towards Southeast Asia and India. Many international and mainland Chinese companies have actively revamped their manufacturing supply chains in ASEAN and India while many critical production components continue to be sourced from China.

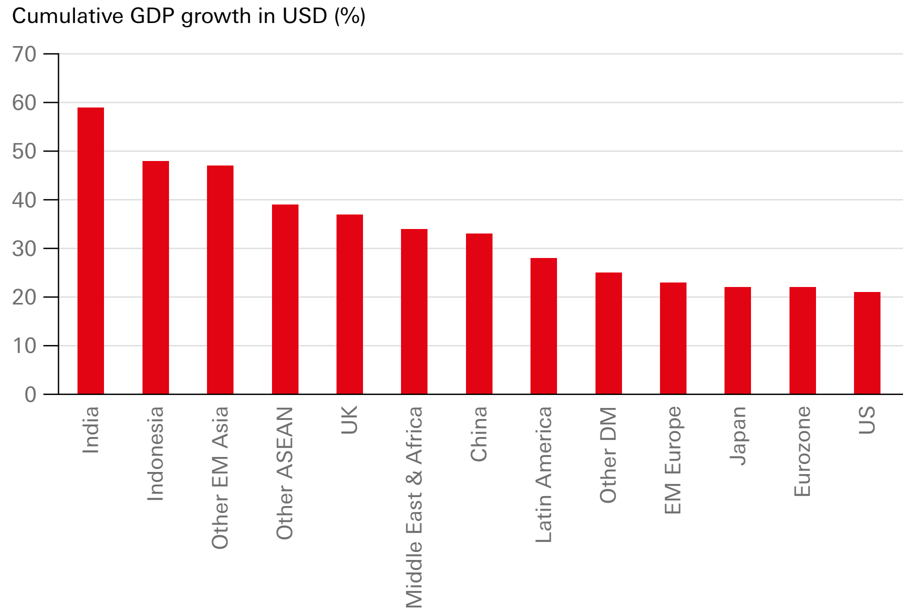
Going against the global headwinds, Asia's robust private wealth accumulation, resilient middle class consumers, digital transformation and green transition offer important domestic drivers to support GDP growth for Asia ex-Japan in 2024, that almost double the global growth rate based on our forecasts (as at 20 December 2023). Asia is by far the biggest contributor to global growth and will remain the world's most important growth engine in the next five years. According to IMF forecasts, India GDP will expand by 60% in the next five years, followed by 48% growth in Indonesia and 33% growth in China during this period. Asian policymakers are actively responding to the rapidly evolving new world order to safeguard financial stability and boost growth.

Under the new world order reshaped by the driving forces of geopolitical tensions, trade fragmentation and technology restrictions, the supply chain reconfiguration in Asia brings winners and losers. Our new High Conviction Theme on **Reshaping Asia's Supply Chain** focuses on Chinese and Asian industry leaders which have successfully reshaped their supply chains or announced investment plans to diversify manufacturing capacity outside their home countries. Many Chinese manufacturers are building material production capacities in Southeast Asia to improve their cost competitiveness, mitigate geopolitical risks and alleviate the impact of trade tariffs. We also identify winners in ASEAN and India which benefit from the global supply chain diversification and strong FDI inflows.

Despite the supply chain diversification trends, China continues to retain its leading global export market share due to strong growth of high-value-added machinery, EV (electric vehicle), consumer electronics and services exports. With its massive outbound direct investment in different parts of Asia, China has become more central to the world trading systems as a key supplier of components to manufacturers in its Asian neighbours. There is significant room for China's overseas investment footprint to expand further. Chinese companies have strong incentives to "go out" to explore new overseas markets, search for critical resources and raw materials as well as saving production costs in search of growth. In our base case scenario, we project China's outbound annual investment flows could rise by over 50%, with at least USD1.4 trillion for overseas investment between now and 2028.

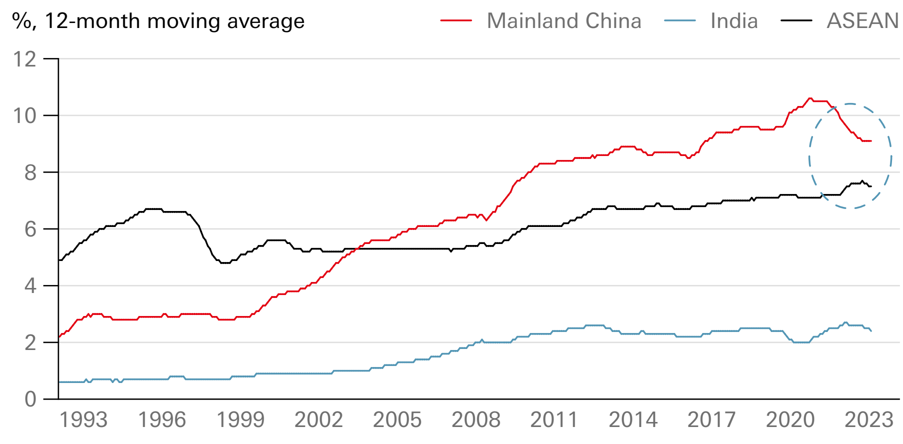
ASEAN stands out as the number one recipient of China's outbound direct investment flows in 2022, with its share of total Chinese overseas direct investment flows already having tripled from 3.7% in 2007 to 11.4% in 2022, according to statistics of China's Ministry of Commerce. With strong economic incentives and the political green

India GDP to grow by 60% in the next 5 years, Indonesia by 48% and China by 33%



Source: IMF, HSBC Global Private Banking as at 20 December 2023. Forecasts are subject to change.

Changing global export market share amid supply chain reorientation



Note: Global export market share data is based on IMF DOTS data.
Source: IMF, HSBC Global Private Banking as at 20 December 2023.

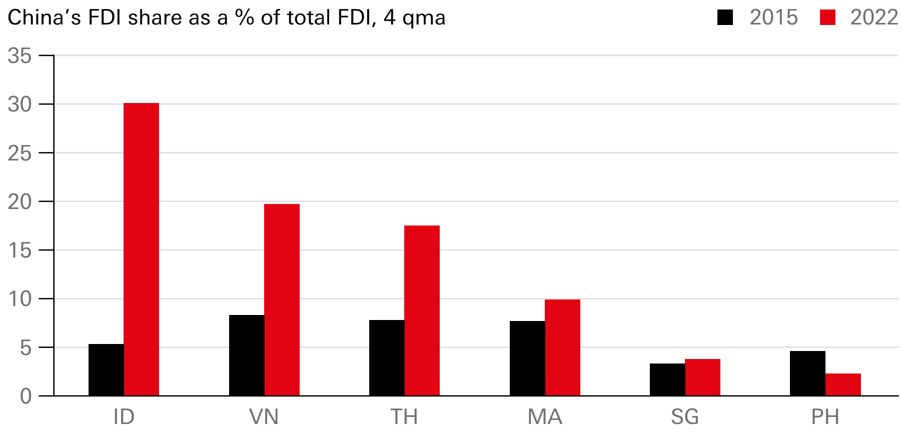
light from the government to expand the country's overseas footprint and influence, we expect Chinese industry leaders in the technology, renewable energy and EV sectors to accelerate their overseas investment in Southeast Asia.

In India, services exports surged by USD60bn to USD300bn over the past year due to the rise of Global Capability Centres (GCCs) set up by multinational companies, a reflection of the value chain upgrade. By some estimates, 40% of GCCs globally are located in India, employing 1.7m people alone (Source: HSBC Global Private Banking as at 20 December 2023). In ASEAN, Indonesia and Thailand are key beneficiaries of FDI inflows into the EV sector while Singapore, Vietnam and Malaysia stand out to gain from strong foreign investments in the technology and consumer electronics industries.

Our theme on **Rise of India and ASEAN** captures promising secular growth opportunities in South Asia, riding on the structural tailwinds from global supply chain reorientation and young demographics in the region. India has consistently delivered stronger-than-expected growth in manufacturing and service activities throughout 2023, with strong FDI inflows, private investment growth and booming services exports powering employment, private consumption and productivity gains.

Indonesia offers one of the best growth and investment stories in Asia, supported by its large, young and growing population, with rapid urbanisation and robust private consumption being the key growth engine. China's outbound direct investment in Indonesia has jumped sharply to reach 30% of the country's total FDI in 2022 (Source: HSBC Global Private Banking as at 20 December 2023). Indonesia benefits from the upgrading of its manufacturing value chain, thanks to the country's abundant

China has become a fast-growing FDI provider to ASEAN



Note: Singapore's latest FDI data is as of end-2021.
Source: CEIC, HSBC Global Private Banking as at 20 December 2023.

reserves of green minerals and metals which are vital inputs for the EV and battery industries. Indonesia holds the world's largest nickel reserves with an estimated 21m tonnes or 22% of global reserves (Source: HSBC Global Private Banking as at 20 December 2023).

Another bright spot in the Asian market is the service consumption sector. Our new High Conviction Theme on **Future Asian Consumer** focuses on the consumer discretionary sector which is projected to deliver 16.4% earnings growth in 2024 despite a high comparison base in 2023 (as at 20 December 2023). In China, we favour select internet leaders, consumer discretionary and new opportunities from the applications of AI and digital consumption. The consumer spending shifts from consumer goods towards services, such as travel, catering and movies, is expected to sustain strong growth in the years to come.

We also favour Asian financial services providers which can capture the growing middle-class consumer demand for wealth management and insurance services. In Southeast Asia, the strong consumption outlook is driven by the rising middle class consumer and robust household wealth growth.

Positioning ahead of the Fed's rate cuts in 2024, our theme on **Capturing Peaking Asian Yields** focuses on locking in compelling yields from quality Asian bonds. Disinflation is on track in most Asian economies, with inflation now expected to return to central bank target ranges in 2024 in most countries, well ahead of most other regions (Source: IMF, October 2023). We favour Asian financials, which are trading at attractive valuations, including Japanese and Korean banks and life insurers, and banks in Australia, Singapore and Thailand. Among Asian corporates, we like Korean IG bonds issued by high-quality companies, Macau gaming and Chinese TMT credits.

We stay overweight Indian local currency bonds which are well supported by favourable liquidity dynamics from the global EM bond index inclusion and strong structural growth of the economy. Indonesian quasi-sovereign IGs remain our most preferred play in Southeast Asia, thanks to the country's strong fundamentals, robust government balance sheet and benign inflation outlook.

Asia in the New World Order

1

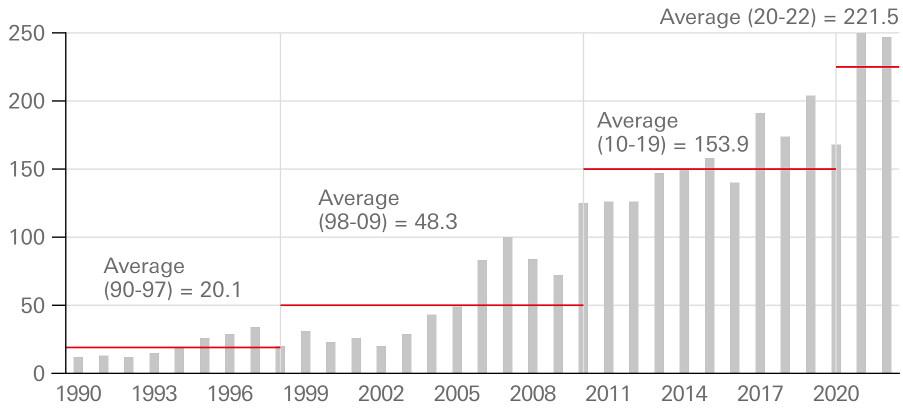
Reshaping Asia's Supply Chain

Overview

- Global supply chain relocation is taking place as there is a need to diversify the sources of imports amid ongoing structural changes – the aftermath of US-China trade war, pandemic related supply disruptions, deglobalisation, and recent re-shoring and near-shoring trends. Asian countries and companies are set to benefit from the supply chain shifts due to their comparative advantages and execution capabilities.

- Southeast Asia can benefit as it sits at the crossroads of the largest free trade agreements – the Regional Comprehensive Economic Partnership and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. India is well positioned given its low-cost and large-scale manufacturing resources, supported by reforms and better macro stability.

Comparative advantages of ASEAN and India are expected to attract more FDI inflows



Note: ASEAN here includes Indonesia, Malaysia, Philippines, Thailand and Singapore.
Source: World Bank, HSBC Global Private Banking as at 20 December 2023.

The Opportunity

- Over 65% of the FDI for ASEAN went to Singapore as it is a key financial centre. Malaysia and Vietnam have gained as well, owing to their high-tech capability and manufacturing sector respectively.

- Supply chains for two key industries i.e., Tech and Electric Vehicles (EVs), can benefit the most from this reshaping. Singapore, Malaysia and Vietnam are leaders in the electronics industry, where Malaysia holds a competitive position in semis, while Indonesia is a beneficiary in the EV space.

- Over the last 3 years, many foreign companies, including from China, have actively built their FDI footprint in ASEAN and India. While final assembly is moving to ASEAN and India, some critical components continue to be sourced from China. Investment opportunities can include Asian companies that have plans to expand their production in ASEAN and India as well as domestic ASEAN and Indian companies that benefit from the supply chain reconfiguration.

- In India, services exports surged by $60bn to reach $300bn over the past year due to the rise of Global Capability Centres set up by multinational companies, a reflection of an elevation in value chain (Source: HSBC Global Private Banking as at 20 December 2023).

Why now?

- Smartphone brands have increased local production in India by partnering with both international and domestic manufacturers. This should further strengthen India's leading position as one of the world's largest smartphone manufacturers.

- Chinese companies have been catching up rapidly to invest in ASEAN recently, which includes consumer electronics in Vietnam and the EV supply chain in Indonesia.

Asia in the New World Order

Future Asian Consumer

2

Overview

- Asian consumers are gaining influence in shaping global spending trends, as the balance of consumption shifts from West to East, driven by strong growth of Asian economies which is expected to be well above the global average. Strong consumption growth in the region is well supported by household balance sheet strength and a relatively high level of savings.

- The rise of the middle class in mainland China, India and many ASEAN countries should also shape the consumption patterns across sectors, given their diverse needs and rising demand for consumption services.

The Opportunity

- The consumer discretionary sector in Asia is expected to see 16.4% earnings growth in 2024 following very strong growth in 2023 (HSBC Global Private Banking as at 20 December 2023). In China, we prefer consumer names with strong multi-brands to deliver more resilient growth amid current macro headwinds.

- We favour select internet leaders in Asia on the back of the online spending trends and new opportunities arising from the applications of artificial intelligence (AI).

- The consumption engine remains critical to economic growth in the region, especially in China where it will be a key driver of recovery in our view. Despite a challenging macro backdrop, China's consumption is supported by ongoing policy stimulus which should help reinvigorate consumer confidence and the job market. Services consumption (like tourism and travel, catering and movies), as opposed to consumer goods, is expected to see structural growth in the years to come, reflecting lifestyle upgrades and the change in Chinese consumer preferences. We also like financial services which can capture the growing middle-class wealth in China.

- In Southeast Asia and India, the strong consumption outlook is driven by strong domestic demand and the rising middle-class. Leading IT companies and financials are well positioned to capture these growth opportunities.

Why now?

- Cost pressure in Asia is easing compared to the West, which should be good news for Asian consumers. Central banks in the region should have more room to loosen their monetary policies in 2024, thus helping lower borrowing costs.

- Positive earnings surprises and lower global bond yields in 2024 could serve as a strong tailwind for many growth names in Asia's consumption sector.

Positive developments in Asian consumption

Asian consumers are expected to account for half of the global consumption growth in this decade. McKinsey estimates, globally, one of every two upper-middle income and above households to be in Asia, and one of every two transactions to be made by Asian consumers.

We forecast Asia's GDP growth to outpace the global growth rate of 2.4%. This is expected to be led by strong consumption growth in the region.

Savings rate in Asia is at an elevated level of over 38%. We expect it to moderate in the coming two years, which in turn should act as a dry powder for consumption.

Source: McKinsey & Company, HSBC Global Private Banking as at 20 December 2023.

Asia in the New World Order

Rise of India and ASEAN

3

Overview

- ASEAN and Indian economies enjoy structural tailwinds including favourable demographics, robust consumption and strong investment growth. These bode well for the domestic industry leaders.

- We expect the Indian and ASEAN economies to stay on a strong footing in 2024. We expect the ASEAN region to grow at 4.7% in 2024, marking an acceleration from 2023 and higher than the Asia ex-Japan growth (as at 20 December 2023). On the other hand, India is among the fastest growing major economies in the world. Having registered over 5% average GDP growth for the past decade, we forecast GDP growth to reach 6% in 2024 (as at 20 December 2023).

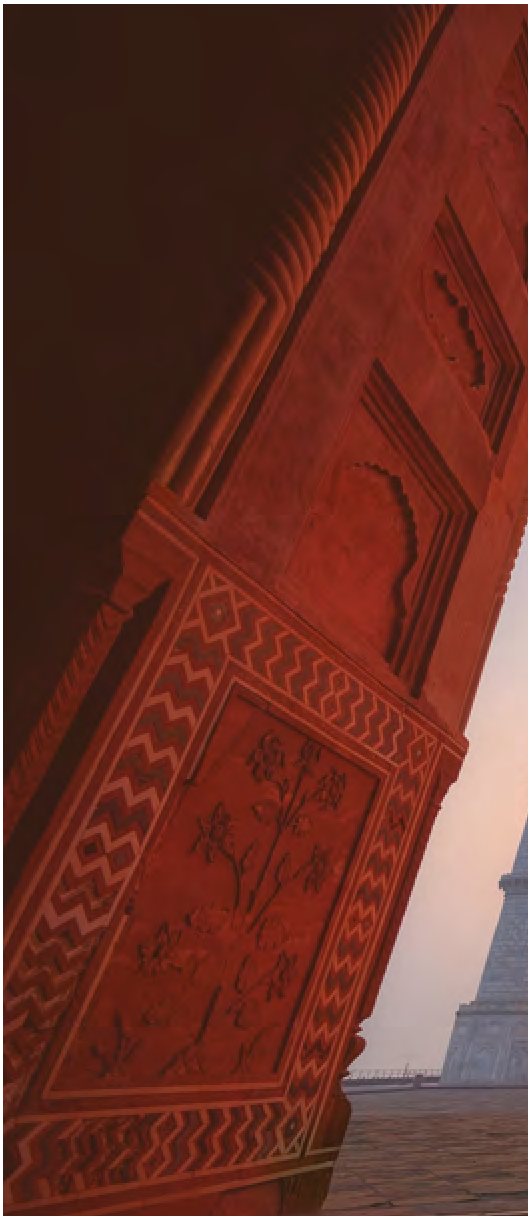
The Opportunity

- Indonesia offers one of the best growth and investment stories in Asia, supported by a large, young and growing population, along with rapid urbanisation. These make it one of the fastest growing consumer markets. In addition, its large unbanked population can create opportunities for banks and tech companies. The country's medium-term outlook looks promising, supported by the climb-up in the manufacturing value chain, from ores to processed metals and EVs. These supportive developments reinforce our preference for financials and consumer discretionary leaders in Indonesia.

- In Singapore, we think select REITs are well positioned for the Fed rate cut cycle.

- In India, the domestic macro environment remains supportive. In equities, we prefer banks, consumer discretionary and tech to capture the structural growth opportunities.

- In fixed income, we like Indian local currency bonds which stand to benefit from the recent announcement of inclusion in a global bond index, driving both passive and active inflows and a stronger INR over time.

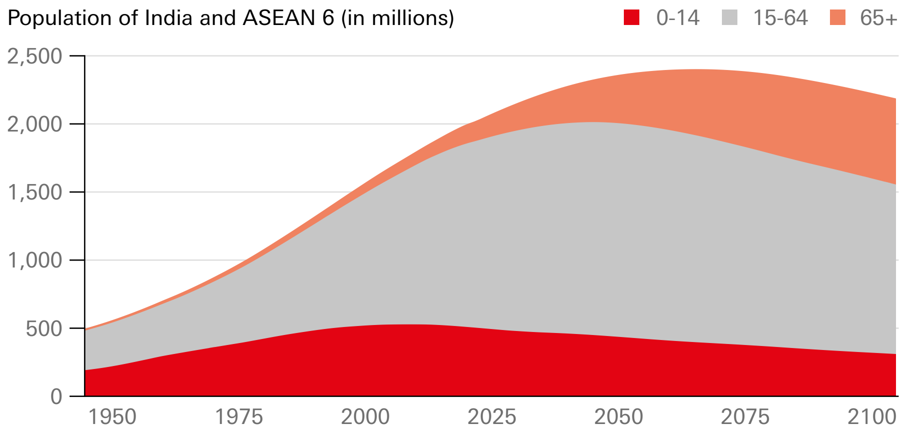


Why now?

- ASEAN equity valuations are attractive, trading below their 5-year historical averages. Slowing inflation across ASEAN economies is a positive, as it may bring more rate cuts in the months ahead.

- The recent pullback in some Indian financials and IT names from their September highs may present attractive entry points. The fundamentals of Indian equities are solid, supported by strong domestic institutional flows, attractive valuations from a 5-year average perspective and mid-to-high teens earnings growth for FY2024 (Source: HSBC Global Private Banking as at 20 December 2023).

Favourable demographic shift towards working age population mix by 2050



Note: For ASEAN 6, it includes Indonesia, Malaysia, Philippines, Thailand, Singapore and Vietnam.
Source: United Nations World Urbanisation Prospects estimates, HSBC Global Private Banking as at 20 December 2023.

Asia in the New World Order

Capturing Peaking Asian Yields

4

Overview

- Disinflation is on track in most Asian economies, with inflation now expected to return to their central banks' target ranges in 2024 in most of them (Source: IMF, October 2023).
- The fundamentals for Asian credit markets remain solid and the current valuations are well supported by tight supply.
- As the US policy rates have now peaked and we expect rate cuts starting, we think it is timely to lock in current yields, which are near multi-year highs, with 5-7-years being the preferred duration.

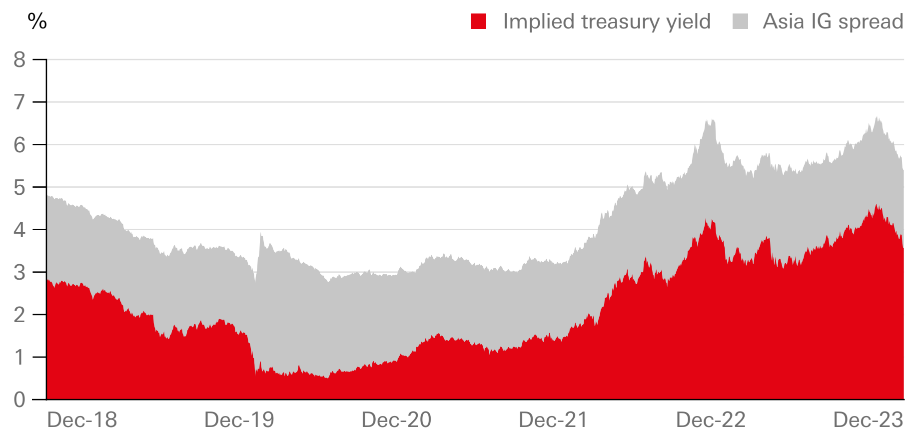
The Opportunity

- We remain very selective on Chinese issuers, focusing on high-quality credit, amid the ongoing headwinds for the high yield issuers with weaker balance sheets and the property related contagion risks. We prefer Macau gaming and Chinese TMT credits, as we see rising consumer leisure demand and stronger than expected earnings. But we stay cautious on the Chinese real estate sector and prefer to avoid China property risks.
- We like Asian financials, which are trading at relatively attractive valuations. Our focus is on the Japanese and Korean banks and life insurers, and banks in Australia, Singapore and Thailand. Apart from their strong capital ratios, the macro backdrop also remains favourable. Asian banks and financial systems enjoy strong support from respective national governments and central banks, which promote the overall financial stability.
- The credit market in South Korea remains buoyant, supported by investor appetite. We prefer South Korean IG bonds issued by high-quality companies.
- In India, we like local currency bonds which can enjoy strong inflows following the index inclusion. This is well supported by our bullish view on INR.
- Indonesian quasi-sovereign IGs remain our preferred play in Southeast Asia, thanks to the country's strong fundamentals including strong government balances and still benign inflation.

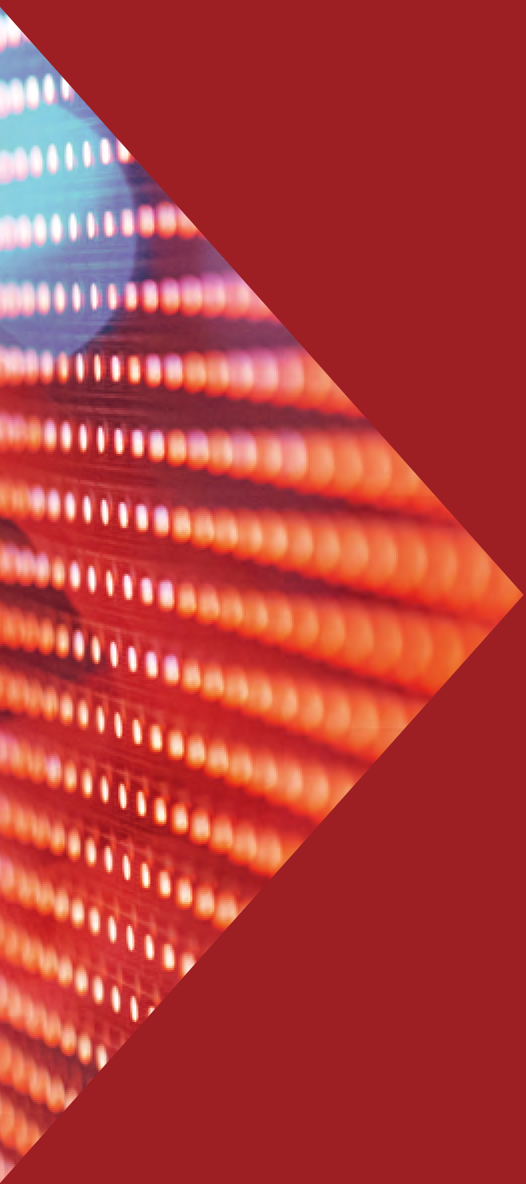
Why now?

- Ahead of the first Fed rate cut expected, we believe it is time to put cash to work towards quality credits to lock in yields at multi-year highs.
- We continue to prefer high-quality credits in Asia, as it continues to display remarkable resilience amid the stress in the mainland China's property sector, lower Hong Kong property prices and headwinds of a strong US dollar.
- We expect credit differentiation to drive relative performance. We keep our view that Asia IG can deliver higher total returns versus Asia High Yield.

Asian IG bonds offer attractive yields and decent pickup over Treasuries



Source: Bloomberg, HSBC Global Private Banking as at 20 December 2023. Past performance is not a reliable indicator of future performance.



Disruptive Technologies

Generally, the word ‘disruptive’ evokes negative imagery associated with industrial action, bad weather, demonstrations, pandemics, etc. In contrast, here we examine the positive impact new technologies can bring and explore how they change the way we do things.

Our three high conviction themes

1. Generative AI & Robots
2. New Energy Transportation
3. Aerospace

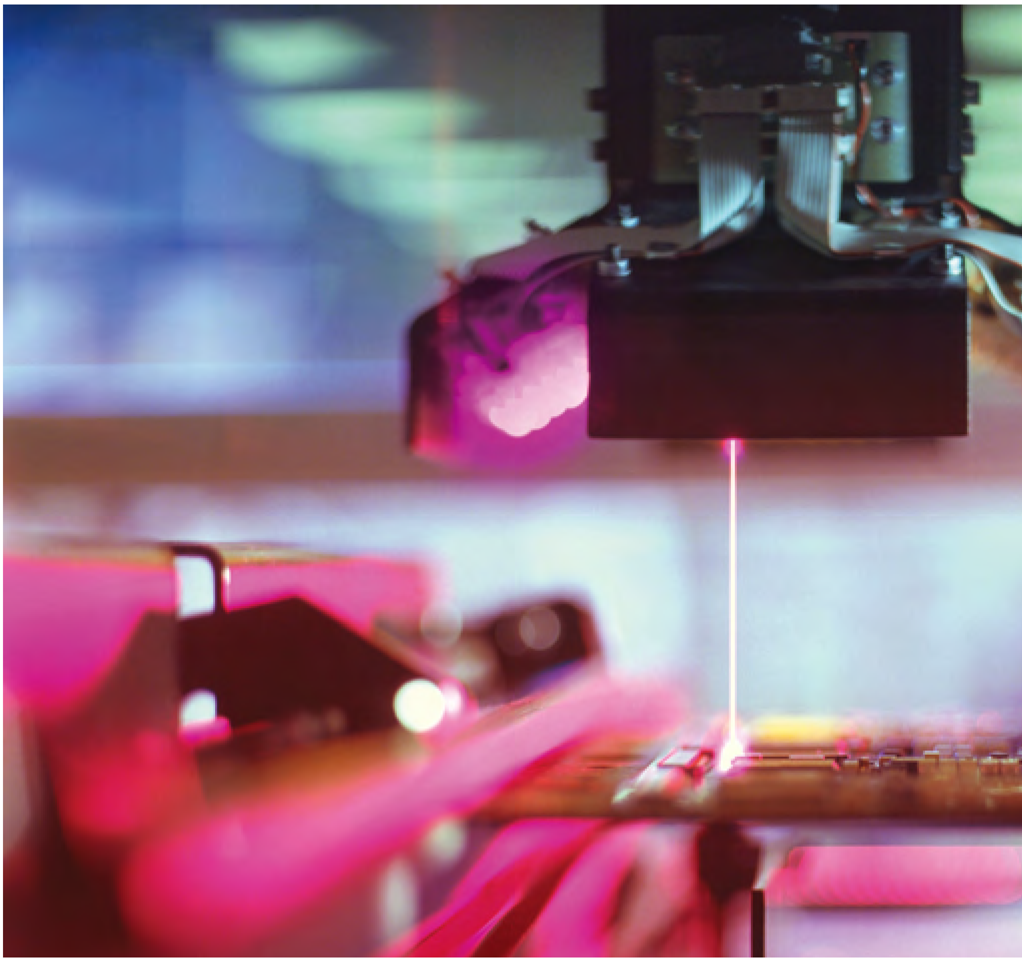
Compromise is often borne out of necessity and so it is with the way we do certain things. For example, production lines are often only partially automated, either because the economic return does not justify the investment, or the technology has not been developed to perform some of the task. Frequently, as developments in technology have led to new and more advance capabilities, prices have declined thus lowering barriers to its adoption which then leads to greater demand and economies of scale. Recent history is littered with examples of this, including televisions, personal computers and potentially in future electric vehicles. Automation technologies are also going through such a cycle.

According to IFR (International Federation of Robotics) there were a total of 553,052 new industrial robot installations in factories worldwide in 2022, up 5% YoY. By comparison in 2012, there were only 154,000 industrial robot installations. In the service sector, robot installations were up 48% to 158,000, with Transportation and logistics seeing the largest demand growth.

Automation technology development has seen a recent acceleration as a wave of new technologies ranging from object and facial recognition to surgery to servicing jet engines. As these technologies are integrated into machines, their capabilities are extended, often enhancing the work of humans rather than replacing them. Over the last few years, the healthcare sector has seen research published comparing the accuracy of AI software compared to human specialists in correctly diagnosing cancer or pre-cancerous tissue in scans. In earlier trials, the specialists performed better, but in the last 5 years, advances in AI software, semiconductor hardware and training protocols have seen AI software pull ahead of the specialists, sometimes to dramatic effect. Researchers from the Royal Marden Hospital and the Institute of Cancer Research published an article in 2023 in Lancet Oncology of results of a study showing that an AI algorithm identified retroperitoneal sarcoma (a type of cancer in the abdomen) correctly 82% of the time compared to 44% accuracy for laboratory-based analysis using trained specialists. The AI algorithm was able to discern details not visible to the human eye from the scans. The study's results are similar to those of other studies for cancer scans.

Drones also appear set to benefit from new disruptive technologies including cameras, sensors, processors, AI, smart software, connectivity (4G/5G), batteries and motors. It is estimated that the global commercial, consumer and eVTOL1 drone market could grow from USD28.6bn today to over USD290bn by 2033 with commercial applications representing 80% of the total market (HSBC Global Private Banking as at 20 December 2023). Today, the three top drone applications by market share are 1) mapping & surveying (34%); 2) inspection (25%); and 3) filming & photography (10%).

The benefits of drones are numerous but let's concentrate on a few simple examples. Firstly, a drone fitted with sensors and cameras can replace a



piloted aircraft for some simple tasks such as mapping and surveying the landscape, tracking wildlife, monitoring crowds etc. Secondly, hospitals are using them to quickly transport critical blood or tissue samples from a hospital to a laboratory across the city in minutes. Thirdly, they are able to survey and monitor equipment and structures efficiently and sometimes perform hazardous tasks for humans, for example, inspecting high voltage power lines, and tall or difficult to access structures. It is evident that there are many applications, and many more new applications are under development that will expand further as improved sensors, software and more advanced cameras are developed. The recent introduction of AI software to more sophisticated drones has allowed them to operate more autonomously and efficiently.

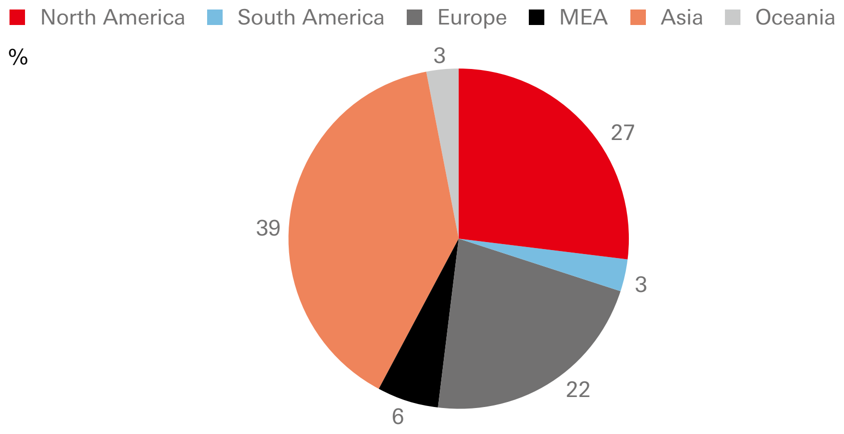
Satellites have similarly benefitted from the disruptive technology megatrends with the cost of launching, electronic components and advanced technologies falling exponentially. This has spawned numerous private initiatives in all these areas as the commercial potential of low earth satellites and other aerospace ventures become tangible. At the same time, society is benefitting in many ways. For example, access to the internet for remote communities around the globe is allowing farmers to track real time commodity prices to ensure they get better prices for their crops and potentially break out of the poverty cycle.

Emerging economies often lack the funds for basic infrastructure including mobile or cable networks. Satellites are now able to provide an alternative cost-effective way for people to communicate from anywhere in the world. This is particularly important for healthcare and other workers, families, countries and communities to stay connected. It is estimated there are 7,702 active satellites in orbit (NanoAvionics,

May 2023) with 84% in low earth orbit (LEO). Hundreds more are expected to join them over the next few years as private initiatives aim to build global networks of low-cost LEO satellites.

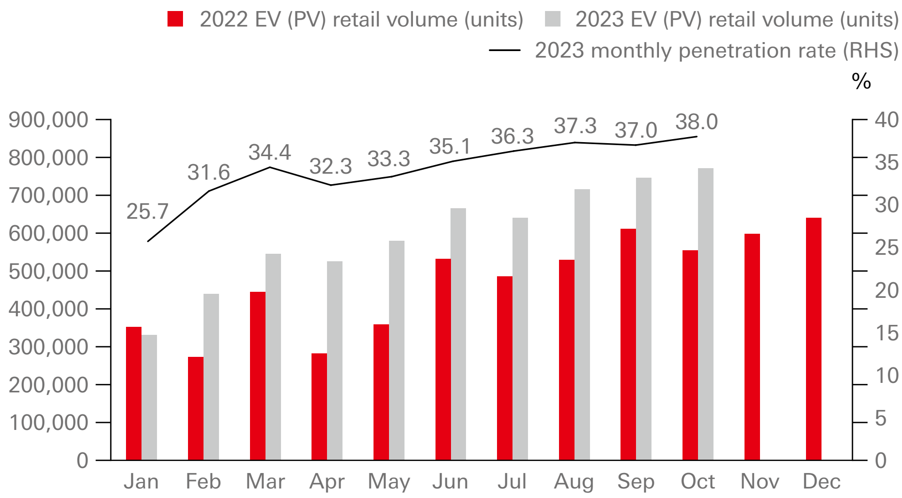
This will further expand the access and benefits illustrated above as well as enabling new services, in particular, monitoring the many aspects of earth's climate as it enters a critical phase in order to better understand the complex relationship between the atmosphere, sea, earth and how this effects weathers patterns. Satellites are already monitoring some aspects including ice cover, methane, rainfall, sea and land temperatures, and forest fires. The satellite industry was dominated by government agencies, but in the last decade private companies have totally disrupted the industry, dramatically reducing the cost of both the launch and the satellite, spurring a completely new fast-expanding private sector and related industries.

HSBC Global total drone market share in 2022



Source: Drone Industry Insights as at December 2023.

China EV retail sales penetration (2022 & 2023)



Source: CPCA, HSBC Qianhai securities as at 20 December 2023.

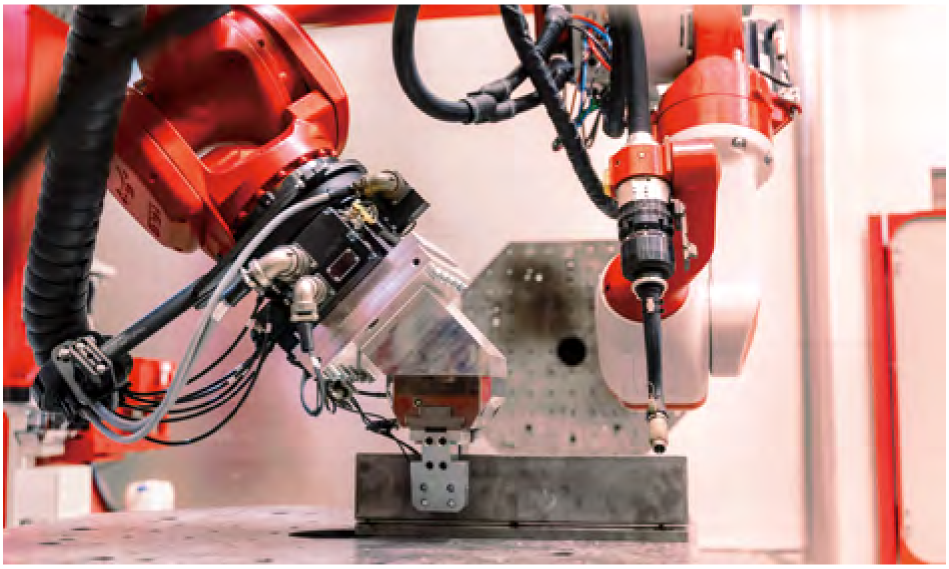
A similar transformation is happening in the transportation sector. In 2012, there was a watershed moment with the launch of the Model S, the first truly commercial electric vehicle that was powered by lithium batteries. The event's significance cannot be overstated as it showed a well-designed electric vehicle could be produced at a profit and in quantities for the mass market. From that point, the whole auto industry has been totally disrupted by the introduction of the lithium-ion battery and related technologies. Incumbent auto producers resisted change and were slow to adapt thereby allowing new entrants from China to develop a strong position in the electric vehicle (EV) market and supply chains. In China, the world's largest car and EV market, EV sales now represent 38% of new car sales (Source: CPCA and Qianhai securities, 2023). The electric vehicle technology is evolving quickly with solid state and potentially sodium batteries in the near future. Hydrogen and fuel cell powered vehicles are also showing great potential in the commercial sector.

Potentially, all these new technologies are having a positive impact on people, society and the planet, either directly or indirectly. Disruption and in particular disruptive technologies can be a positive force that should be embraced.

Disruptive Technologies

Generative AI & Robots

1



Overview

- Recent advances in AI mark a step change in available capabilities and applications that are expanding rapidly across all industries.

- The services sector, in particular, is set to benefit from new AI applications, including in the content production, where AI can generate text or images based on simple prompts; and in software development, where code can be readily generated.

- Robots are key to an automated future and some high-profile companies recently announced their new line of offerings. The number of operational industrial robots reached 3.5 million units in 2022, with an estimated value of USD15.7bn (Source: IFR , February 2023).

The Opportunity

- Healthcare applications such as monitoring, tracking, data and image analysis and sample testing can be improved through AI and robot implementation.

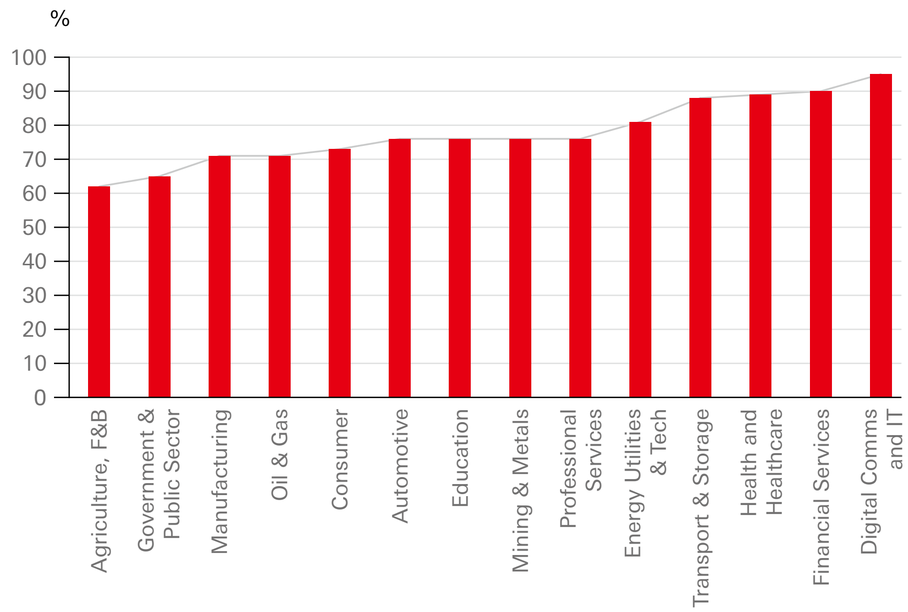
- Financial services are increasingly being consumed online, meaning several processes can be automated and improved, including identification verification; insurance, bank account and card applications; securities trading and controls.

- Automated advice via online chat functions using large language model AI software can improve the customer service experience for many, while also keeping costs down for corporates.

- Agriculture is being automated in many developed markets, from GPS controlled tractors and harvesters, to soil and crop management using drones and AI.

- 'Miniaturisation' is enabling sensors, cameras, batteries and antennas to be incorporated into more products and places, increasing the amount of data feeding into the AI programs.

Share of firms proposing to use AI by 2025



Source: WEF The Future of Jobs Report, HSBC Global Private Banking as at 20 December 2023.

Why now?

- The integration of AI and other technological advances have expanded the capabilities of automated products and services, whilst also expanding their potential uses.

- Labour shortages and rising costs are driving a fresh wave of investment in robotic automation, as potential investment returns become increasingly attractive.

- The roll-out of 5G, cable and low-earth orbit satellites networks have significantly expanded data capacity and have reduced latency.

Disruptive Technologies

New Energy Transportation

2

Overview

- New Energy Transportation includes the integration of intelligent technologies in transportation, but it is also about governments, companies and individuals making smart decisions about their choices of mobility, given the environmental and demographic challenges.

- The Paris Agreement, the COP28 and the IPCC climate study give an even greater sense of urgency for the adoption of low or zero-emission technologies, especially in transportation. Electricity, hydrogen, biofuels and ammonia are potential zero-emission or green fuels that should help to reduce these emissions.

The Opportunity

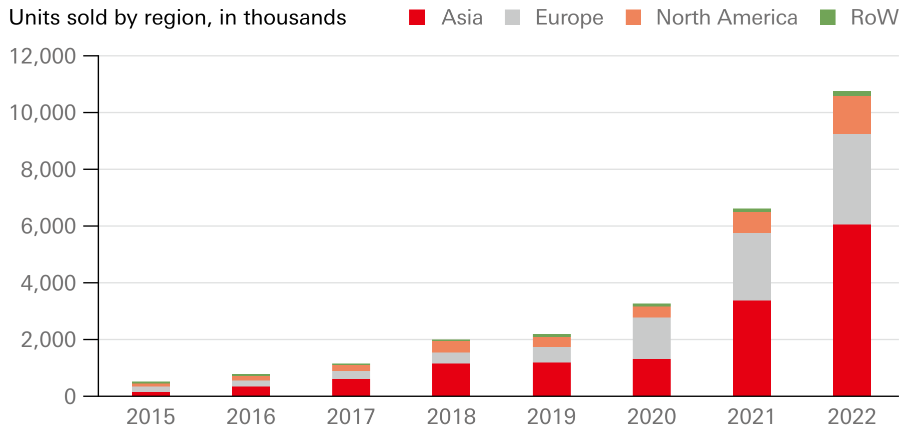
- Electric vehicle (EV) purchases have accelerated significantly across most of the major economies, as consumer adoption gains momentum and new models are being launched regularly.

- EV infrastructure is being added at a rapid pace in several countries to meet the ever-growing demand.

- Battery technology continues to advance, as it benefits from the increased R&D budgets and soaring applications.

- 5G networks are supporting in-vehicle and sensor technologies, connecting the vehicles to their surrounding environment and other vehicles.

Electric Vehicles



Source: Bloomberg, HSBC Global Private Banking as at 20 December 2023.

- Commercial vehicles and trains stand to benefit from the advancements in hydrogen fuel cell technology and biofuels are beginning to be adopted within the shipping industry.

- Technology has advanced sufficiently to make alternative energy formats (lithium batteries, fuel cells, bio-fuels) to provide a viable and economical zero-emission alternative source of power to fossil fuels for transportation.

Why now?

- Transportation companies and systems are being forced to phase out the usage of fossil fuels over the next decade, as countries strive to achieve net-zero emissions.

- Fiscal stimulus packages in several major economies have environmental and infrastructural provisions that should also provide some additional financial impetus.

3

Disruptive Technologies

Aerospace

Overview

- Aerospace companies have seen the demand for airplanes and associated products and services rise rapidly post-pandemic, with multiple large orders increasing the manufacturing backlogs.
- Recent achievements by private companies in delivering private citizens to space, and in demonstrating the viability of reusable space crafts have crafted new opportunities in the space economy.
- Aerospace is underpinned by stable government contracts, which have been increasing annually in all the major nations.
- The rising demand for data and interconnectivity is providing a key support to the growth of the small satellite industry.

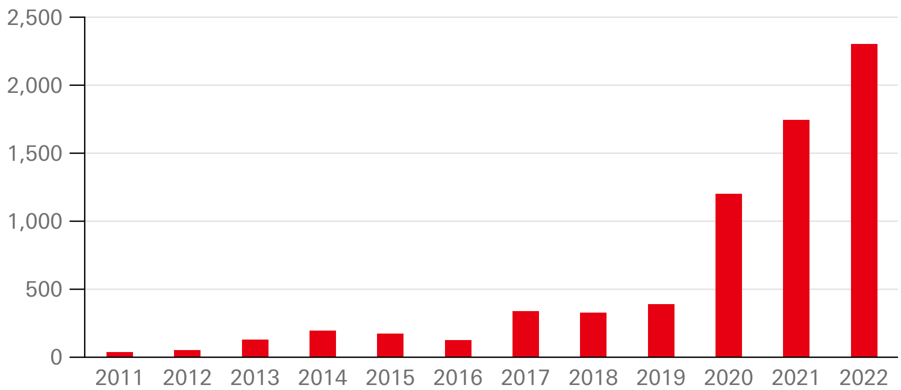
The Opportunity

- Opportunities exist in companies that manufacture aircrafts, spacecrafts, satellites and aerospace services, as demand is growing across the industry.
- The demand for airplanes has been rising, as the number of flights continues to grow with global revenue passenger-kilometers (RPK) rising 28.4% y-o-y in August, which is a 95.7% rise than pre-pandemic levels, as per IATA report.
- In 2022, small satellites represented 96% of all spacecrafts launched. Small sat launches are up 18 times in the last 6 years (Source: Bryce Tech small satellites report, 2023).
- Aerospace companies are also beneficiaries of a stable, secure and growing income stream from the governments and their agencies.
- Companies heavily reliant on larger, faster and lower latency data are also expected to benefit from this trend.

Why now?

- Recent progress in aerospace technology has driven a resurgence of interest in the space economy.
- Rising demand for flights and travel has seen delivery numbers and order books at aerospace manufacturers swell and the resulting backlog will take many years to reduce.
- The rising demand for data from an ever-increasing number of connected devices from all corners of the globe has raised competition among entrepreneurs to try and meet that demand via private low earth orbit satellite solutions.

Small Satellite launches in 2011 – 2022



Source: Bryce Tech, Small Satellites by the Numbers 2023, HSBC Global Private Banking as at 20 December 2023.

Climate Action

The continued growth of investment in the industry, together with the expanding set of supportive guidelines and frameworks, is fuelling the momentum behind the sustainable economy and creating attractive opportunities for investors.

Our two high conviction themes

1. Biodiversity and Circular Economy
2. Opportunities in Sustainable Energy

Sustainable investments have experienced a challenging year. With rates and inflation costs having risen rapidly in the prior 18 months, projects are being reviewed and capex spends are being adjusted. The associated stocks have also suffered from their 2021 peaks and sentiment in many corners of the corporate and investment world appears to be waning for sustainability and ESG, all while fossil fuel companies continue to reap high profits. This is not a fair reflection of the underlying fundamentals which are telling a somewhat different story. One of the more powerful metrics is that, in 2022, solar and wind energy made up 80% of new global generation capacity and investments in new projects reached a record $560bn (Source: Bloomberg New Energy Finance, November 2023). Together they now make up c.12% of global energy generation which may not seem like a lot but as recently as 2009 this figure was c.1% (Source: Ember, 2023). Coal and Oil have been the principal channels this share has been taken from which is a definite positive for the climate but also highlights where the investment momentum is.

In addition to this, the changes happening across corporates, governments and at the individual level are growing every day and driving the world further towards a sustainable future. Recent progress towards this future includes:

1. The US Department of Energy (DOE) has announced USD7bn to launch seven Regional Clean Hydrogen Hubs (H2Hubs) across the nation and accelerate the commercial-scale deployment of low-cost, clean hydrogen.

2. Saudi Arabia has launched the Greenhouse Gas Crediting and Offsetting Mechanism (GCOM) aimed at reducing greenhouse gas emissions and fostering sustainability.

3. Starting from 2026, it was announced by Brazil's Securities and Exchange Commission (CVM) and Ministry of Finance that public companies in Brazil will be required to provide annual sustainability and climate related disclosures.

4. The Tokyo Stock Exchange (TSE) started trading carbon credits, a key element in Japan's strategy to tackle climate change. Registered members can trade the existing carbon credit, known as J-Credit, on the exchange.

These initiatives are separate to broader, more prominent events such as COP 28 which is in progress at time of writing. When thinking about investing in this space it is important to think about not just the policies and agreements being made but to think about which areas in particular can benefit and which areas should be avoided over your investment timeframe.

Energy is the primary channel through which positive change for the climate is occurring. As highlighted above, the technologies to deliver sustainable energy are now largely available, and in some cases they are economically competitive with traditional fossil fuels. Approaches such as solar, wind, biofuels, hydrogen and hydro and their associated supply chains and services are opening up a whole new set of opportunities to investors as they take advantage of the major momentum behind the growth in renewable energy generation. These new economies are also being supported by government regulations all over the world which is a key support to driving change and maintaining the momentum that has been seen in recent years.

Despite the ongoing challenges of the industry and higher costs for projects, the trend toward the uptake of these technologies continues. This can be demonstrated, for example, in EMEA where investment in solar and wind projects rose to $78bn for the first half of 2023 alone. This is a 47% increase over the same period in the prior year and in spite of the more difficult economic conditions facing investors and projects. The majority of this was in solar which accounted for $51.5bn while wind attracted $26.7bn of investment (Source: Bloomberg NEF, November 2023).

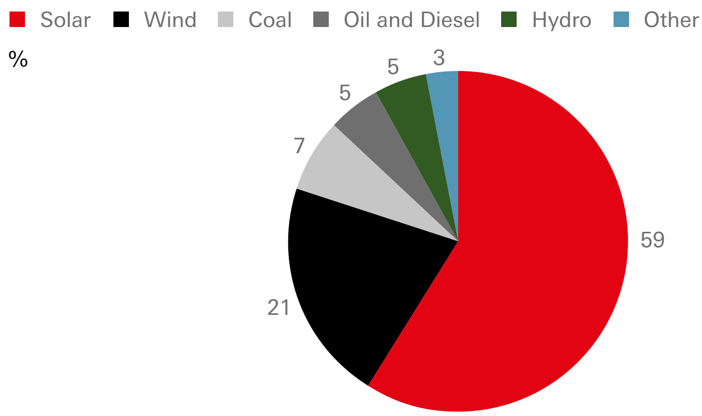
Energy is not the only industry undergoing major change toward a sustainable future. Biodiversity has risen up the order of priorities too and with it, the circular economy is also coming into sharper focus. Biodiversity across our planet has been severely impacted over the last 50 years and the continued

expansion of human activities in fishing, farming and manufacturing destroy ever more ecosystems that are key to a sustainable future. The living planet index has fallen nearly 70% in 50 years which is catastrophic for our planet and for its ability to host us, humanity, in an ongoing manner. Thankfully, much is happening here to change the course on this.

Much is happening within the Biodiversity space in recent years to address this loss and to invest in improving it. The governance of biodiversity is overseen on a global level by the UN body, the Convention on Biological Diversity which is supported by the Kunming-Montreal Global biodiversity framework which outlines targets and actions for governments and corporates within a financial framework of benefit sharing. This was a framework agreed at the end of 2022 with 4 main goals: to increase the area of natural ecosystems by 2050, that biodiversity is sustainably used and managed and that nature's contribution to people is given value, that the monetary and non-monetary benefits from the utilisation of genetic resources are shared fairly and equitably and that adequate means of implementation of the framework are secured and accessible to all parties. There is also the Taskforce on Nature Related Financial Disclosures which provides a framework for companies to disclose their dependencies on nature and indicate how they are managing their interactions with nature and if they are financially material. The Taskforce on Nature Related Financial Disclosures (TNFD) is in place too and recommends the LEAP approach to identifying and assessing nature related issues: Locate where a business interacts with nature, Evaluate the dependency and impact on nature, Assess the risks and opportunities and Prepare to respond accordingly in line with the TNFD recommended disclosures.

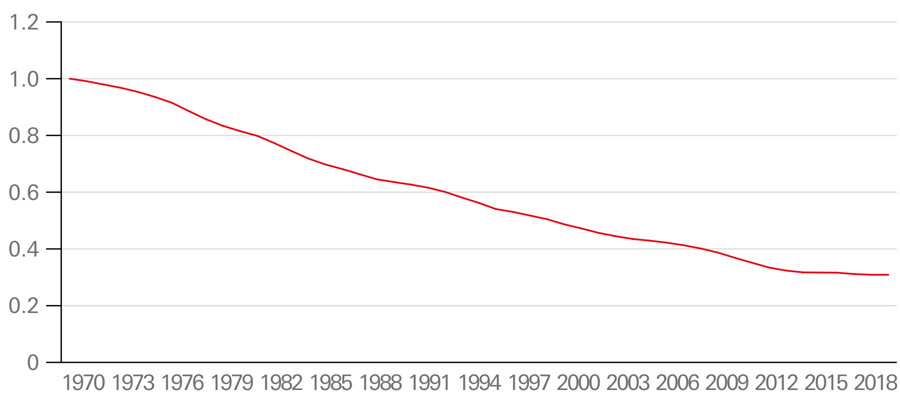
These are a few of the initiatives giving real substance and momentum to the sustainability trend. Globally, there is a clear demand for cleaner and greener approaches to production and working practices, and businesses are rising up and finding ways to bring all the traditional benefits of goods and services demanded by consumers but in a sustainable way. The continued growth of investment in the industry, together with the expanding set of supportive guidelines and frameworks, is fuelling the momentum behind the sustainable economy and creating attractive opportunities for investors.

Share of New Energy Generation Capacity 2022



Source: Bloomberg New Energy Finance, Climatescope 2023 as at November 2023.

The Living Planet Index of Biodiversity

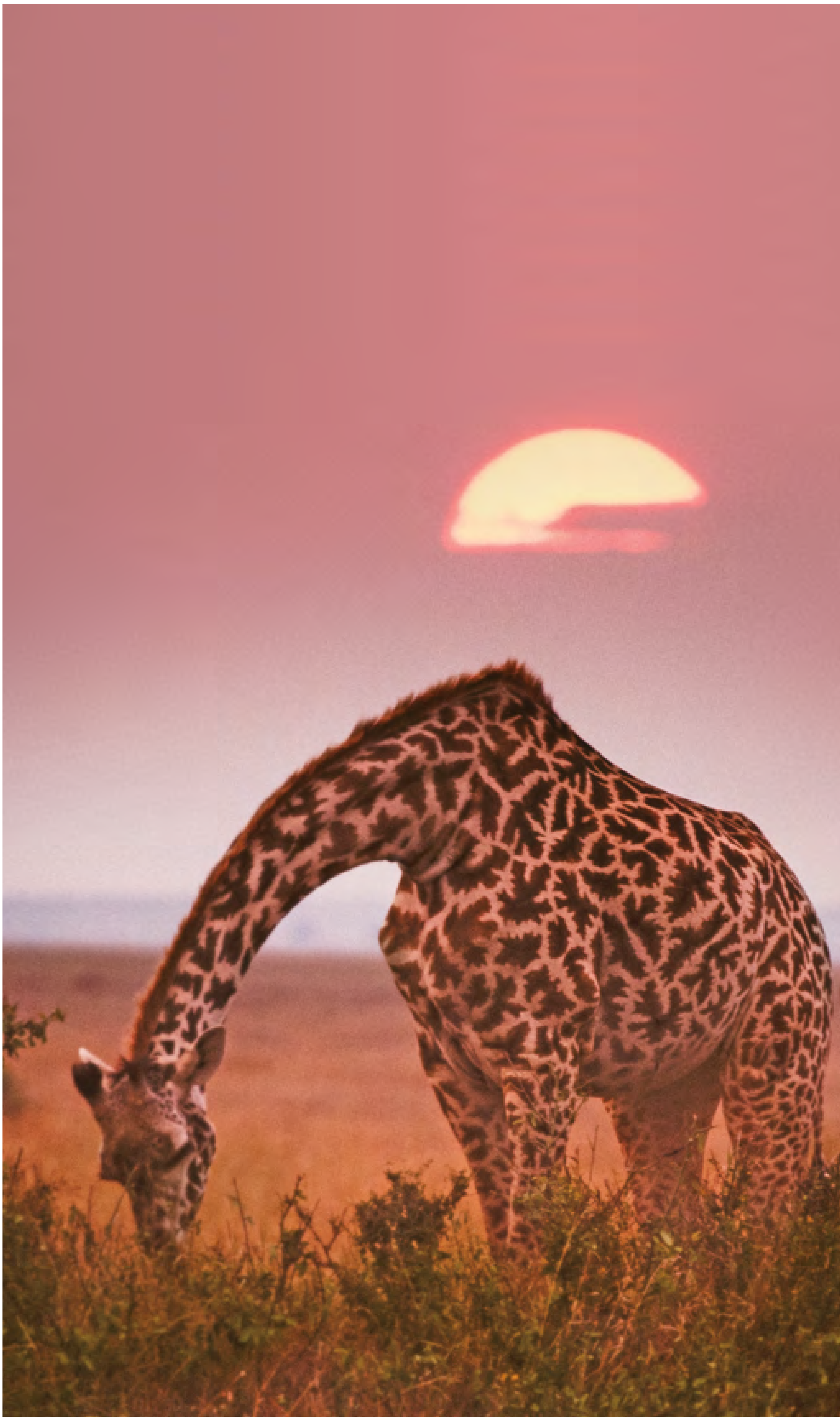


Source: livingplanetindex.org, HSBC Global Private Banking as at 20 December 2023.

Climate Action

Biodiversity and Circular Economy

1



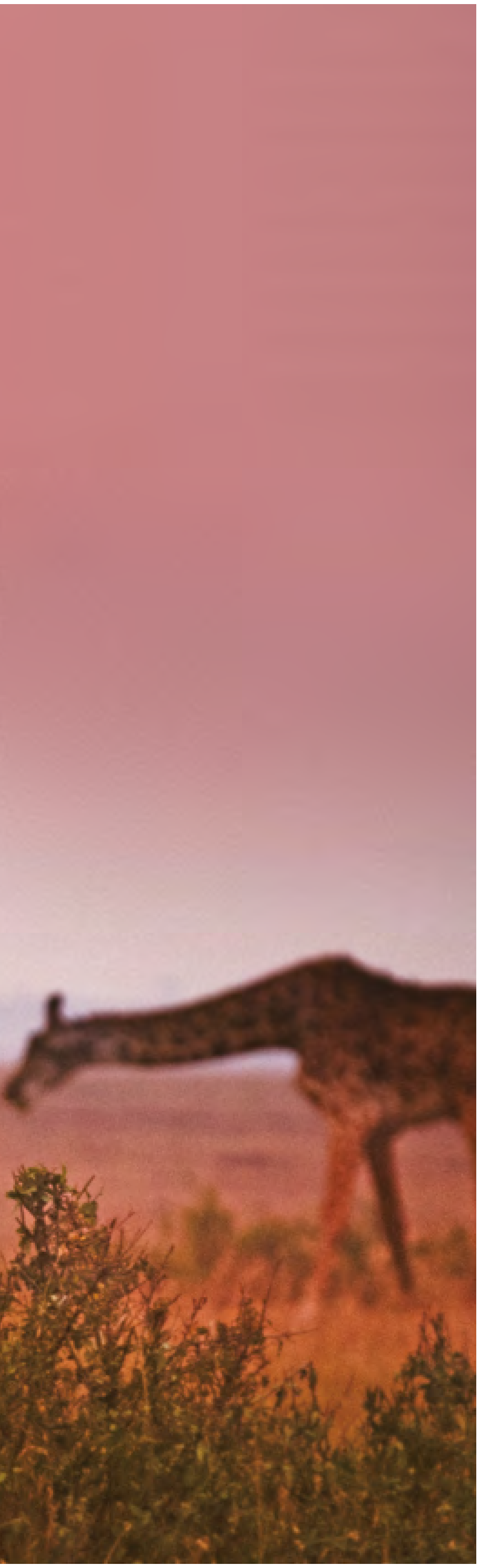
Overview

- Earth's biodiversity is imperative for human existence. Our societies, livelihoods and economies depend on nature for the natural regulation of weather patterns and provision of basic materials like food and wood. These basic resources and essential ecosystems are worth between \$125 – \$140 trillion annually (Source: OECD).

- The linear 'Make – Take – Use – Waste' economic model is damaging biodiversity and natural habitats at an unprecedented scale. As a result, our natural world is in crisis, but conservation efforts alone are insufficient to halt biodiversity loss. A significant rethink of our socio-economic model is required.

The Opportunity

- With nearly 51% of global GDP underpinned by nature (Source: World Economic Forum, 2020), the rapid loss of biodiversity poses a systemic risk to global economic activity. This therefore creates both an opportunity as well as an obligation to act. At the corporate front, new business models and solutions that transition their business from a Linear to a Circular economic model of 'Reduce – Repair – Reuse – Recycle and Re-design' are needed.



The environmental impacts of food production

Agriculture is responsible for 80% of global deforestation

80%
Real
Deforestation

Food systems release 29% of global greenhouse gases (GHGs)

29%
Global GHGs

Agriculture accounts for 70% of freshwater use

70%
Freshwater Use

Drivers linked to food production cause 70% of terrestrial biodiversity loss

70%
Terrestrial
Biodiversity Loss

Drivers linked to food production cause 50% of freshwater biodiversity loss

50%
Freshwater
Biodiversity Loss

52% of agricultural production leads to land degradation

52%
Degraded
agricultural land

Source: WWF Living Planet Report 2020, CBD, GSDR, ELD initiative, HSBC Global Private Banking as at 20 December 2023.

- While the business world has paid great attention to climate change, the issue of biodiversity has largely gone unnoticed until recently. But the good news is that the transition to a circular economy is already in motion. Increased regulation, market, consumer and investor forces are already moving in the desired direction. Companies that harness and preserve biodiversity are the ones who would offer investors the potential to access growth, provide relative outperformance and support long-term change.

Why now?

- Failure to address the collapse of our ecosystem could result in an estimated loss in global GDP of $2.7 trillion by 2030 (Source: World Economic Forum, 2021). Given the economic risk, businesses need to adapt their operations to mitigate the impact on nature and simultaneously, the consequences of biodiversity loss on their business.

- UN member states agreed on terms of the High Seas Treaty in March 2023, aiming to oversee and protect seas outside areas of exclusive economic zones. This will have a direct monetary impact in food, pharmaceutical and cosmetics industries and are key milestones to achieve the 30x30 target.

Climate Action

2

Opportunities in Sustainable Energy

Overview

- Clean energy technologies and renewable energy sources are the enablers in creating a net-zero world in line with the Paris Agreement.
- While the transition has been underway for decades, global investments in the low-carbon energy transformation have topped $1 trillion only last year and remain well below what is needed. To keep the world on a net-zero trajectory by 2050, a total of $8.3 trillion investment spending is required for renewable energy between now and 2030 (Source: BNEF, August 2023).

The Opportunity

- Extreme weather events with record breaking heat waves, wildfires and melting polar ice caps have highlighted the urgency for action to curb rising temperatures. As countries pledge net-zero strategies for decades to come, the transition to sustainable and alternative energy solutions is underway.
- Renewable energy adoption has been on a steep rise over the past decades thanks to rising awareness and policy push. Rising demand has made clean energy more competitive from a cost perspective too. Despite rising material and commodity costs in 2022, the average cost of renewable energy sources still declined, maintaining a long-term downward trend. This underscores the rising economic and environmental benefits of sustainable energy sources.
- The global policy momentum remains strong, supporting large-scale deployment of clean power initiatives in the coming years. Global energy security concerns and fading supply chain disruptions post-pandemic should also drive further clean power capacity additions, which are forecast to surge by the largest absolute rise ever, increasing by 107GW to more than 440GW in 2023, according to the IEA.

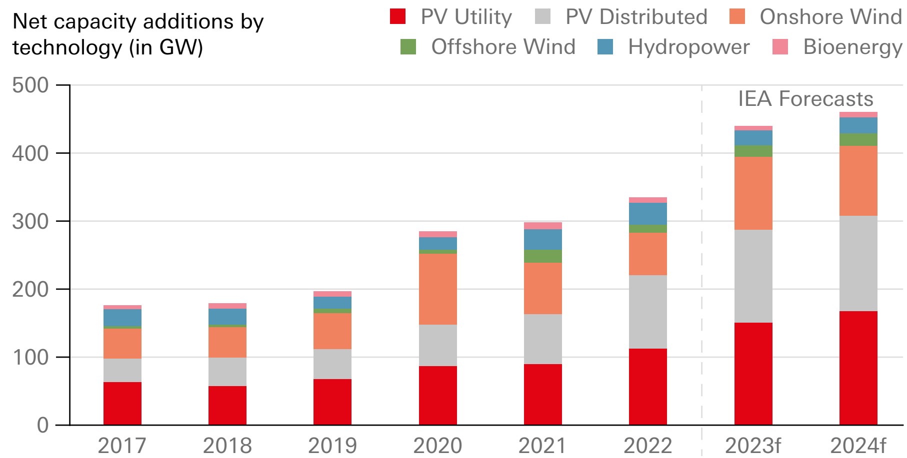
Why now?

- The COP28 has made a global stock take, which confirms that the world is not on track to meet the Paris Agreement's ideal 1.5°C target. As global emissions have not yet peaked, they would need to be cut by at least 30% by 2030 to get back on track.

This increases the opportunity set for cost-effective and efficient energy solutions in renewables and alternative low-carbon resources.

- Despite near-term challenges stemming from the cyclical and high interest rate environment, our view that rates will be cut in 2024 should remove a key headwind for growth stocks, including those renewable energy pure plays. Amid appealing valuations and the ongoing structural transition towards a low-emission world, we see structural investment opportunities in sustainable energies such as renewables, hydrogen, energy storage and carbon capture.

Renewable energy continues to grow rapidly, driven by policy support, energy security concerns and improving cost competitiveness



Source: IEA, HSBC Global Private Banking as at 20 December 2023. Forecasts are subject to change.

Evolving Society

The pandemic, the rise of emerging market middle classes and global ageing all create important societal changes that influence how people want to live and what they consume. Investors better take note.

Our three high conviction themes

1. Infrastructure and Future Cities
2. Healthcare Innovation
3. Social Empowerment and Well-being

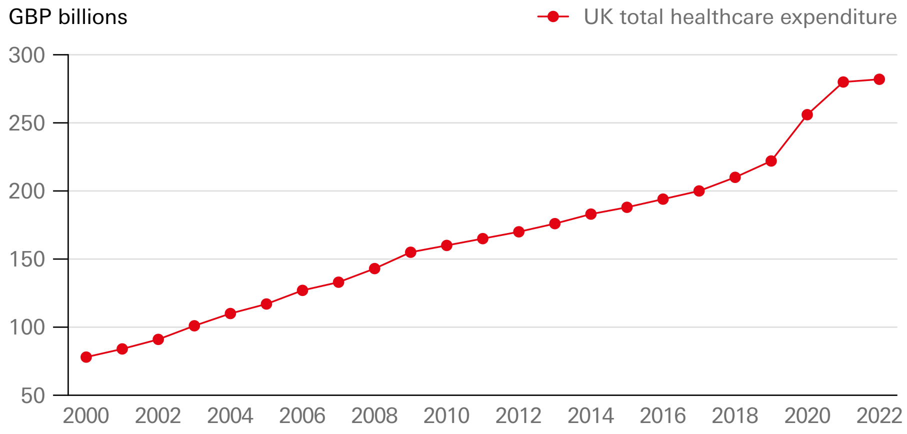
For several years now, our thematic investment strategy has recognised that Disruptive Technologies and Climate Change are two big forces that are here to stay and that create significant investment opportunities. But the world we live in is first and foremost made of people. How those people want to live, what they value, and how populations change is of huge importance as well. Some societal changes are slow moving, while others are much quicker, but those changes that stick can have a huge impact on what products and services will be in demand. So for any company that wants to be successful, remaining relevant or even ahead of the curve on societal trends is key!

One of the big trends is increased longevity, thanks to better healthcare. Better nutrition has been a big driver too in emerging markets, but in developed markets, it is harder to make this assertion! During the COVID pandemic, spending on healthcare services obviously jumped. Interestingly though, as our graph on the next page shows, spending has not come back down but has continued to trend up. This is in part because we have realised how precious our health is, but also because public and private hospitals are using health technology to provide more services at an affordable cost. Technology gives us better access to health monitoring from our wristwatch, without having to go to a hospital. And great innovation in drug developments has allowed breakthroughs in medicines treating diabetes and obesity. While some weight loss drugs already existed before, their efficacy and safety have improved a lot. In addition, some have been shown to help in the fight against diabetes and heart disease and may even lower the risk of cancer. All of these developments happen in a world where social media makes us very aware of our body image and our fitness. So it is fair to say that healthcare will remain a major area of focus, both for younger and older generations.

Longevity needs to be weighed against changes in the birth rate if you want to discover where populations are still growing or starting to decline. The take-away is that India will continue to grow, together with Latin America and Africa. Interestingly, the US population also continues to grow somewhat as the birth rate holds up reasonably well and inward migration remains positive. Europe and China however are seeing shrinking populations.

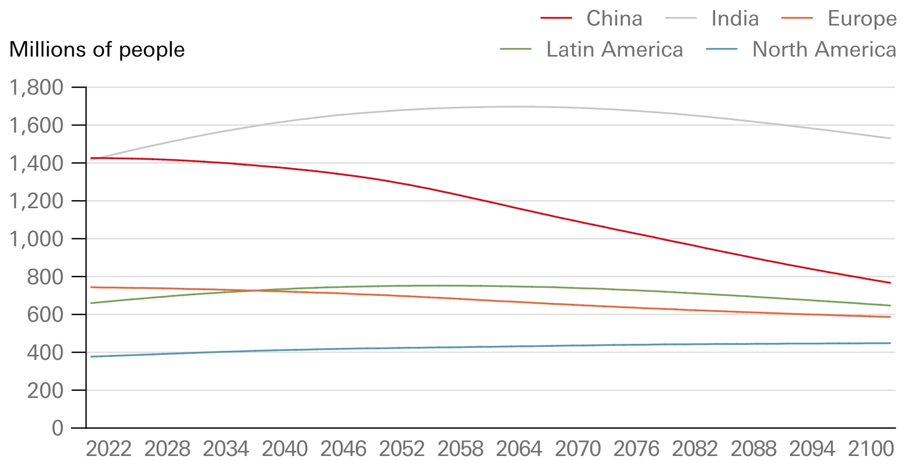
Across the world though, populations are becoming more urban, so the build-out of new cities is a very well supported trend. Cities are responsible for 80% of global GDP (against 56% of the world's population) (Source: World Bank, 2023) and therefore, competition between them is huge, especially in our multi-polar world where economic blocks are competing against each other. Smart cities with efficient infrastructure will win out, and investors can benefit from the strong infrastructure buildout in areas such as green energy and buildings, telecommunication and transportation. After moving away to the countryside during COVID, workers are now coming back to live in cities but want a more convenient lifestyle than before the pandemic. So, city mayors are all trying to build the city of the future.

Total healthcare expenditure has continued to rise in most markets, even after the pandemic



Source: Statista, HSBC Global Private Banking as at 20 December 2023.

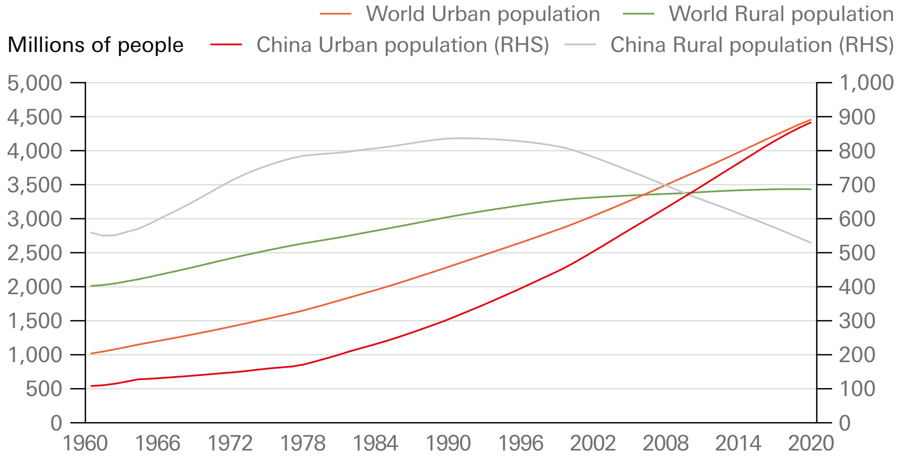
China's and Europe's populations are already in decline, while India and the US are faring better



Source: United Nations, HSBC Global Private Banking as at 20 December 2023. Forecasts are subject to change.

Younger generations are playing a big role here, as they are big drivers of these new demands. They not only want greener cities, but also fairer societies, focused on well-being. As generations shift, Gen Z (born between 1997 and 2012) have reached the labour force and have become a consumer force to be reckoned with. They are digital natives and their purchases can be influenced by social media, but at the same time, they attach high value to convenience and personalised products and services. They are aware of mental health and well-being, often consume less alcohol and often have an environmental consciousness. So in many aspects, our **Evolving Society** trend is linked to our two other trends of **Disruptive Technologies** and **Climate Action**. In our view, that will probably even further ensure their durability.

People continue to move to urban areas, in China and in the rest of the world



Source: World Bank, Our World in Data, HSBC Global Private Banking as at 20 December 2023.

Evolving Society

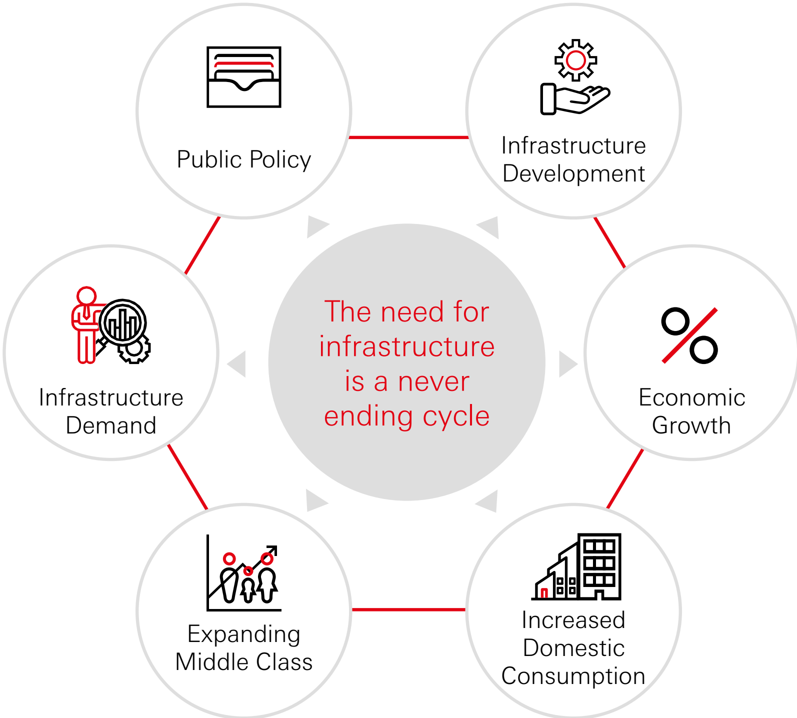
Infrastructure and Future Cities

1

Overview

- The pandemic has changed the way we think about city living and urbanisation. It raised challenges and new ideas about innovation in well-being, mobility, infrastructure, housing and work practices. To be successful, cities that are truly built for the future need to consider all of these aspects in their planning.
- To create cities fit for the future, adequate infrastructure investments are needed in transportation, creating green spaces, building flood defenses, education and health care facilities.
- Much of the focus will be on developing 'smart' cities, which use data gathering and analysis to optimise traffic and energy consumption.

In an evolving society, the need for Infrastructure improvement is never ending



Source: HSBC Global Private Banking as at 20 December 2023.

The Opportunity

- Cities account for 80% of global GDP (Source: OECD, 2021). Given global mobility and international competition between economic blocks, investment in cities is thus expected to be enormous in coming years. 4.2bn people already live in cities, and that should rise to 5.2bn in 2030 and 6.7bn in 2050 according to the UN, with most of the growth coming from the emerging markets.
- Investment in energy resilience, lowering emissions and flood defenses has become crucial. We foresee continued rapid urbanisation, with EM markets leading the charge.
- Investment in infrastructure provides exposure to long-life, high-quality assets which form the backbone of global economy, like physical infrastructure, renewable power, energy transition, utilities, midstream assets that transport hydrocarbons, data centers which often have inelastic demand.
- Attractive Risk-Adjusted Returns: Infrastructure assets tend to outperform during economic booms and protect on the downside during periods of economic stress.
- Net Zero is a tailwind. The global commitment of governments and corporates to achieve their net zero targets and invest in renewable energy infrastructure provides a big opportunity.

Why now?

- Infrastructure stocks/funds offer exposure to a secular growth story given the sovereign backings infrastructure development enjoys, especially from recent US legislations like the Inflation Reduction Act, and the US CHIPS and Science Act.
- In the current environment of uncertainty, it provides stable cash flows/dividends and also acts as a partial inflation hedge.

Evolving Society

Healthcare Innovation

2

Overview

- The post-Covid pharmaceutical industry has been growing rapidly. The $2.3 trillion biopharma market is expected to be lifted by innovative new product launches and expanding demand.
- Solid sales and earnings growth with resilient cashflows characterise many companies. Their valuations are slightly below historical levels, but earnings estimates remain cautious. Thus, navigating stocks which are facing major patent expirations remains essential.
- Pricing concerns have eased, but legislation and technology could lower prices even further.

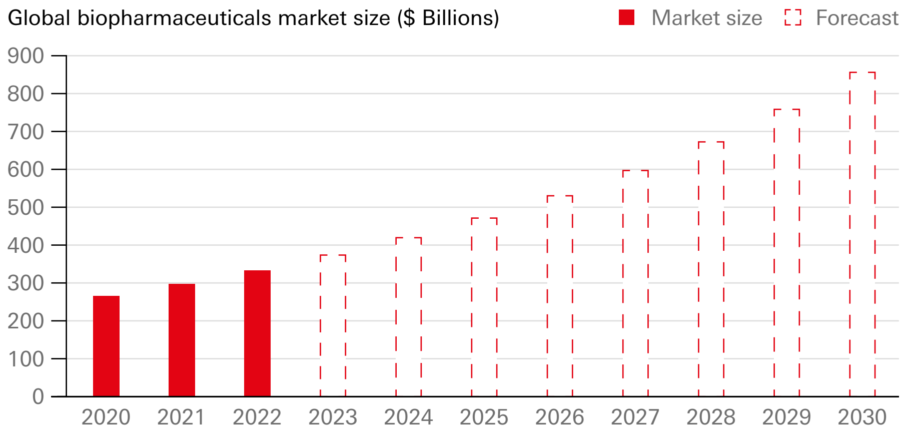
The Opportunity

- New product development, new uses for old drugs, and emerging technologies are creating new markets.
- New product launches in obesity, oncology, immunology and endocrinology can potentially be multi billion dollar franchises. Rare disease products are also boosting overall profitability.
- Licensing and M&A activity is expected to pick up as companies restructure and look to bolster their product pipelines.
- The diagnostics market has structural growth opportunities in the new disruptive tech around genetic sequencing, biopsy and pro treatment therapeutic assessment.
- The under-penetrated $20 billion dental market has above average growth and margins.
- Healthcare stock selection remains critical as prospects will vary and stock performance may reflect that variability.

Why now?

- New technologies in the development and efficacy of pharmaceutical products will create tremendous opportunities for investors.
- Demographics will be key as the post-COVID retirement boom, especially for baby boomers will focus on cost effective treatment.
- Recent innovations in healthcare continue to expand opportunities in the market and also reduce costs.
- Slowing growth usually means defensive sectors provide solid returns. Healthcare should benefit from that, especially as technological innovations in the sector should boost overall revenue opportunities.
- Greater consumer awareness and new category product launches are expanding the demand for healthcare products and services, including dental and skin treatments, weight loss medicines, and routine diagnostics and testing.
- Medical procedures' waiting lists remain elevated due to COVID induced backlogs and lack of capacity.

The biopharma market size is expanding



Source: Precedence research, HSBC Global Private Banking as at 20 December 2023.

Evolving Society

Social Empowerment and Well-being

3

Overview

- The COVID-19 induced cost-of-living crisis, geopolitical tensions and the rising impact of climate change have caused a widening in disparities between and within nations. Food insecurity and access to basic fundamental rights have come into focus as investors look beyond the "E" in ESG and seek to contribute to a sustainable world.
- Growing awareness and initiatives such as the UN Sustainable Development Goals increase the pressure on businesses to address the social and environmental challenges alongside delivering on their financial metrics.

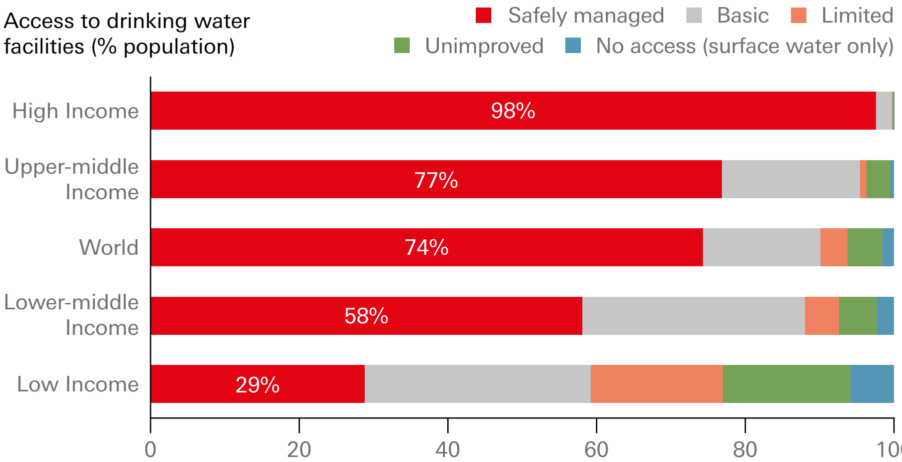
The Opportunity

- Amid structural forces such as demographic shifts, climate change and technological revolution, companies are increasingly adopting business strategies that offer innovative products and services which incorporate solutions to long-term challenges, while also delivering sustainable shareholder value.
- Thanks to innovative products and services, companies will be able to access underserved markets and generate new revenue streams and business growth and build greater economic inclusion. Investors will be able to participate in the growth of currently untapped markets and opportunities around clean water, financial inclusion and healthcare access.
- Governments and regulators are increasingly implementing policies for the public and private sector to encourage social inclusion and practices to address social issues, such as nutrition, clean water or access to education. We should position in areas which are supported by policy incentives, while also contributing to the transition towards a more sustainable world. Although investors should focus on financial and investment considerations primarily, ESG factors are also important. Please refer to our ESG disclosures.

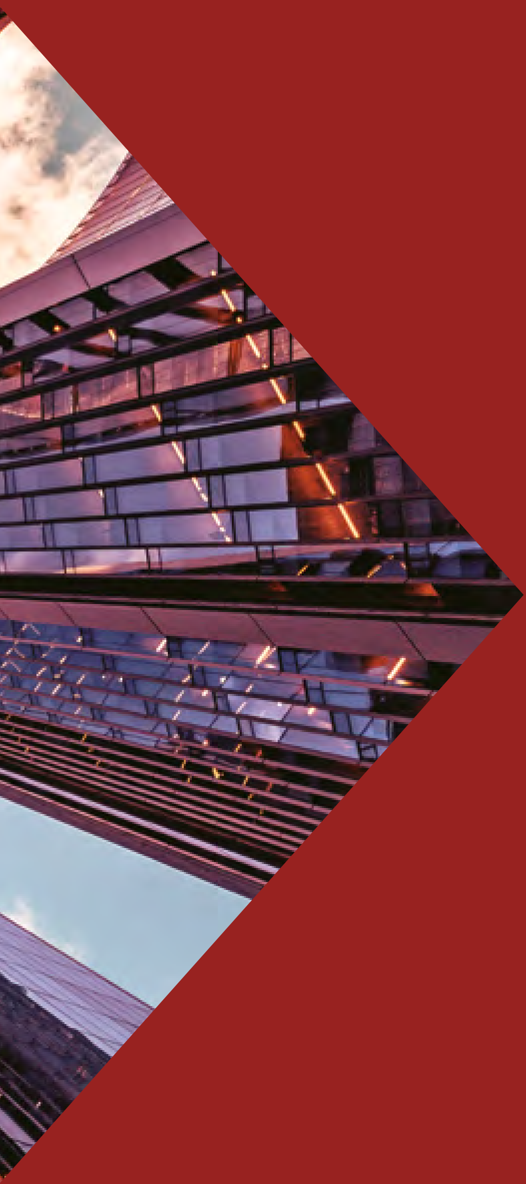
Why now?

- The backdrop of high rates and tighter credit conditions are constraining governments' fiscal positions, potentially leading to more severe measures in 2024 thereby affecting public investment spending on healthcare, education and clean energy.
- Amid the ripple effects of economic and geopolitical conditions, there is a greater need for private capital flows to address ongoing social topics.
- Businesses that address social (and environmental) challenges tend to have more forward-thinking strategies with stronger ties to customers, employees and suppliers. This should lead to greater business resilience in this complex world.

Moving towards an inclusive world starts by ensuring basic fundamental rights are met globally



Source: WHO/UNICEF Joint Monitoring Program for Water Supply and Sanitation, HSBC Global Private Banking as at 20 December 2023.



Investing Ahead of the First Fed Rate Cut

Fed rate cuts should help stock and bond markets and we want to anticipate this. We look for quality assets, with resilient earnings and high credit ratings.

Our four high conviction themes

1. American Resilience
2. North American Re-Industrialisation
3. Defensive Positioning across DM Financial Bonds
4. Opportunities in Quality Credit

Our fifth trend contrasts with the other four because it targets more cyclical and shorter-term opportunities. So what does that shorter-term investment environment look like? As suggested by our trend title, we think that the rate outlook will remain the number one driver of markets. But while in 2023, the impact was mostly negative as the Fed kept hiking for longer than thought, we think the impact should be positive in 2024. The rate plateau that we've now reached should already be a positive for asset prices, but the anticipation of rate cuts should be even more constructive. Of course, this is balanced by slowing growth, so we need to look for stocks or bonds from companies that can deliver on earnings expectations and generate enough cash flows to pay their coupons.

Geographically speaking, this means that we have a focus on US stocks, as we see the most resilience there. Consumption easily accounts for 70% of US GDP, so a strong consumer is key (Source: CEIC, 2023). During the pandemic, households consumed a lot of consumer goods, but ever since the economy reopened, consumer services have been the main driver of GDP growth. Amid strong labour markets, wage growth of around 4% and falling inflation, consumer spending power is quite healthy. This translates, for example, into US consumer travel intentions: 24% of households intend to travel abroad in the next 6 months, a record high (Source: Conference Board, 2023). Bears will argue that high rates will hurt spending power, but this mainly affects housing markets, and those households with the most leverage. Many other households have managed to save, and they are now earning more on their cash. As the graph on the next page shows, there are many such households with solid cash balances (in part because of the pandemic support), equating to 2.2 times the size of the Fed's balance sheet! When rates will start to fall and holding cash becomes less attractive, households could either decide to spend some of the cash (helping consumption) or put it to work in the markets (helping drive up stocks and bonds).

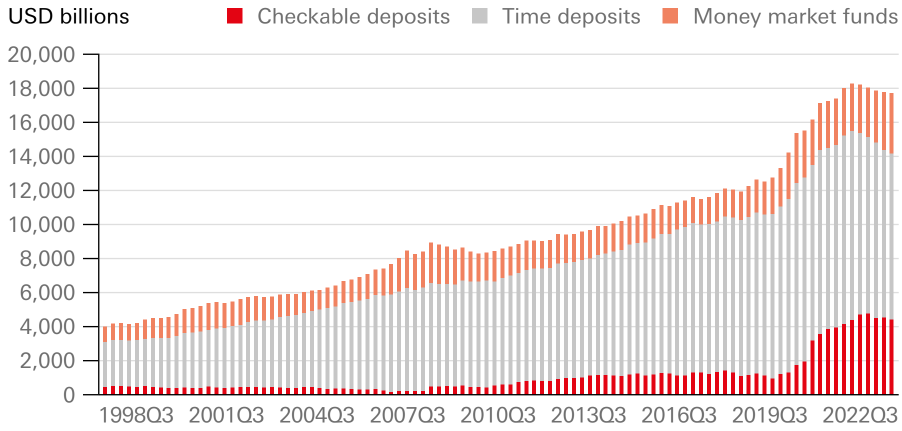
The other big uplift in economic activity in 2023 has come from 'investment in non-residential structures' which is lingo for the build-out of manufacturing capacity. As our graph shows, the acceleration has been considerable, but this should not surprise. The Biden Administration's policy (sometimes called 'Bidenomics') includes quite aggressive industrial policy support through the Inflation Reduction Act and the CHIPS & Science Act. These encourage the

re-onshoring of manufacturing activities in areas deemed of critical or strategic importance, such as chips production. Breaks in the supply chain experienced during the pandemic, together with geopolitical upheaval, made re-onshoring and nearshoring a real priority for many CEOs. But the wave continues, as 52% of manufacturers are still reporting significant supply chain disruptions and 39% partial disruptions, according to the National Association of Manufacturers. The result of all that activity is that the US now trades more with Mexico than with China (a big turnaround since the pre-pandemic levels, when there was a 33% gap between the two).

Apart from the opportunities in US consumption and manufacturing, we also see opportunities in the bond market, which, of course, stem from our Fed view. During 2022 and 2023, central banks brought rates from near zero to a level that is close to the most restrictive level in 20 years, both on an absolute basis and a real rate basis (net of inflation). Inflation has already come down sharply, and we think that the slowing economy and the level of real rates should give central banks confidence that it will fall further. As a result, it is clear to us that they are now on hold, and we believe the Fed and ECB will cut rates first, with the Bank of England following later (as of 20 December 2023).

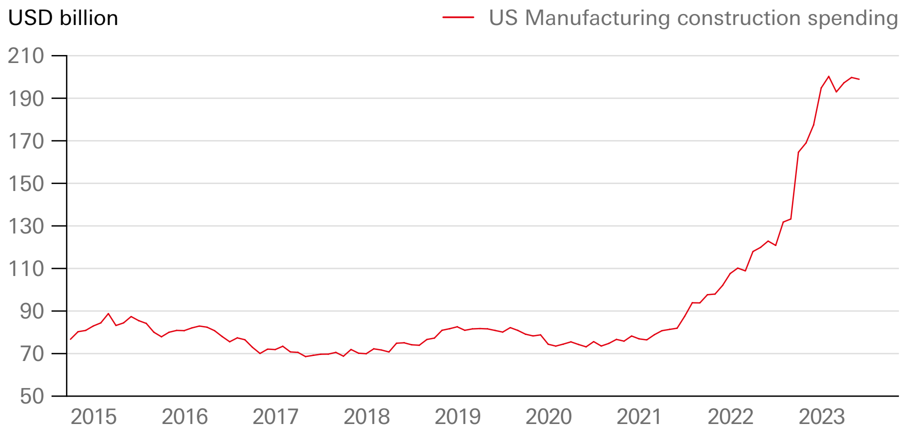
However, while central banks pushed up yields on sovereign bonds, credit spreads have not widened substantially, and yields on most areas of the bond market have moved in parallel. So far, this is supported by the fact that defaults have remained low. But an environment where rates still remain high, growth slows and the USD is strong should lead to some defaults and some spread widening (or at least spread volatility) for low-rated credit and emerging markets. As a result, we stick to quality credit when investing in developed and emerging markets. We also see opportunities in the senior part of financials bonds due to attractive valuations compared to non-financials, and solid revenue generation in the sector.

US households use their high cash balances to boost consumption or to invest in the markets



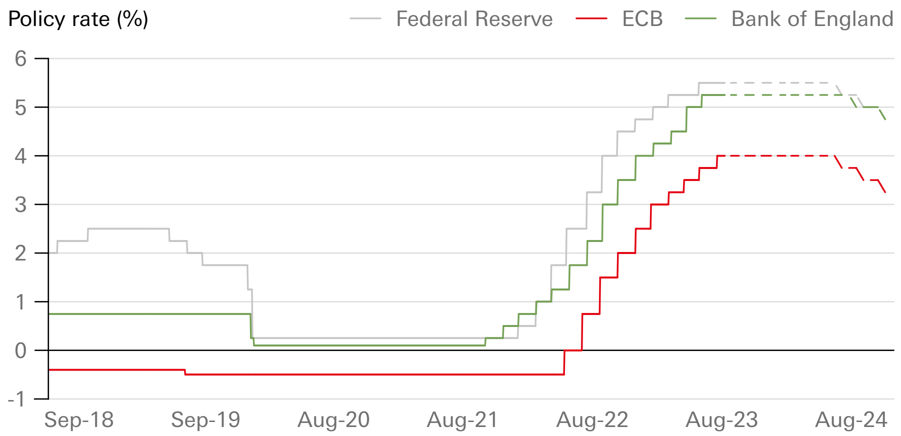
Source: Federal Reserve, HSBC Global Private Banking as at 20 December 2023.

US businesses have invested heavily to allow them to re-onshore manufacturing activities



Source: US Census Bureau, HSBC Global Private Banking as at 20 December 2023.

Policy rates seem to have peaked and we expect cuts later in 2024



Source: Bloomberg, HSBC Global Private Banking as at 20 December 2023. Forecasts are subject to change.

Investing Ahead of the First Fed Rate Cut

American Resilience

1

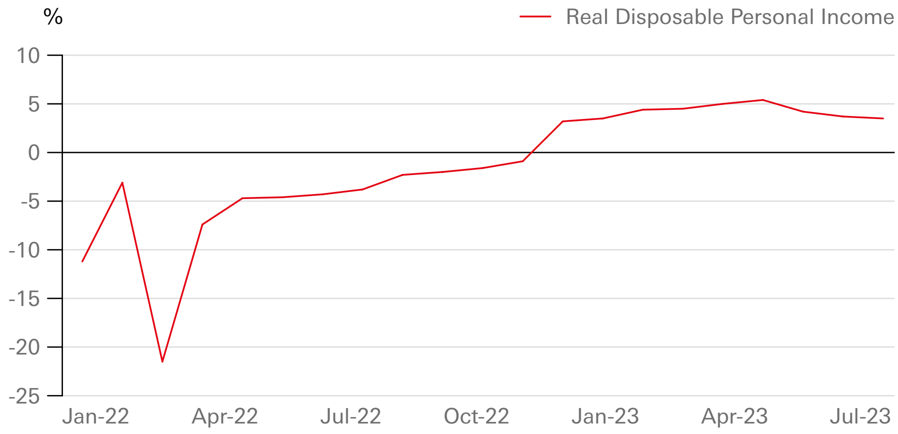
Overview

- The US economy is expected to slow cyclically. Secular themes like supply chain onshoring, re-industrialisation of US manufacturing, and emerging technologies will lift growth.
- The labour market is strong with unemployment near 60-year lows.
- Rising real incomes are lifting consumer purchasing power.
- Companies are investing to enhance productivity and return on capital. Corporate profits are forecast to rise 12% in 2024 (Source: FactSet, November 2023).
- After the Fed pauses, US equities historically outperform global markets.

The Opportunity

- We remain constructive on US equities, with a slightly cyclical sector allocation. The pause in Fed tightening cycle should benefit Consumer Discretionary, Industrials, Technology, Healthcare, and Financials.

Real disposable personal income is positive



Source: Bloomberg, HSBC Global Private Banking as at 20 December 2023.

- We believe that US stocks remain fairly valued, especially outside of the mega-caps. Looking ahead to 2024, the outlook for lower rates and companies' earnings expansion should drive equity returns.
- Consumer spending is slowing but should remain healthy, with a focus on services and discounted goods.
- The supply chain onshoring and re-industrialisation themes are lifting domestic growth.
- Companies have invested in hardware, software, AI, and numerous technologies that will lift the productivity and return on capital.
- The prospect of a lower cost of capital next year should help drive earnings upgrades and better equity returns. We believe this is not yet fully priced into the markets.

Why now?

- Historically after a Fed pause, US equities tend to outperform the next year, with the S&P 500 rallying an average of 19% in the next 12 months. Most of this rally tends to happen well before the first rate cut.
- After three consecutive quarters of declines, US corporate earnings rose in the third quarter in 2023 and are forecast to rise in 2024 as well.
- Earnings expectations for 2024 are well above average, rising between 10 – 12% from 2023. As the market fully prices in lower market rates in 2024, it should be accretive to earnings. We expect earnings upgrades, especially in interest sensitive sectors.
- Secular trends like nearshoring, emerging technologies, and the re-industrialisation of US manufacturing, should provide a tailwind for the US economy, corporate earnings, and equity markets.

Investing Ahead of
the First Fed Rate Cut

North American Re-Industrialisation

2

Overview

- US economic growth is slowing. But Re-industrialisation will create jobs and wealth and should help avert a recession.
- The US economy is trying to secure the supply of intermediate and finished goods. In certain industries, local production is essential to maintain resilient supply chains.
- The Federal, state, and local governments all are pushing to lift employment. At the same time, the use of revolutionary technologies has reduced the cost of manufacturing dramatically, making the US a viable competitor in global manufacturing.

The Opportunity

- The federal government is providing funds, and other tools, to incentivise investment in building new manufacturing plants.
- The government is pursuing new manufacturing facilities and the accompanying jobs, to boost local employment and wealth creation.
- After declining for years, manufacturing employment has risen almost 14% in the last three years (Source: U.S. Bureau of Labor Statistics, 2023).
- Industrial companies are thriving, as new plants have to be designed and built, and the surrounding infrastructure must be updated to support the larger levels of employment.
- In addition to the new plants, local logistics must be updated to reflect the increased flow of activity. Over the last six months, construction spending on new manufacturing facilities has risen at 73% y-o-y (Source: Bureau of Labor Statistics, November 2023).
- Nearshoring has been spurred on by the need to create jobs in the US. Both major US political parties have championed this idea in recent years. US companies are looking to establish supply chain management relationships in countries that are friendly, nearby, and provide low labour costs.

Spending on manufacturing remains strong

Source: Bloomberg, HSBC Global Private Banking as at 20 December 2023.

Why now?

- The US Presidential election takes place in 2024, and job creation will be a major political issue. New spending or preferential tax abatements will remain key. After COVID, many countries have relocated manufacturing production to secure basic, intermediate and finished goods.
- Next generation technologies, led by robotics, automation, artificial intelligence, and 3D printing, to name a few are increasing productivity in manufacturing and lowering costs.
- As the Fed begins to lower interest rates soon, the start-up cost of new manufacturing plants should continue to drop.
- Global geopolitical instability has caused many companies to relocate and diversify production to countries that offer better proximity to end users with more political stability.

Investing Ahead of the First Fed Rate Cut

3 Defensive Positioning Across DM Financial Bonds

Overview

- The Developed Market Financial sector has been through a period of transformation since the global financial crisis, with a strong focus on capital adequacy. It is an industry wide endeavour, which remains in place even over a decade later.

- Banks have strengthened their balance sheets significantly in response to the stringent regulatory requirements under the Basel III accord, as evidenced by the stronger capital and liquidity ratios. Meanwhile, asset quality remains resilient, owing to a host of targeted fiscal measures during the COVID-19 pandemic, and more recently, in response to the European cost of living squeeze. Insurers have also built large equity cushions in recent years.

The Opportunity

- Despite risks to the economic outlook from higher inflation and rates, DM banks continue to post strong quarterly earnings, benefitting from a combination of modest loan loss charges and higher net interest income. Looking ahead, non-performing loan ratios should rise due to tighter financial conditions – although delinquencies are rising from levels far below historical averages.

- The failure of a few US regional banks and the takeover of a Swiss bank earlier saw a rise in sector funding costs and credit spreads, despite their idiosyncratic nature. Greater caution on lending standards may hurt future profits, but banks are well capitalised. Central bank liquidity support in times of stress is also a positive.

- Banks' Common Equity Tier 1 capital ratios remain robust, especially in Europe, where the average was 15.8% at Q2 2023. The more stringent Solvency II regulations have been a positive for bond holders, as insurers have built significant equity buffers and exhibited capital prudence. Indeed, the average Solvency II Capital Ratio among European insurers stood at 211% at FY22; over double the 100% regulatory minimum (Source: Bloomberg, November 2023).

Why now?

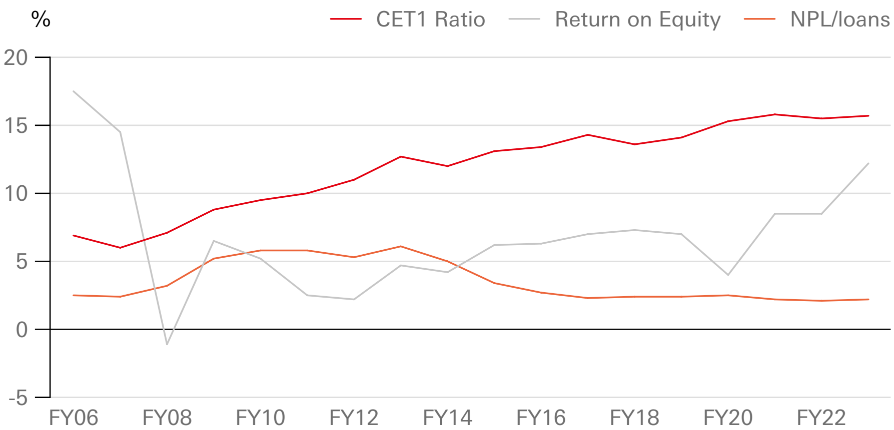
- DM Banks are well positioned to navigate a period of slower economic growth, owing to a strong starting point on capital; and non-performing loans, which remain below the historic norms.

- For banks, we focus on senior unsecured debt across USD, EUR and GBP, including bail-inable senior formats. Senior bonds issued by European and US banks provide interesting yields for institutions with quality fundamentals and large scale, while valuations are relatively attractive. We look for capital buffers comfortably above the minimum regulatory requirements, in order to manage the risks of a sharper slowdown. In that scenario, we are likely to see a rise in loan loss provisions, a contraction in loan growth and weak investment banking income.

- At an index level, USD senior bank bonds yield around 5.8% (spread 120bp), while EUR senior bank yields are c.4.0% (spread 142bp), as of 8 December 2023*.

Note: *Index data from ICE BofA.

European banks – Fundamental snapshot



NPL = Non-Performing Loans >90 days passed without the scheduled payments being made.
Source: Company Reports, HSBC Global Private Banking as at 20 December 2023.

Investing Ahead of
the First Fed Rate Cut

Opportunities in Quality Credit

4

Overview

- Our preference for high quality corporate bonds is underpinned by the attractive yields in an environment of declining inflation and slowing economic growth. We believe the peak in policy rates is behind us, but risks remain elevated as the tightening delivered till date has stated to filter through to the real economy. A focus on quality credits in the 5-7-year part of the yield curve thus feels appropriate, across both Global and EM Investment Grade (IG) markets.

- Fundamentals including balance sheets remain robust across most EM companies and quality EM bonds present a strong carry opportunity, while giving diversification opportunity across ratings, sectors and nations.

The Opportunity

- Major central banks have exhausted their rate hike potential in our view, yet policy rates could remain high for longer to ensure inflation returns to their target. Global IG bonds with a duration exposure of 5-7-years should benefit from slowing global growth, with Europe already flirting with a recession.

- With stable credit spreads, the risk-reward remains in favour of high-quality bonds, even though the risk-free US Treasury component now represents almost 80% of the overall US IG nominal yields. Investing in medium duration bonds allows us to lock-in attractive carry for a longer period and benefit from price appreciation, when interest rates start declining.

- Our largest overweight remains on DM IG companies, while we selectively invest in EM companies with strong balance sheets and low refinancing risks. We have a preference for selective EM LatAm and Asian corporates and on a sectoral basis, we prefer Energy, Technology and Financials globally.

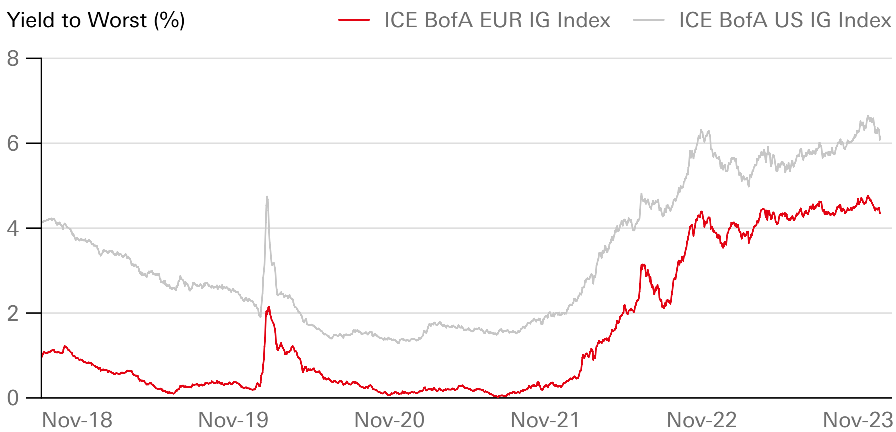
Why now?

- With policy rates now firmly in restrictive territory, DM IG bonds offer attractive yields across the curve. Based on the ICE BofA indices, US IG bonds currently offer a yield of 5.5%, while European IG bonds have a yield of 3.9% on average. US HY credit spreads appear rich versus US IG historically, particularly in the context of slowing growth.

- EM corporate bonds carry an IG rating of BBB on average and offer a yield of 7.4% as of mid-December 2023, with a relatively short duration of 4.2 years (as per JPM CEMBI Broad index).

- US Treasuries (UST) are already pricing in a generous risk premium for the uncertainty around the inflation, fiscal deficit and elevated UST supply outlook. We believe current market levels represent a compelling entry point and look for opportunities to invest in quality IG credits to provide a source of additional carry above the benchmark.

DM IG bond yields are attractive in the context of peaking policy rates and slowing growth



Source: ICE BofA, HSBC Global Private Banking as at 20 December 2023. Past performance is not a reliable indicator of future performance.

Disclaimers

Risk Disclosures

Risks of investment in fixed income

There are several key issues that one should consider before making an investment into fixed income. The risk specific to this type of investment may include, but are not limited to:

Credit risk

Investor is subject to the credit risk of the issuer. Investor is also subject to the credit risk of the government and/or the appointed trustee for debts that are guaranteed by the government.

Risks associated with high yield fixed income instruments

High yield fixed income instruments are typically rated below investment grade or are unrated and as such are often subject to a higher risk of issuer default. The net asset value of a high-yield bond fund may decline or be negatively affected if there is a default of any of the high yield bonds that it invests in or if interest rates change. The special features and risks of high-yield bond funds may also include the following:

• Capital growth risk – some high-yield bond funds may have fees and/or dividends paid out of capital. As a result, the capital that the fund has available for investment in the future and capital growth may be reduced; and

• Dividend distributions – some high-yield bond funds may not distribute dividends, but instead reinvest the dividends into the fund or alternatively, the investment manager may have discretion on whether or not to make any distribution out of income and/or capital of the fund. Also, a high distribution yield does not imply a positive or high return on the total investment.

• Vulnerability to economic cycles – during economic downturns such instruments may typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

Risks associated with subordinated debentures, perpetual debentures, and contingent convertible or bail-in debentures

• Subordinated debentures – subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in the event of the issuer's liquidation.

• Perpetual debentures – perpetual debentures often are callable, do not have maturity dates and are subordinated. Investors may incur reinvestment and subordination risks. Investors may lose all their invested principal in certain circumstances. Interest payments may be variable, deferred or cancelled. Investors may face uncertainties over when and how much they can receive such payments.

• Contingent convertible or bail-in debentures – Contingent convertible and bail-in debentures are hybrid debt-equity instruments that may be written off or converted to common stock on the occurrence of a trigger event. Contingent convertible debentures refer to debentures that contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event. These debentures generally absorb losses while the issuer remains a going concern (i.e. in advance of the point of non-viability). "Bail-in" generally refers to (a) contractual mechanisms (i.e. cotractual bail-in) under which debentures contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event, or (b) statutory mechanisms (i.e. statutory bail-in) whereby a national resolution authority writes down or converts debentures under specified conditions to common stock. Bail-in debentures generally absorb losses at the point of non viability. These features can introduce notable risks to investors who may lose all their invested principal.

Contingent convertible securities (CoCos) or bail-in debentures are highly complex, high risk hybrid capital instruments with unusual loss-absorbency features written into their contractual terms.

Investors should note that their capital is at risk and they may lose some or all of their capital.

Changes in legislation and/or regulation

Changes in legislation and/or regulation could affect the performance, prices and mark-to-market valuation on the investment.

Nationalisation risk

The uncertainty as to the coupons and principal will be paid on schedule and/or that the risk on the ranking of the bond seniority would be compromised following nationalisation.

Reinvestment risk

A decline in interest rate would affect investors as coupons received and any return of principal may be reinvested at a lower rate. Changes in interest rate, volatility, credit spread, rating agencies actions, liquidity and market conditions may have a negative effect on the prices, mark-to-market valuations and your overall investment.

Risk disclosure on Dim Sum Bonds

Although sovereign bonds may be guaranteed by the China Central Government, investors should note that unless otherwise specified, other renminbi bonds will not be guaranteed by the China Central Government. Renminbi bonds are settled in renminbi, changes in exchange rates may have an adverse effect on the value of that investment. You may not get back the same amount of Hong Kong Dollars upon maturity of the bond. There may not be active secondary market available even if a renminbi bond is listed. Therefore, you need to face a certain degree of liquidity risk. Renminbi is subject to foreign exchange control. Renminbi is not freely convertible in Hong Kong. Should the China Central Government tighten the control, the liquidity of renminbi or even renminbi bonds in Hong Kong will be affected and you may be exposed to higher liquidity risks. Investors should be prepared that you may need to hold a renminbi bond until maturity.

Alternative Investments

Hedge Fund – Please note Hedge Funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. They can also be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and may involve complex tax structures and delays in distributing important information. Alternative investments are often not subject to the same regulatory requirements as, say, mutual funds, and often charge high fees that may potentially offset trading profits when they occur.

Private Equity – Please note Private Equity is generally illiquid, involving long term investments that do not display the liquid or transparency characteristics often found in other investments (e.g. Listed securities). It can take time for money to be invested (cash drag) and for investments to produce returns after initial losses.

Risk disclosure on Emerging Markets

Investment in emerging markets may involve certain, additional risks which may not be typically associated with investing in more established economies and/or securities markets. Such risks include (a) the risk of nationalisation or expropriation of assets; (b) economic and political uncertainty; (c) less liquidity in so far of securities markets; (d) fluctuations in currency exchange rate; (c) higher rates of inflation; (f) less oversight by a regulator of local securities market; (g) longer settlement periods in so far as securities transactions and (h) less stringent laws in so far the duties of company officers and protection of Investors.

Risk disclosure on FX Margin

The price fluctuation of FX could be substantial under certain market conditions and/or occurrence of certain events, news or developments and this could pose significant risk to the Customer. Leveraged FX trading carry a high degree of risk and the Customer may suffer losses exceeding their initial margin funds. Market conditions may make it impossible to square/close-out FX contracts/options. Customers could face substantial margin calls and therefore liquidity problems if the relevant price of the currency goes against them.

The leverage of a product can work against you and losses can exceed those of a direct investment. If the market value of a portfolio falls by a certain amount, this could result in a situation where the value of collateral no longer covers all outstanding loan amounts. This means that investors might have to respond promptly to margin calls. If a portfolio's return is lower than its financing cost then leverage would reduce a portfolio's overall performance and even generate a negative return.

Currency risk – where product relates to other currencies

When an investment is denominated in a currency other than your local or reporting currency, changes in exchange rates may have a negative effect on your investment.

Chinese Yuan ("CNY") risks

There is a liquidity risk associated with CNY products, especially if such investments do not have an active secondary market and their prices have large bid/offer spreads.

CNY is currently not freely convertible and conversion of CNY through banks in Hong Kong and Singapore is subject to certain restrictions. CNY products are denominated and settled in CNY deliverable in Hong Kong and Singapore, which represents a market which is different from that of CNY deliverable in Mainland China.

There is a possibility of not receiving the full amount in CNY upon settlement, if the Bank is not able to obtain sufficient amount of CNY in a timely manner due to the exchange controls and restrictions applicable to the currency.

Illiquid markets/products

In the case of investments for which there is no recognised market, it may be difficult for investors to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed.

Environmental, Social and Governance ("ESG") Customer Disclosure

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.

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When we classify an investment product or service against our ESG and Sustainable Investing (SI) categories described in this document: ESG Enhanced, Thematic or Impact, this does not mean that all individual underlying holdings in the investment product or portfolio will meet the relevant SI criteria. As such, an SI classification does not mean that all underlying holdings in a fund or discretionary portfolio meet the relevant sustainable investment criteria. Similarly, where an equity or fixed income investment is classified under an ESG Enhanced, Thematic or Impact category this does not mean that the underlying issuer's activities are fully sustainable. Not all investments, portfolios or services are classifiable under our SI categories. This may be because there is insufficient information available or because a particular investment product does not meet HSBC's SI classifications criteria.

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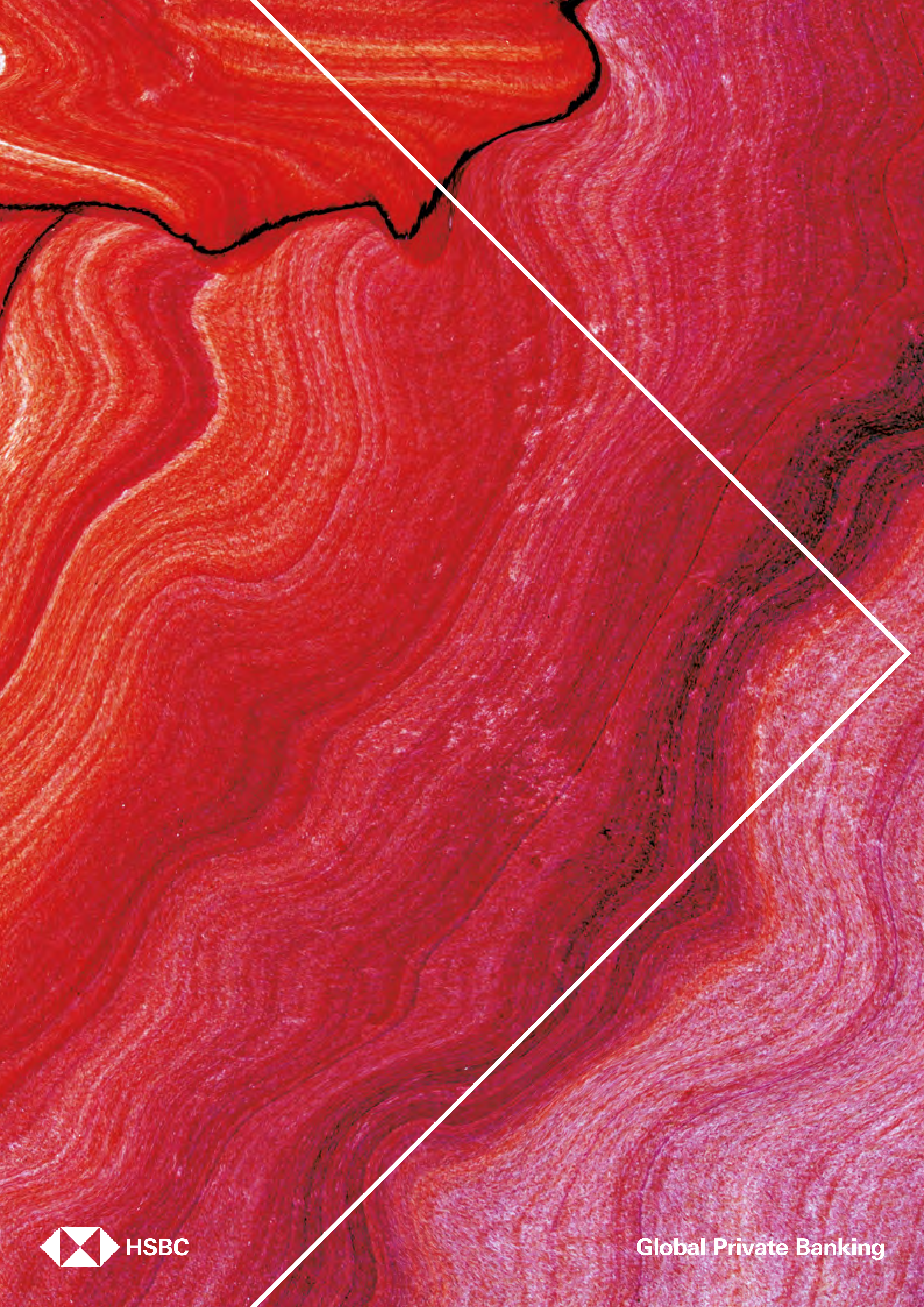

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