

Where Capital Meets the Future

2026 Mid-Year Investment Outlook



HSBC Private Bank

Contents

03

Client Letter

04

Portfolio Strategy

06

Equities

08

Fixed Income

10

Currencies and Commodities

12

Hedge Funds

14

Private Markets

16

Real Estate

18

Top Five Trends and High Conviction Themes

18 Tap into Asia's Innovation and Income

20 Disruptive Technologies

22 Climate Action

24 Evolving Society

26 Seeking Diverse Returns amid Volatile Data

28

Contributors

29

Disclaimers



Welcome

Dear client

We've chosen an optimistic title for our mid-year investment outlook because, despite all the uncertainty, the world is full of opportunity.

The devastating conflict in the Middle East remains unresolved, with uncertain consequences for the global economy. As it drags on, the lagged effects will increasingly start to show up in the economic data. So, investors should fully expect to see some concerning inflation prints, disruption to supply chains and activity, thereby creating some market volatility.

But that volatility should remain manageable, because the global economy is more resilient than many people fear. Governments and businesses had already started to build more resilient systems following the COVID shock and the Russia-Ukraine war, diversifying their materials' inputs and energy requirements. This is now serving them well. And following the US trade tariff shock, they diversified their trade relationships, with many new bilateral trade agreements, strong intra-Asian trade and rapidly growing global services trade.

The biggest upside to global economic and earnings growth, however, will come from strategic investments, driven by three engines:

AI, energy and defence. In all three areas, global economic competition and national security are powerful drivers that provide the necessary focus and urgency, the funding and the government support. And in all three areas, the investment needed is enormous. Capital market activity should thus be buoyant, but public markets won't be able to fund all of it, so there is a very active role for the private markets too. The new activity will create new jobs, which should more than offset the jobs lost through automation, especially in the short term. And most importantly for investors, there is evidence that the innovation is already leading to productivity gains, which boosts corporate margins, leading to solid earnings growth.

It is that structural support for earnings growth that makes us optimistic, despite all the short-term uncertainty. We don't think investors are well served by trying to react to every single headline but should instead

build portfolios that are resilient enough to withstand the period of uncertainty, while positioning for the structural upside we foresee.

Our four priorities for investors are therefore as follows:

Firstly, we invest in the AI-led future, which offers plenty of global opportunities across the AI ecosystem. Secondly, we think investors should try to benefit from governments' focus on security and energy independence as they invest in their strategic economic resilience. Thirdly, we build portfolio resilience with multi-asset strategies, with bonds, gold, alternatives and currency diversification. And finally, we continue to tap into Asia's innovation and income opportunities, maintaining our barbell strategy, which has served us well.



Willem Sels,
Global Chief Investment Officer

21 May 2026

Portfolio Strategy

Our strategy aims to manage short-term risks while tapping into structural opportunities coming from the huge capital investment and innovation that are taking place. We do this by building resilient multi-asset portfolios, complemented by thematic investments around AI, security and defence, and energy independence. The shocks from the Middle East conflict and from the wave of innovation create an uneven economy with winners and losers, so it is wise to differentiate between issuers, sectors and regions, or use hedge funds to take relative bets.

The backdrop

To determine our investment strategy, we should first attempt to set out the key characteristics of the global economy and the risk environment around us. Here is a very concise summary:

In the short-term, the Middle East conflict continues to put pressure on energy prices, indirectly raising costs of a broad set of goods and services, which in turn puts pressure on many lower income households. Beyond the higher costs, activity will also be hit if firms cannot get the goods they need – disadvantaging energy importers compared to exporters. It is that combined growth and inflation shock which will inform central banks' policies: although many may see CPI rise above their comfort level, we think few will raise rates, as they will hope that the effect is temporary and they do not want to hurt growth even more. Most notably, we think that the Fed's dual mandate (inflation and full employment) means that the Fed is likely to keep policy rates on hold throughout 2026.

However, these headwinds to growth are offset by sustained and powerful tailwinds, driven by the investment side of GDP. Public and private sector spending on AI, energy security and defence will be considerable, with the huge funding needs creating vibrant public and private market activity.

Beyond capital, the build-out also creates demand for materials and labour, and the innovation will create entire new business models. As in any cycle of innovation, there will of course be winners and losers, so companies as well as workers will need to adapt to stay relevant. In summary, this is likely to be a very uneven global economy, but with more than enough activity and opportunity to keep growth positive, and earnings at an attractive level. In this environment, we also think that the default cycle will remain manageable, creating idiosyncratic rather than systemic problems.

So, what does it mean for investors?

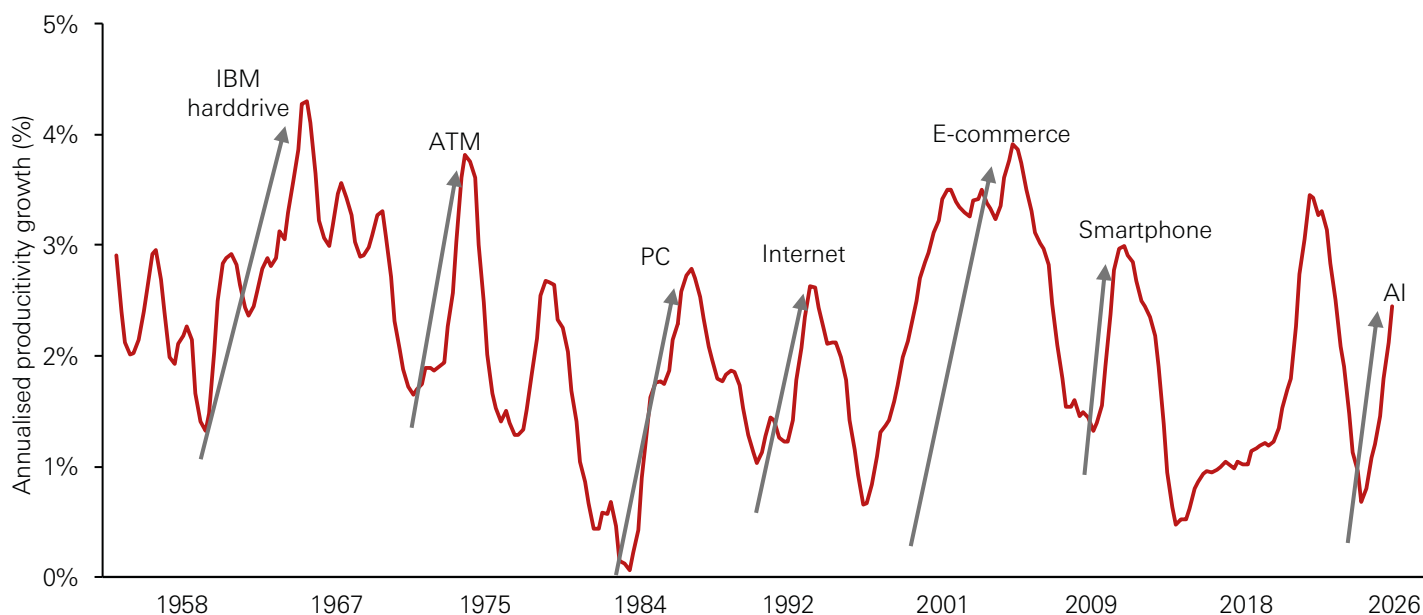
Firstly, investors need to create portfolios that can look through the short-term uncertainty towards the longer-term opportunity. They can do this by building resilient and diversified multi-asset portfolios to manage the short-term risks, complemented with thematic investments in attractive growth areas. To temper the impact of the energy shock, we are underweight on global consumer staples and the consumer discretionary sector, while maintaining an overweight on energy stocks. The energy factor also leads us to prefer the US (energy exporter) over Europe (high energy prices), and North Asia over South Asia (e.g. India).

In fact, it is not just the short-term risks that lead us to this geographical preference: a look at the longer-term opportunities lead us to the same conclusion. The US should benefit more from Tech and innovation-led growth than Europe, while China and South Korea are leading on the tech front in Asia.

The innovation and investment-led growth also explain our remaining sector and style preferences. Industrials, materials and utilities will benefit a lot from the build-out of new datacentres and electricity networks. Meanwhile, financials are supported by strong capital markets activity, our views that rates will remain little changed and that defaults will remain manageable. From an equity style perspective, innovation-led growth driven by technology should favour growth-style stocks over value stocks (especially as we view Fed rate hikes as unlikely).

Lastly, all of the above suggest that any USD weakness should be mild and gradual. The relative resilience of the US economy, investor interest in US tech stocks, and constant Fed fund rates should temper the downside pressure coming from the long-term de-dollarisation trend. So while currency diversification makes total sense as the US dollar's share in capital markets is so high, we don't think there should be a big flight away from USD.

Innovation-led productivity gains tend to boost earnings and margins across the S&P500, currently led by the technology sector



Source: Bloomberg, HSBC Global Investment Research, HSBC Private Bank as at 21 May 2026.

Our four priorities this quarter are as follows:

1. Firstly, we invest in the AI-led future. While some commentators wonder whether AI is overhyped, we think it is probably underhyped. Earnings in the AI space have seen big positive surprises and shown that monetisation is not a major concern. And following the exaggerated sell-off in software, tech price/earnings multiples are near the lowest premium compared to other sectors in several years. We see opportunities in semiconductors, datacentres and innovative AI adopters across sectors – both in the public and private markets.

2. Secondly, we think investors should position to benefit from governments' focus on security and energy independence. Many governments started industrial policies and national security strategies during the Russia-Ukraine war and as a result of US trade tariffs, and this has been given a major further impetus by the Middle East conflict. Diversifying energy supply from multiple providers and all energy sources is now a key priority. Electrification and rapidly rising demand require big investments in the grid. And investment in defence is accelerating to modernise national and regional capabilities.

3. Thirdly, we build portfolio resilience with multi-asset strategies. Volatility has become a feature of markets, as the world remains complex and change is a constant. Bonds and gold have not been perfect diversifiers during the recent conflict, as correlations move, but they remain important components in a resilient portfolio. Income from bonds is at attractive levels and a crucial contributor to a portfolio's overall return. They need to be complemented with alternatives, including hedge funds and private markets. We also highlight the benefits of infrastructure due to the stable income for investors, and the reliable inflation-linked cash flow for the infrastructure operator.

4. We tap into Asia's innovation and income. Asia's economic growth and earnings momentum is principally driven by a strong capex cycle linked to rapid innovation, together with a pickup in Chinese manufacturing activity and expanding margins. Our investment themes, including 'Asia's Data Centre Boom', and 'China's Tech and Manufacturing Leaders' directly tap into these opportunities, which also align with our geographical overweight positions in mainland China, Hong Kong, Singapore and South Korea. We balance this exposure with income, coming from continued shareholder-friendly actions in the equity market, and opportunities in Asian bonds to pick up yield and diversify our portfolios.

Equities

With the Middle East conflict still unresolved, we manage the risk of ongoing energy and rates volatility by differentiating across countries and sectors. At the same time, we want exposure to rapid innovation and strong capital flows into AI, energy security and defence. These objectives lead us to prefer the US and several Asian markets over Europe. They also imply a growth-style bias, but with a clear focus on earnings delivery, as two-way volatility argues against exposure to lower quality stocks.

US

We remain constructive on US equities as earnings growth, AI-related investment and improving market breadth continue to support the backdrop. Strong AI demand has enabled manufacturers to raise prices and many companies to monetise their investments. The energy sector has also benefited from higher oil prices linked to the Middle East conflict. Together, these dynamics have lifted consensus earnings growth expectations to around 27% for Q1 2026, from ~13% a few weeks ago.

AI expansion is boosting demand for semiconductors, data centres, power generation and industrial equipment. While IT remains the leading sector, the benefits are increasingly spreading beyond IT and the megacaps into industrials, utilities,

energy and materials. This broadening participation is healthy and supports a more durable rally.

Technology valuations also look more supportive. The software-led correction earlier this year has brought the technology premium versus the broader market close to multi-year lows. Combined with continued earnings momentum and elevated capital spending, we see scope for further upside over the medium term.

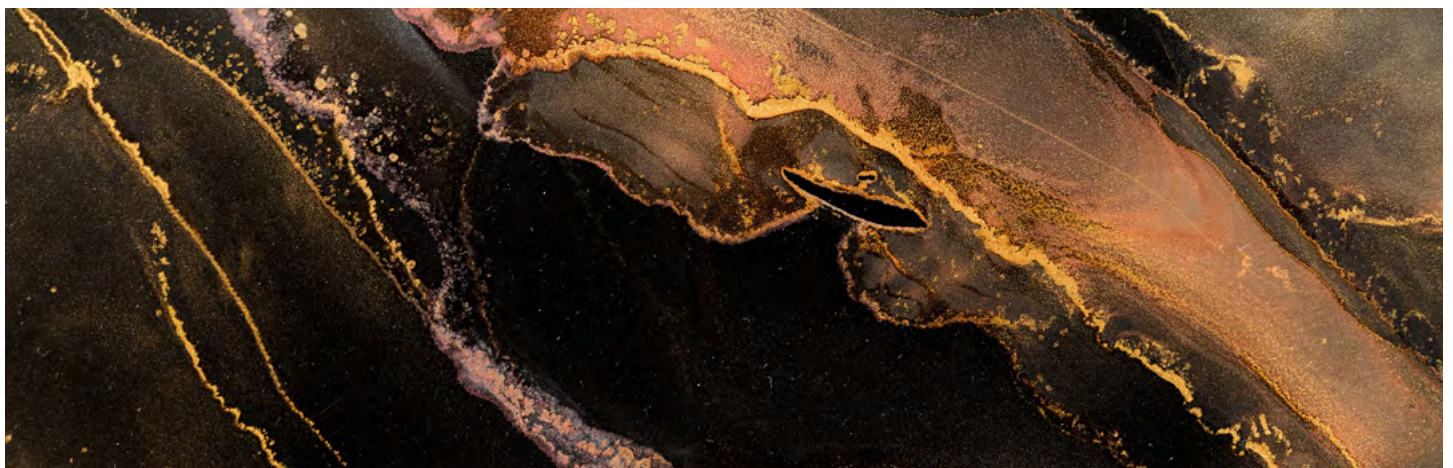
Europe

We remain more cautious on Europe. The region continues to face energy-related challenges as an energy importer, with electricity prices markedly higher than in the US or China. Europe is also underexposed to many of the dominant AI and technology trends driving global earnings growth: IT

Earnings growth, AI-related investment and improving market breadth continue to support the backdrop

is underrepresented in benchmark indices and, with a handful of exceptions, the region lacks large leaders across the AI ecosystem.

That said, European firms can still benefit as AI adopters that improve productivity. The region's industrial base and multinational exposure also create selective opportunities linked to infrastructure investment,



government spending on defence and innovation, and global demand. In addition, as investors seek currency and style diversification, some cheap and defensive European stocks can be attractive.

Overall, given greater near-term vulnerabilities and less direct exposure to tech upside than the US, we maintain a mild underweight. Relatively, we prefer the UK, where higher energy exposure supports a neutral view.

Asia

Asia continues to offer some of the strongest structural growth opportunities globally, particularly in North Asia. Mainland China and South Korea, along with Hong Kong and Singapore, remain central to the global AI and advanced manufacturing ecosystem through leadership in semiconductors, hardware production and strategic supply chain positioning. The region also benefits from supply chain realignment, as trade and investment within Asia intensify.

In China, the investment narrative is

shifting beyond internet platforms towards AI, robotics, advanced manufacturing and export-oriented industrial leaders. While expectations for broad stimulus remain limited, policy support for strategic industries and improving manufacturing competitiveness continue to underpin selective opportunities. There are also signs of improving pricing power supporting margins.

We maintain a mild underweight in India for now, as high energy prices remain a challenge and the market's semiconductor-linked upside appears more compelling elsewhere.

Asian equities complement US exposure well: valuations remain attractive, and the region offers meaningful diversification across markets. Our approach balances growth exposure with income opportunities, supported by shareholder-friendly actions.

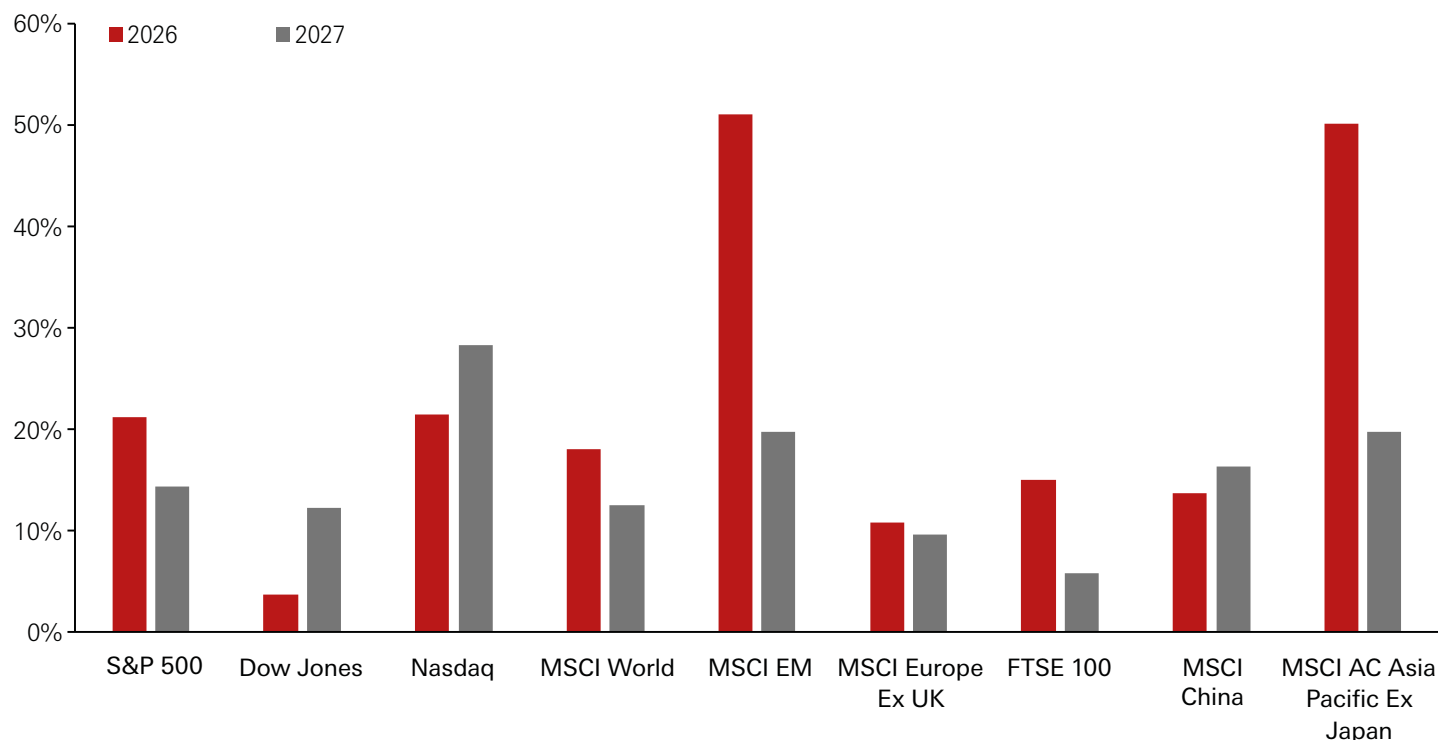
Summary

Despite potential energy and rates' volatility, we see scope for earnings expansion to support markets in the

second half of the year. AI remains the dominant structural earnings driver globally, and improving market breadth is a positive sign. We differentiate clearly, favouring regions and sectors linked to technology, infrastructure, industrial modernisation and energy security, while staying more selective where energy, inflation or growth headwinds are greater.

In China, the investment narrative is shifting beyond internet platforms towards AI, robotics, advanced manufacturing and export-oriented industrial leaders.

The US and EM lead in projected earnings growth this year and next

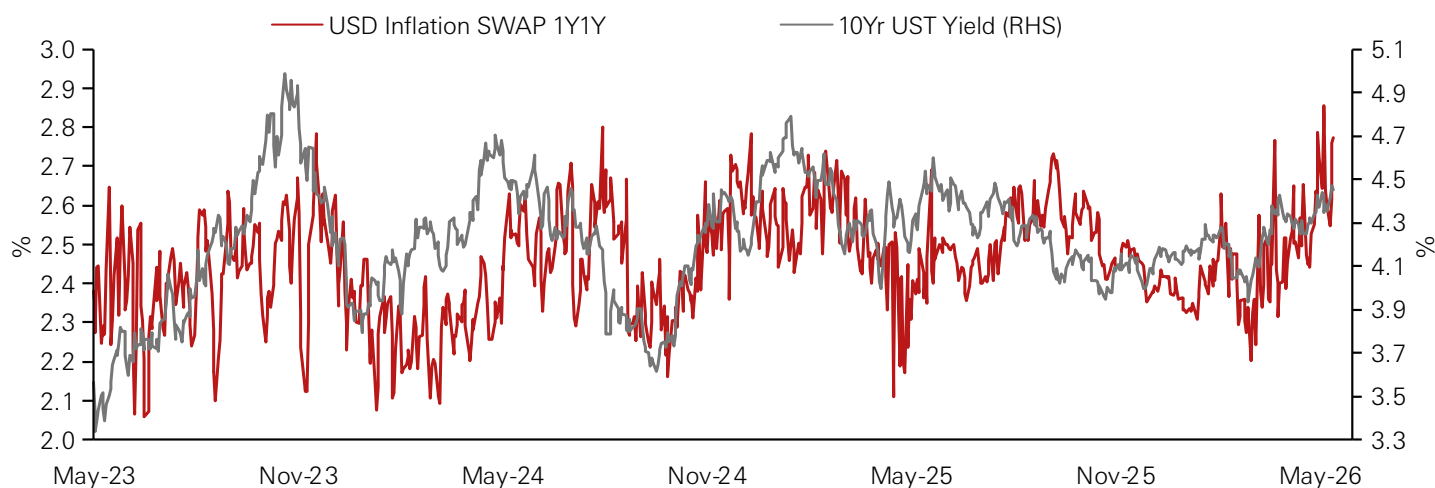


Source: Bloomberg, HSBC Private Bank as at 21 May 2026. Forecasts are subject to change.

Fixed Income

The Middle East conflict keeps government bond volatility elevated and has increased cross-asset correlations, reducing the diversification qualities of bonds. Even with a durable ceasefire, Developed Markets (DM) yields may take time to come down, so we do not foresee meaningful capital gains in the near-term. Instead, we focus on coupon income, which is key as overall yields are generally appealing. In credit, we maintain a preference for Investment Grade (IG) and select Emerging Markets (EM) debt to capture attractive carry. Corporate credit spreads have already tightened back to pre-conflict levels but near-term catalysts for meaningful widening appear limited. Overall, corporate bonds offer income at attractive levels thanks to multi-year high underlying rates.

Bond yields are currently closely linked to inflation, but any hit to growth could bring down yields later this year



Source: Bloomberg, HSBC Private Bank as at 21 May 2026. Past performance is not a reliable indicator of the future performance.

Due to the conflict, markets largely removed expectations for 2026 policy rate cuts across DM. We agree with markets that the Fed should remain on hold this year, and do not expect Kevin Warsh's nomination as Fed chair to affect this. As the UK and Europe are relatively more exposed to the energy price shock from the Middle East conflict, which is now weighing on their growth and increasing the inflation risk, we expect two 25bps rate hikes from the BoE and three from the ECB in 2026.

The Middle East conflict has raised inflation expectations, as well as risk premia as the outlook is more uncertain. Inflation is already appearing in global data, with a risk of

second-round effects via supply chains and input costs. Growth risks appear less fully priced though, which means that bond yields could fall back once inflation fears have peaked.

DM Credit Outlook

While Middle East tensions may ease, the wider outlook is still uncertain. With spreads near cyclical tight, second-order disruption risks aren't fully priced in. We stay invested in DM corporate credit, with a quality bias via IG. Our strategy continues to focus on carry and coupon income rather than capital gains, as we think we may wait till later in the year for bond yields to fall.

In the US, solid earnings and limited direct Middle East exposure should support resilience. We're not overly concerned about heavy supply from hyperscalers given their strong free cash flow, low net leverage, robust IG profiles and firm investor demand. Sector-wise, we prefer Technology, Utilities and Bank Tier 2. In Europe and the UK, there is greater reliance on imported energy and less fiscal capacity to shield corporates, which could increase spread dispersion. We see value in subordinated paper, especially corporate hybrids and Financials. Meanwhile, Asian credit has been resilient and has outperformed US IG on spreads, in spite of the region's reliance on energy

imports. Sovereign ownership and domestic fiscal support should cushion higher energy prices. We favour Technology, Industrials and Banks, mainly in China.

EM Outlook

The Middle East conflict and energy price spike have disrupted the pre-existing constructive EM backdrop, which saw a healthy growth-inflation mix and policy credibility. Beyond the higher oil prices, the conflict has also created a broader supply shock, disrupting energy flows, strategic

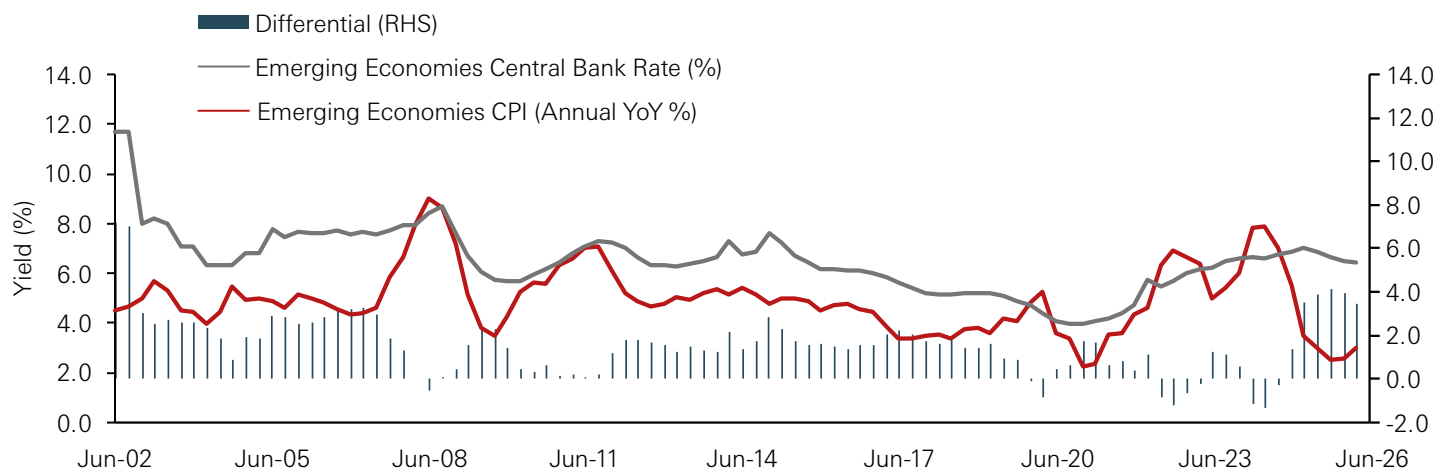
commodities and trade routes—raising risks to growth, inflation and macro volatility. Even with stronger external balances, higher energy import bills likely worsen EM fundamentals in the short term.

Our oil vulnerability screen (energy intensity, Gulf import dependence, inflation pass-through, fiscal buffers, real rates) shows higher sensitivity in much of Asia, while Latin America looks more insulated. This supports our EM local rates stance: we favour Mexico, Brazil and South Africa,

underpinning a modest overweight in EM local currency debt.

The US dollar has been supported by geopolitical risk, but investors are looking for currency diversification. EM still helps on this front as its correlation with risk assets has structurally fallen in recent years (even though it rose a bit during the conflict). EM inflation is near record lows, yet policy rates remain high, leaving real rates unusually elevated and attractive versus history.

EM policy rates remain elevated and real rates unusually high versus history



Source: Bloomberg, HSBC Private Bank as at 21 May 2026.



Currencies and Commodities

The US cyclical outlook remains relatively resilient compared to the rest of the world, so we see less downside for the US dollar than many other commentators suggest. Even so, we continue to advocate FX diversification. A multi-currency approach helps capture opportunities and limit downside risk. Our preferred alternative currency remains AUD. That said, we also assess a broader set of currencies to help diversification, such as NOK, SEK, CAD, CNY, KRW and MXN, depending on an investor's global exposures and objectives. We also see gold as an essential building block to build portfolio resilience, which underpins our constructive view on the yellow metal.

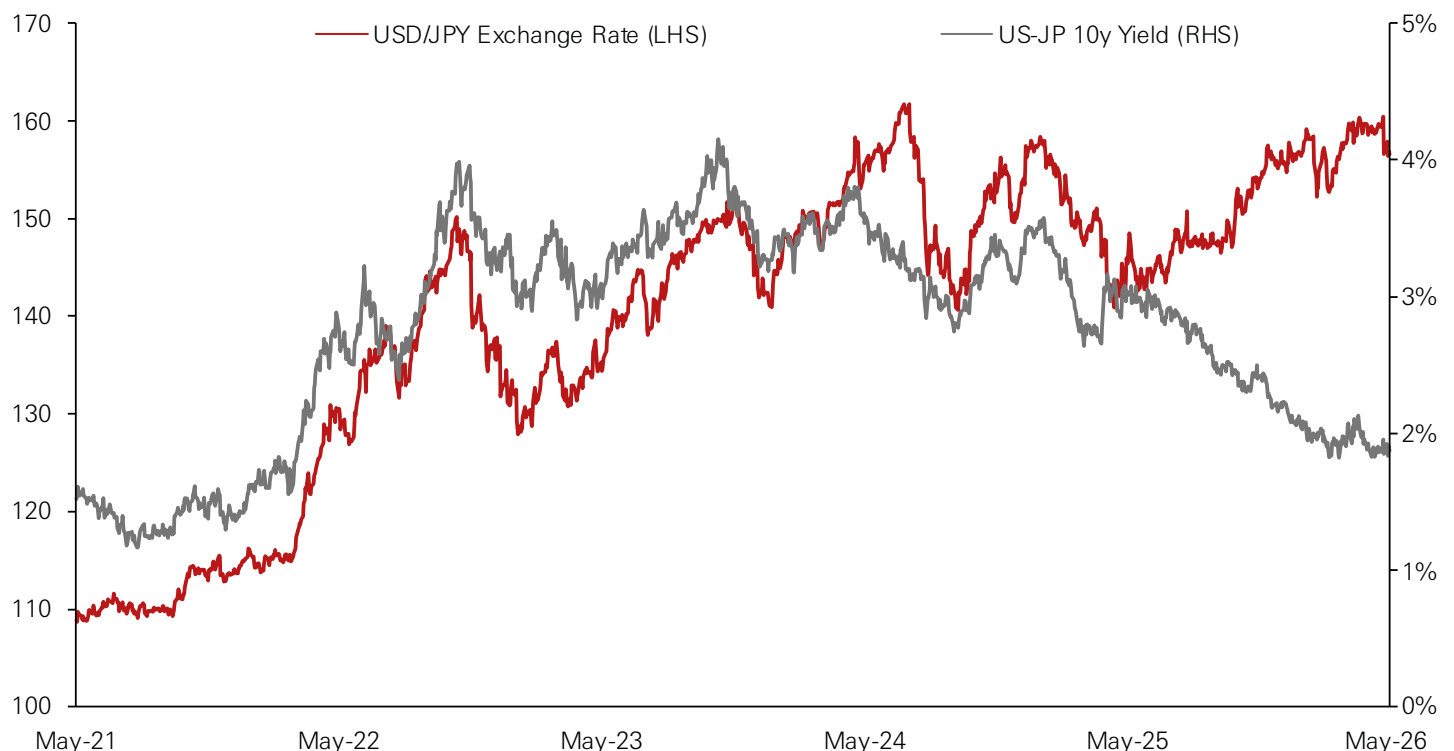
We see USD as slightly more resilient than before the Middle East conflict. Energy prices are less of an issue for the US as a major oil producer (though consumers are still hurt), particularly versus economies with energy-related trade deficits and limited exposure to IT-led growth. Markets no longer price in US rate cuts and concerns about the change in Fed leadership have eased.

While the backdrop for the dollar looks less negative, we still think investors would benefit from diversifying FX exposure to reduce unwanted volatility and mitigate lingering downside risks.

In G10, our preferred currency is AUD, given its relatively low exposure to energy disruption, strong fundamentals, and a comparatively high yield differential versus peers.

NOK and CAD could also outperform, as both Norway and Canada should benefit from higher oil prices, though domestic growth and labour risks in Canada remain a drag. In the Nordics, SEK is also worth considering as Sweden's inflation looks benign amid strong growth, and the neutral policy rate leaves room to tighten if inflation overshoots.

USD/JPY's backdrop is more complex than just carry-related. Energy prices and concerns around the domestic and fiscal outlook have been key



Source: Bloomberg, HSBC Private Bank as at 21 May 2026. Past performance is not a reliable indicator of future performance.

Although the Eurozone is highly exposed to elevated energy prices, relatively low yields and available fiscal space could help support growth, which is being hindered by transitory inflation pressures. For diversification, EUR-denominated stock and bond markets are deep, offering choice. As the ECB is likely to hike rates three times this year to counter inflation, interest in EUR deposits may also grow.

We are more cautious on GBP-denominated assets, as the UK faces greater cyclical headwinds, from a large goods trade deficit to above-target inflation and a policy rate above neutral. As a cyclical currency, these headwinds are unlikely to be fully offset by the two expected BoE rate hikes.

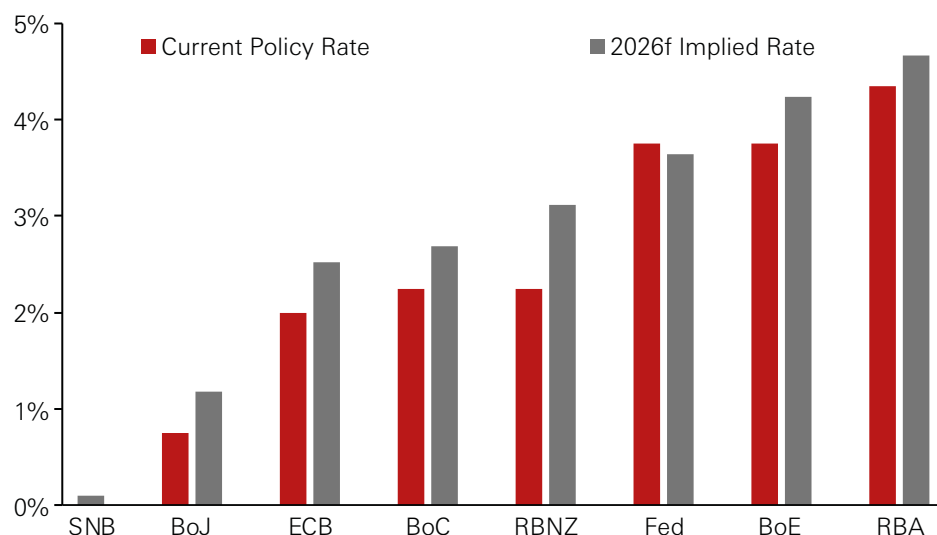
We believe appreciation risk for JPY-denominated assets is greater than depreciation risk, given that 160 (if not 157–158) appears to be a line in the sand for the Ministry of Finance and the BoJ. As a result, further JPY weakness looks limited, though we do not expect sustained appreciation. Some exposure to CHF could also support diversification. However, buying CHF against most G10 currencies typically entails negative carry. CHF remains a funding currency, but upside risks could increase the burden of CHF-denominated liabilities.

In Emerging Markets, we identify CNY, SGD and KRW in Asia as the three currencies with the best upside potential. Despite uncertainty around US trade policy, China's fundamentals are supportive and official currency guidance points to some upside for CNY; the currency has also been resilient during the Middle East conflict. South Korea offers strong exposure to tech and AI, attracting inflows and supporting a stronger KRW. Elsewhere, MXN has scope to grind higher: higher oil prices could improve trade balance metrics, and optimism around USMCA negotiations could support the economy. By contrast, we refrain from increasing exposure to IDR and TRY, as both face meaningful domestic and external headwinds.

In commodities, we believe investors would benefit from holding some gold, as it helps build a more resilient portfolio while also offering potential performance upside. Silver may also enhance returns, but it comes with significantly higher volatility and therefore lacks gold's defensive characteristics. Other precious metals can provide diversification benefits as well, though typically to a lesser extent than gold. Base metals and other commodities may also support diversification and offer upside, particularly if global growth surprises

to the upside, but investors should remain mindful of downside risks given the current market backdrop of geopolitical conflict, trade uncertainty, and monetary and fiscal constraints.

Although yields may not be the key driver for FX through the rest of 2026, USD could still be the loser on that front



Source: Bloomberg, HSBC Private Bank as at 21 May 2026. Forecasts are subject to change.



We identify AUD, SGD, CNY and KRW as the four currencies with the best upside potential.

Hedge Funds

Constructive opportunities are emerging across hedge funds as uncertainty, episodic volatility and elevated single-stock dispersion create a supportive backdrop for macro, systematic equity market neutral and event driven strategies. Our overall positioning stays selective – neutral on managed futures, variable net equity long/short and credit/distressed, while favouring Asia long/short, structured credit and multi-strategy/multi-PM managers. Hedge funds are key to create resilient and well-diversified portfolios.

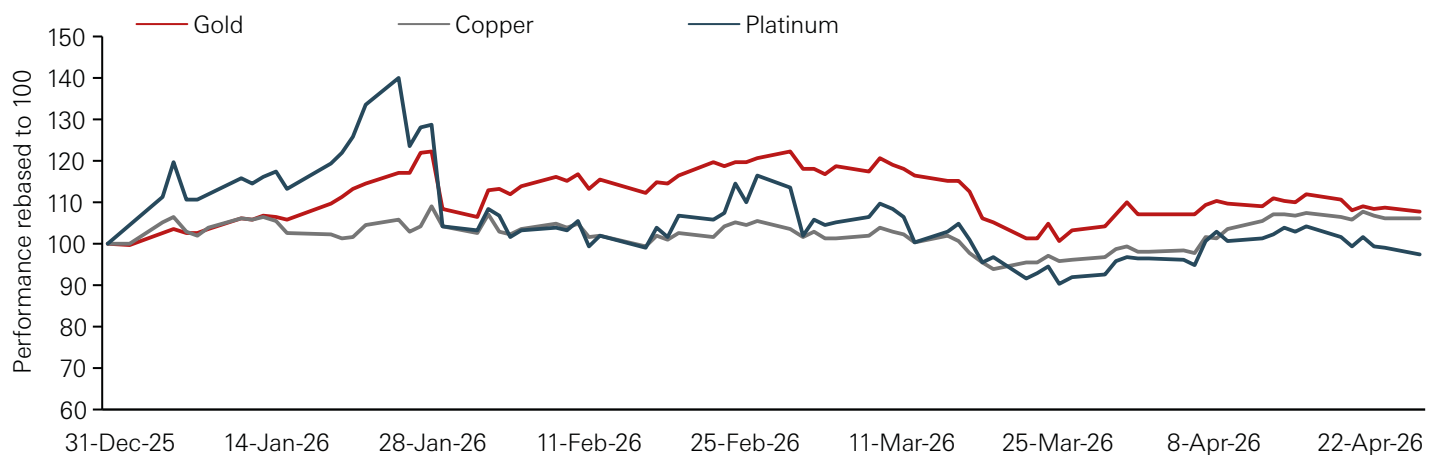
We maintain our constructive outlook for discretionary macro. There is a great deal of uncertainty, disruption and potential volatility, all of which in theory bodes well for macro trading. The large upward moves in interest rates suggest that there is scope for a recovery in bonds. Conversely, if disruption persists, it seems unlikely that markets will continue to price an increase solely on commodities and inflation expectations, without also reassessing the outlook for growth. With equity markets close to all-time highs, credit spreads tight, the potential opportunity here looks noteworthy. However, while all of this creates a rich opportunity set for macro hedge funds, “unknown unknowns” can challenge consistent alpha generation. We also remain

constructive on the EM opportunity set as we see managers sticking with their convictions on core, idiosyncratic, EM fixed income positions.

Our outlook for managed futures as a strategy remains unchanged at neutral. Within the opportunity set we remain constructive on alternative markets which can provide diversification, particularly when macro factors are less dominant and returns are more idiosyncratic. For systematic equity market neutral strategies, we foresee a constructive backdrop driven by elevated single-stock dispersion and episodic volatility. The concentration in AI mega cap names, uneven earnings revisions, and rate uncertainty represent increasing cross-sectional opportunities for stat arb, factor neutral, and relative value models.

We have maintained our neutral outlook for variable net equity long/short strategies. Given the uncertainty around regional calls, a sector-neutral or balanced approach looks attractive—capturing stronger balance sheets and more consistent earnings without mechanically increasing mega-cap tech exposure. We remain bullish on low net managers who can benefit from rising stock dispersion while maintaining modest-to-low beta profiles, helping to control portfolio volatility as style and factor rotations become increasingly common. We maintain our bullish outlook for Asia long/short. Asian valuations are cheaper than the US, with upgrades concentrated in Taiwan/Korea AI supply-chain names. Their narrow breadth and mixed liquidity favour stock selection and long/short alpha.

The outlook for commodities will be dependent on whether the macro volatility persists and how that translates for the growth and inflation outlook



Source: Bloomberg, HSBC Private Bank as at 21 May 2026.

We maintain our constructive outlook for event driven strategies. On the M&A front, global M&A volume was up 27% in Q1 2026 YOY, the highest since 2021 with mega deals doubling. Average M&A spreads widened in Q1 due to the Middle East conflict induced volatility in both equity and credit markets. Conversely, favourable liquidity; business-friendly anti-trust backdrop in the US and the UK; an influx of low-risk deals; positive event outcomes and a large deal backlog provide strong tailwind for the strategy. The environment for US activism remains elevated whilst activity in Europe and APAC have slowed.

Within credit markets, from a pricing perspective, valuations have moved very little, with spreads tightening at first, before widening at the end of the quarter. Carry characteristics appear

close to neutral, with 'all-in yields' at fair to slightly elevated levels. Thus, our outlook for credit long/short remains at neutral. We hold a neutral view on distressed strategies as distressed ratios for US high yield and loans remain well contained. Finally, we continue to favour structured credit where we see some additional value and therefore have a mildly overweight view.

In credit markets, pricing hasn't changed much overall. Credit spreads tightened earlier in the quarter, then widened again towards the end. The income you can earn from holding credit (the "carry") looks broadly average, with overall yields looking fair to slightly attractive. As a result, we're neutral on credit long/short strategies.

We're also neutral on distressed credit, because the level of stressed

or default-risk issuers in US high yield bonds and loans remains relatively low. Finally, we still prefer structured credit, where we see better value, so we have a mildly overweight view.

We still favour Multi-Strategy and Multi-PM hedge funds. In Q1 2026, their equity-focused strategies generally made money, while their fixed income and macro strategies were the main areas of weakness. Overall, we think the multi-PM approach has an edge because it spreads risk across several portfolio managers and trading styles, which has helped deliver steadier, more resilient returns. That combination of relatively low volatility, strong capital preservation, and low correlation to broader markets can be hard for single-manager funds to match on a risk-adjusted basis.

High Yield spreads have remained tight despite volatility in the rates market



Source: Bloomberg, HSBC Private Bank as at 21 May 2026. Past performance is not a reliable indicator of future performance.



Private Markets

Private equity activity is recovering in 2026 as financing conditions stabilise, but with ongoing dispersion across managers and sectors, elevated exit backlogs, and a growing role for secondaries and continuation vehicles. Whilst private credit has been in the headlines for less positive reasons, it remains supported by attractive yields and constrained bank lending. Though lenders are becoming more selective amid pockets of stress and increased scrutiny of retail private credit liquidity, making specialist access and disciplined underwriting key to long-term returns.

Private Equity entered 2026 on firmer footing, supported by improving financing conditions and recovering transaction activity, although geopolitical uncertainty, higher rates and widening performance dispersion across managers and sectors continue to shape the investment environment. Activity recovered through the second half of 2025 and into Q1 2026 as financing markets stabilised, bid-ask spreads narrowed, and investor confidence improved. However, the environment continues to favour managers with strong sourcing capabilities, sector expertise and the ability to deploy capital

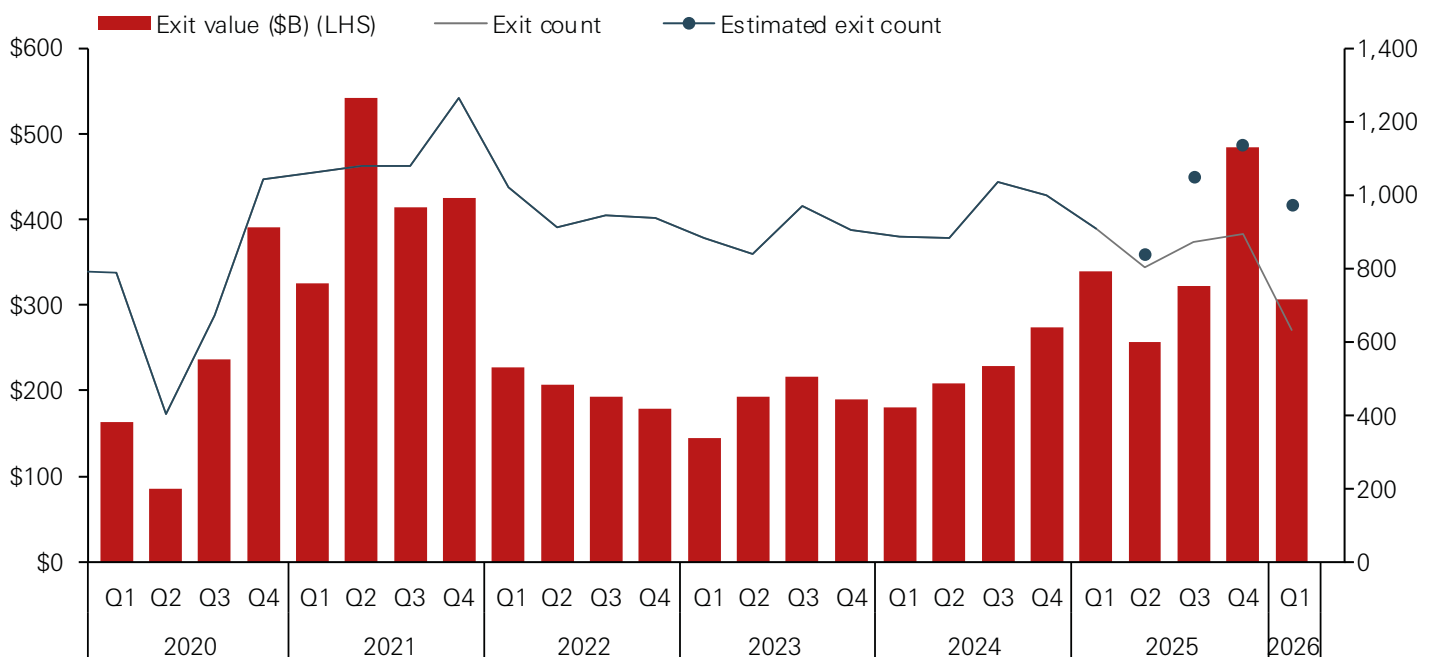
selectively through a more uncertain macroeconomic backdrop.

In private equity, dealmaking and exit activity improved materially following a prolonged slowdown. Global deal value increased strongly in 2025, supported by easing rate pressures and improved financing availability, while IPO and strategic sale markets reopened selectively for high-quality assets. This has helped sponsors accelerate capital recycling and reduce pressure from extended holding periods.

Despite improving activity levels, the private equity market remains

bifurcated. Exit backlogs remain elevated, fundraising conditions are selective, and valuation resilience is increasingly concentrated in businesses exposed to structural growth themes such as Artificial Intelligence and digital infrastructure. By contrast, more cyclical and operationally challenged sectors continue to face pressure from slower growth and higher financing costs. Secondaries and continuation vehicles have also become increasingly important liquidity and portfolio management tools, reflecting a market that is recovering but not yet fully normalised. Private equity

US PE exit activity by quarter



Source: HSBC Alternatives Pitchbooks as at 21 May 2026.

is transitioning from a liquidity-constrained recovery phase toward a more selective environment where operational execution, pricing discipline and asset quality are becoming more important drivers of returns than financial engineering.

Private credit continues to benefit from many of the structural dynamics that have supported the asset class in recent years. Higher base rates continue to sustain attractive all-in yields, while banks remain selective in their lending activity, particularly across sponsor-backed and mid-market transactions. Direct lenders therefore continue to play a central role in acquisition financing and refinancing activity.

The market is also becoming increasingly selective, with lenders prioritising stronger business models, resilient cashflows and tighter documentation standards as borrower

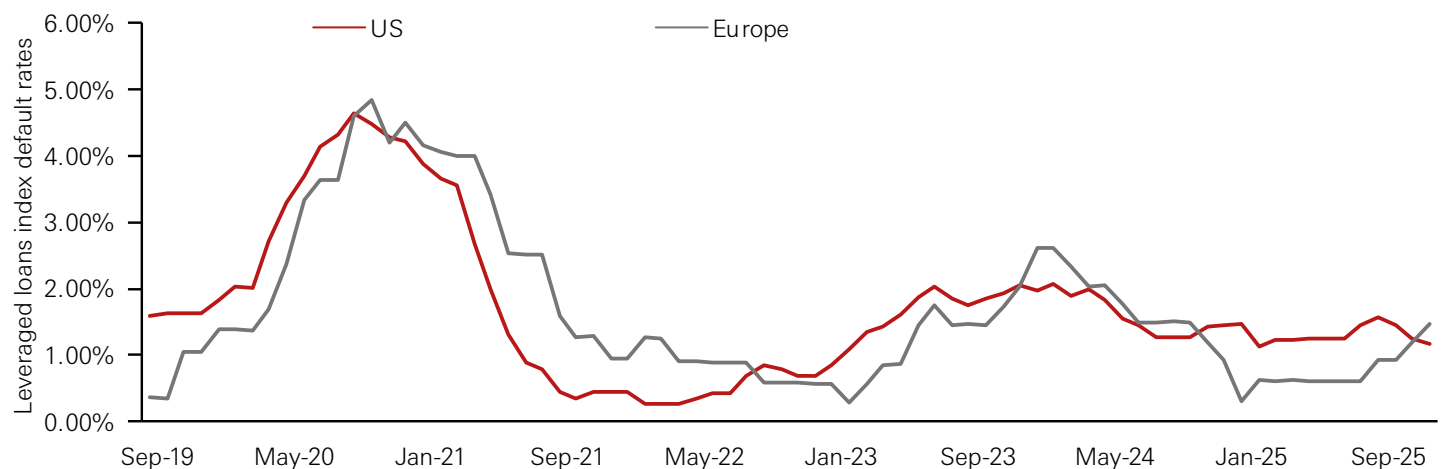
dispersion widens. Spreads widened modestly in early 2026 and increased macroeconomic and geopolitical uncertainty following an extended period of tighter pricing, reflecting both increased caution and greater differentiation between stronger and weaker borrowers.

Credit quality has so far remained relatively resilient. Default rates and non-accrual levels remain below long-term stress periods, supported by generally healthy corporate earnings, lower leverage than in prior cycles and active sponsor support. However, pressures are emerging in pockets of the market exposed to weaker consumer demand, slower growth or elevated financing costs. In these areas, lenders are increasingly relying on amendments, maturity extensions and other restructuring tools to support borrowers through a more volatile environment.

Retail-focused private credit vehicles also experienced elevated redemption activity in late 2025 and early 2026 following concerns around valuations and liquidity management. While this has increased regulatory scrutiny, the focus has largely centred on liquidity alignment and investor expectations rather than widespread credit deterioration.

Looking ahead, we continue to see attractive long-term opportunities across both private equity and private credit, supported by structural themes including digitalisation, healthcare innovation, energy transition and infrastructure investment. However, in a market increasingly defined by dispersion rather than broad beta-driven returns, access to specialist managers, disciplined underwriting and selective deployment are likely to remain critical differentiators for long-term investors.

Default rates remain resilient



Source: HSBC Alternatives Pitchbooks as at 21 May 2026.



Real Estate

Global energy market disruption from the conflict in the Middle East has lifted macro uncertainty, yet real estate investment momentum has continued with generally healthy leasing. Opportunities look strongest where occupier demand is most resilient: prime offices in global gateway cities (boosted by financial services and AI), retail with structurally low vacancy (especially grocery-anchored and prime high streets), and logistics as new supply moderates and vacancy peaks. Key risks are the higher-for-longer interest rate backdrop limiting yield compression, plus sector/regional bifurcation.

Recent disruption to global energy markets caused by the conflict in Middle East, and ongoing uncertainty around how and when it will end, have added to an already complex macroeconomic backdrop. Despite the rise in economic uncertainty, real estate investment momentum has so far continued into 2026 while leasing activity (active requirements and take-up) remains healthy in most instances.

The office sector has continued to bifurcate by quality and geography with prime space in global gateway markets such as London, New York

and Tokyo benefitting from resurgent leasing activity from traditional sectors such as financial and professional services, supplemented by fast growing AI demand. In Hong Kong, strong IPO activity has supported a broadening recovery.

Retail vacancy rates are near record lows following a decade of subdued construction across the US, Europe and much of Asia. Retailers are looking through the current softening in consumer confidence, with a focus on their long-term store strategies. Grocery-anchored and other non-

discretionary focused retail have the strongest fundamentals, along with some catchment dominant regional malls in Europe and North America and prime high streets, for example Hong Kong.

Q1 2026 saw a further stabilisation in logistics fundamentals as vacancy rates peaked, new supply slowed, and rental growth remained positive. Whilst the US logistics vacancy rate stabilised at 7.5% according to broker JLL, in Europe vacancy peaked at approximately 6%, due to lower new supply and more stable demand. Asia-



Pacific remains bifurcated – Australia and Singapore fundamentals remain tight while China and Japan wrestle with oversupply.

The residential sector remains resilient but is delivering limited growth. The US is still digesting new supply, with landlords prioritising occupancy over rental growth. Europe has tighter fundamentals but regulations, such as the UK’s new Renters’ Rights Act, are capping growth. Asia-Pacific ranges between strong (Japan and Singapore), nascent (Australia), and weak (mainland China) markets.

Outlook

We expect total returns to be driven by income and income growth rather than yield compression over the coming 12–24 months, given the recent shift to higher long-term interest rates.

We therefore favour markets with the strongest occupier backdrops.

Retail yields typically offer an attractive spread over other property types, while

a continuation of minimal development should keep vacancy rates low, sustaining rental growth. Grocery-anchored neighbourhood retail is set to lead, given high occupancy, depth of demand, and insulation from any softening in discretionary spending. Prime high streets and market-leading regional malls should continue to benefit as retailers prioritise physical network build out.

The medium-term impact of AI on office jobs remains unclear, but in the near-term major technology companies continue to take significant space in global gateway cities such as London, New York and San Francisco. Unless there is a sharp deterioration in economic growth, we expect prime office rental growth to be sustained through 2026 and into 2027 and possibly widen out as return to office directives exert ongoing pressure for companies to occupy more space.

2026 should mark the turning point for logistics as new supply moderates

and recent supply is absorbed. The US vacancy rate, having stabilised, should decline as the volume of new supply falls to multi-year lows. Europe may outperform, given a lower starting vacancy rate, and multiple demand drivers including deepening e-commerce penetration (especially in southern Europe), defence-related logistics (notably Germany and CEE), and data centre component storage.

Residential should remain resilient, underpinned by structural undersupply, urbanisation and ownership affordability constraints. US coastal multifamily should outperform the Sunbelt as new supply is absorbed, though the gap is expected to narrow into 2027. Senior housing offers the most compelling growth outlook as demographic tailwinds intensify. In Asia, Japan and Australia offer strong multifamily fundamentals, supported by tight markets and growing institutional interest in the ‘build-to-rent’ segment.

Real estate momentum has held up in certain resilient-demand sub-sectors like prime offices and logistics, while high-for-longer rates and growing bifurcation remain the key risks.

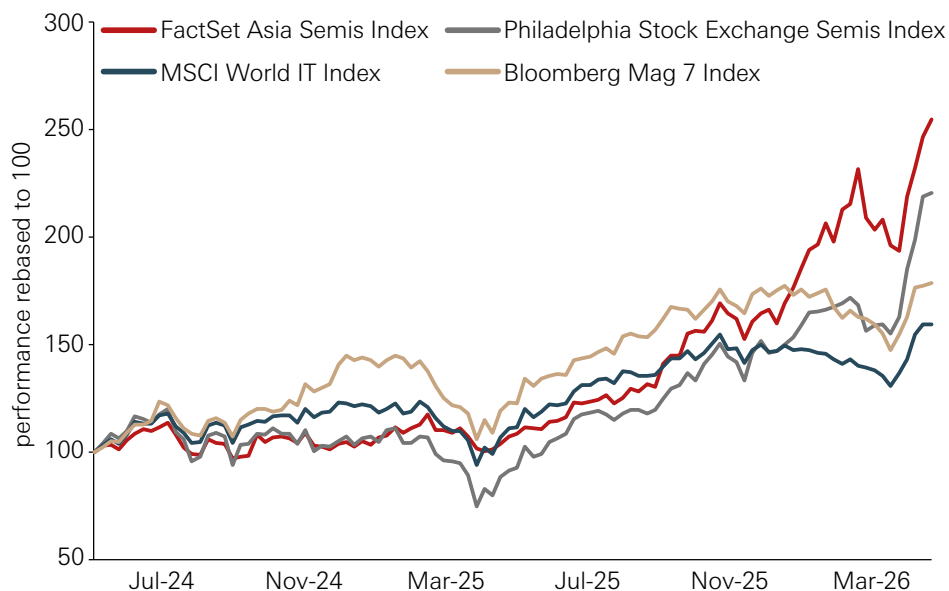


Tap into Asia's Innovation and Income



Technology and innovation remain the biggest engine for Asian stocks. As global AI investment keeps rising, Asia benefits, as it is well positioned in the semiconductor supply chain and large language model development. We balance this growth exposure with income from bonds and corporate governance reforms (in Japan, South Korea, mainland China and Singapore).

Asia's semiconductor stocks emerged as the geared play of the AI boom



Source: Bloomberg, HSBC Private Bank as at 21 May 2026. Past performance is not a reliable indicator of future performance.

Our Four High Conviction Themes

1. Asia's Data Centre Boom	Asia is emerging as the epicentre of the global data centre boom. Capacity is forecast to more than double by 2030, reaching around 40% of global capacity.
2. China's Tech and Manufacturing Leaders	AI development in China should see supercharged growth, given the supportive government policies and the step upgrades in software and semiconductors. At the same time, China has transitioned from low-cost mass production to advanced manufacturing at scale.
3. Power Up Asian Shareholder Returns	Improving total shareholder returns remains a key priority for companies in the region. We expect Asia's return on equity (ROE) to rise from approximately 11% in 2025 to around 15% by 2027e.
4. High Quality Asian Credit	Asian credit net issuance should remain relatively limited. This demand-supply imbalance should help support price stability and performance, while also reinforcing issuers' funding discipline.

40%

Asia Pacific's data centre capacity will reach 40% of global capacity by 2030

140trn

China's daily AI token usage surged from just 2 trillion in H2 2024 to 140 trillion by March 2026

15%

Asia's return on equity (ROE) should rise from 11% in 2025 to 15% by 2027e

Source: Mordor Intelligence, Quest Mobile, Bloomberg, HSBC Private Bank as at 21 May 2026. Forecasts are subject to change.

Tech and innovation remain the biggest engine for Asian equities despite the energy supply shock. Earnings upgrades in the tech-dominant South Korea and Taiwan markets have driven a strong recent rally in the regional benchmark, thanks to strong global AI investment and Asia's strong position in the semiconductor supply chain.

On the other hand, income opportunities in Asia are well supported by corporate governance reforms spanning Japan, South Korea, mainland China and Singapore.

Asia's Data Centre Boom

Asia is emerging as the epicentre of the global data centre boom. Capacity is forecast to more than double by 2030, reaching around 40% of global capacity. This rapid growth is being driven by the region's strong appetite for AI adoption, supportive government policies, and proximity to manufacturing hubs on the demand side. Moreover, expanding renewable capacity, favourable cost dynamics, ample land availability, lower labour costs, stronger grid reliability, and regulatory settings are supportive on the supply side.

China's Tech and Manufacturing Leaders

AI development in China should see supercharged growth, given capex plans from major Chinese tech leaders, supportive government policies, and step-up upgrades in software and semiconductors.

China's appetite for AI is booming, with daily token usage surging from just 2 trillion in H2 2024 to 140 trillion by March 2026. Two distinct directions of China's AI development are its focus on cost-effectiveness and industry-specific AI agents.

At the same time, China has transitioned from low-cost mass production to advanced manufacturing at scale. This competitive advantage is most apparent in renewables, green tech, EVs, advanced materials and biotech. AI-related semis have also emerged as a growing capability, given geopolitical and supply chain importance.

Power Up Asian Shareholder Returns

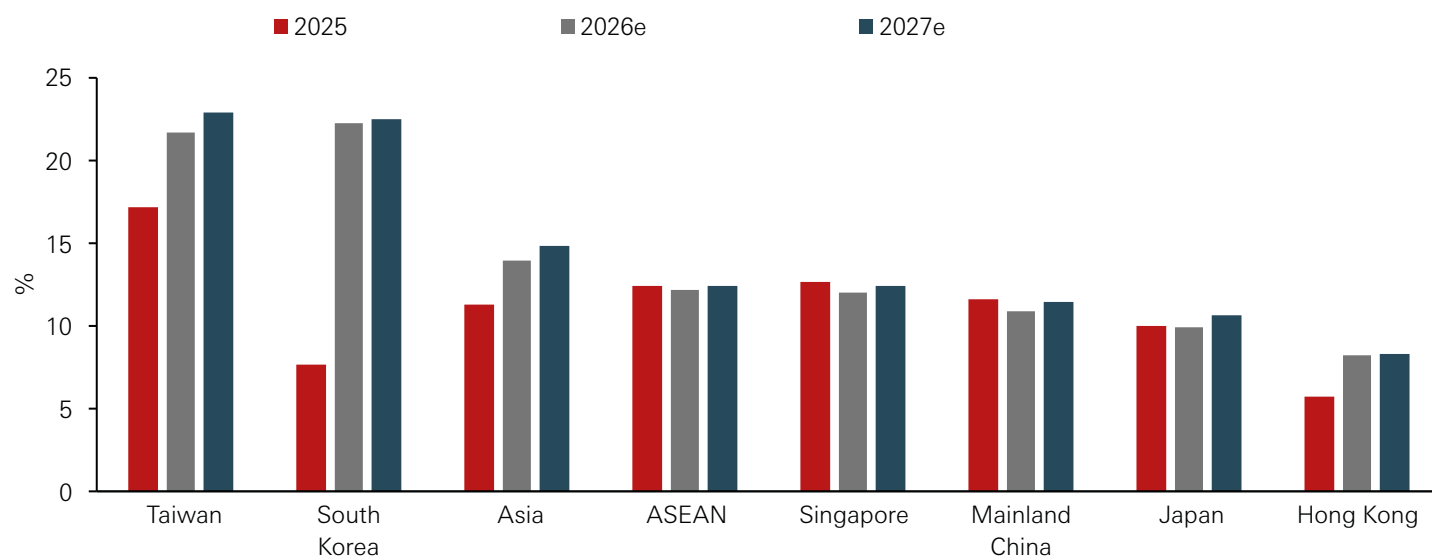
A stronger focus on improving total shareholder returns remains a key priority for investors in the region.

Higher dividend payouts and increased share buybacks should lift Asia's return on equity (ROE) from approximately 11% in 2025 to around 15% by 2027e. Against this backdrop, we highlight resilient, defensive, high-quality stocks that are well positioned to enhance ROE and deliver stronger returns to shareholders.

High Quality Asian Credit

Asian credit markets have proved resilient amid global fiscal and geopolitical pressures. One reason is their comparatively shorter duration across ratings. Despite higher inflationary pressures, economic growth in some markets (e.g., mainland China, South Korea and Australia) should remain resilient, underpinned by exports and domestic drivers. Asian credit net issuance should remain relatively limited. This demand-supply imbalance should support price stability and performance, while reinforcing issuers' funding discipline.

Asia's ROE is improving across the board; South Korea's should reach 22% this year



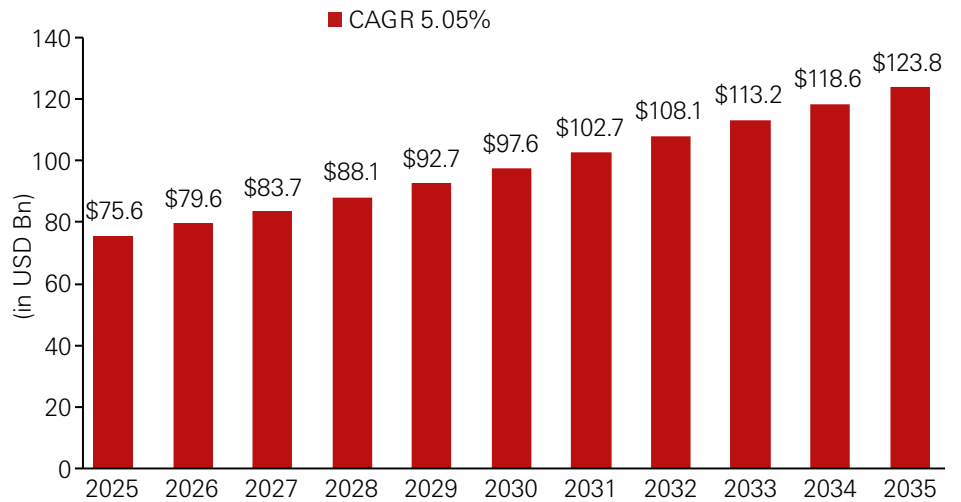
Source: Bloomberg, HSBC Private Bank as at 21 May 2026. Forecasts are subject to change.

Disruptive Technologies



The pace of innovation is accelerating with evolving technologies including AI agents, space exploration and automation, all creating new activities and business models, offering investors attractive long term investment opportunities.

The projected rocket and missile market size is growing quickly



Source: Precedence Research data as of January 2026, HSBC Private Bank as at 21 May 2026. Forecasts are subject to change.

Our Two High Conviction Themes

1. Aerospace and Security

Aeronautics and space industries are undergoing a renaissance as private and government-driven projects are funding rapid development of new technologies. Similarly, the security and defence industries are integrating new technologies and expanding capacity to benefit from rising demand.

2. Booming AI Ecosystem

The rapidly evolving capabilities of artificial intelligence software and its uses are fuelling a surge in capital investments to expand cloud, data centres, semiconductors, infrastructure and hardware capacity to meet soaring demand as AI tools and agents are enabling new products and services.

Since the start of the space age (1957)

Number of rockets launched



7,210

Number of satellites launched



25,920

Number of satellites active



15,200

Source: European Space Agency, HSBC Private Bank as at 21 May 2026.

The future is now

A wave of innovation is transforming our world with far-reaching consequences for at least the next decade and possibly beyond. We focus on two inter-related areas where the most significant technological disruptions are underway.

Aerospace and Security

The satellite and space market is rapidly evolving, with private companies announcing plans to roll-out vast satellite constellations. A leading company in this arena has already deployed over 10,000 low earth orbit (LEO) satellites. The pipeline of new and replacement satellite launches, alongside space exploration activities, is driving growth and investments in the sector. These expanded satellite constellations provide a robust communications network and are finding new commercial and security uses not previously available. This includes emerging markets, where limited infrastructure had sometimes denied access to IT services and communication, holding back their economies.

Satellites are a critical component of advanced defence and security systems with aircrafts, rockets, naval and land-based systems depending on satellites for their communication, location and surveillance. Defence spending is rising, with spending forecast to reach USD2.9 trillion worldwide in 2025 (source: Statista). Commercial air travel has suffered from both airspace restrictions and higher fuel costs, but this may benefit aircraft manufacturers as airlines refresh their fleet with more fuel-efficient planes. Precedence Research estimates that the global rocket and missile market will expand 5% per year to reach USD123.8 billion by 2035. Aerospace and defence is benefitting from multi-year order backlogs and often limited competition in some areas, providing a positive pricing environment.

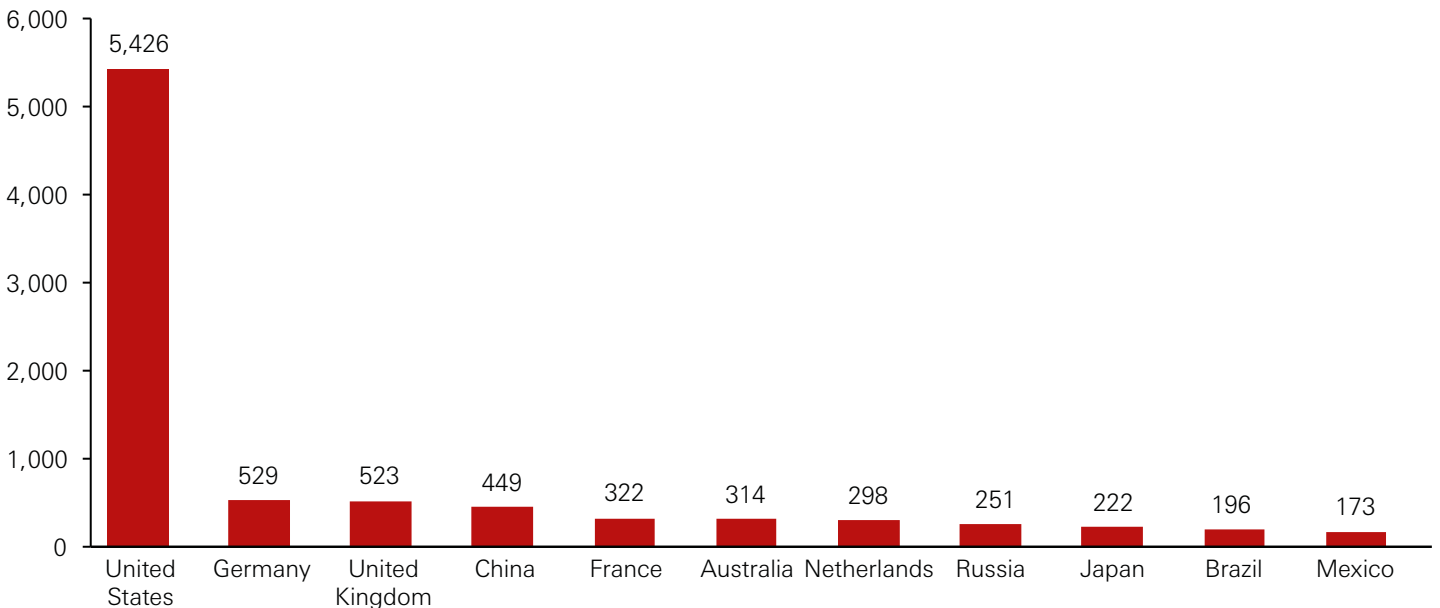
Booming AI Ecosystem

Interconnectivity is an important thread running through both these themes - whether that is the ability to collect and exchange data or protect from physical or cyber risks. It is essential that a data centre has

access to reliable electricity, water and importantly substantial data highways (fibre optic) so millions of consumers can download and upload gigabytes of data simultaneously. Companies will need to invest USD5.2 trillion in new data centres over the next 5 years (Source: McKinsey 2025). The scale of the investment has raised some concerns given the relatively low AI-related revenues generated to date, but the cycle is in its infancy, and the scale of the opportunity cannot be overstated. The rapid expansion of data centres will require a parallel expansion of digital infrastructure to achieve its full potential, both terrestrial and potentially extraterrestrial networks.

Both the AI ecosystem and agentic-AI software are proliferating rapidly. ChatGPT, Claude and other models are now deploying powerful variants for specific tasks that are in daily use across industries, private individuals and governments. We believe the AI super cycle has only just begun.

Number of data centres by country



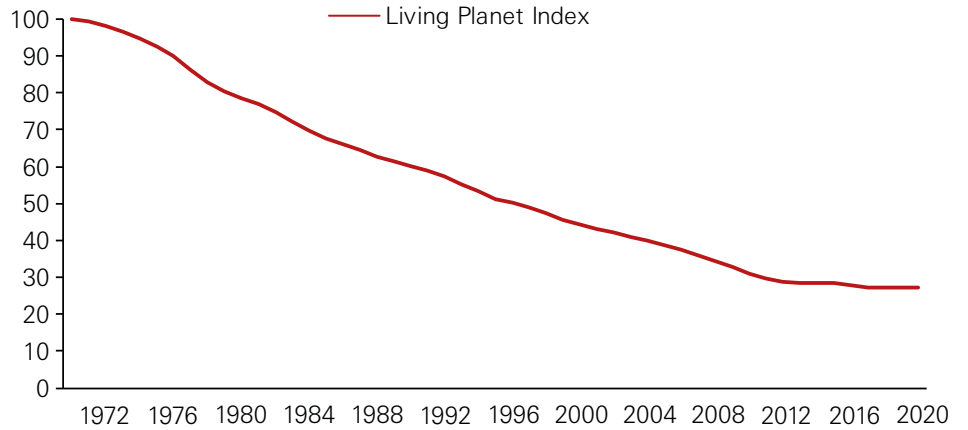
Source: Brightlio / Brookings data until November 2025, HSBC Private Bank as at 21 May 2026.

Climate Action



Biodiversity underpins a large share of global GDP, so its rapid loss is becoming a systemic risk that can disrupt supply chains, raise costs, and increase earnings volatility across sectors. The circular economy offers a scalable investment pathway to reduce reliance on virgin resources, cut waste and emissions, and create competitive advantage for companies that redesign products and business models for durability, reuse and recycling.

There has been a large decline in wildlife populations since 1970, as illustrated by the Living Planet Index*



Source: Our World in Data, HSBC Private Bank as at 21 May 2026. * The Living Planet Index measures the average decline in monitored wildlife populations.

Our High Conviction Theme

1. Biodiversity and Circular Economy

Biodiversity is economic infrastructure: it supports food systems, water security and climate regulation, so its loss creates systemic risks for growth, inflation and corporate earnings. Because these ecosystem services are rarely priced, markets can underestimate the financial impact of nature degradation. The circular economy shifts businesses from “Take-Make-Use-waste” to “Reduce-Recycle-Repair-Redesign-Reuse” lowering resource dependence and waste. For long-term investors, circular leaders can gain cost benefits, resilience and brand advantages, while laggards face rising regulatory, supply-chain and higher capital costs.

90%

Around 90% of biodiversity loss is driven by the extraction and processing of natural resources.

52%

In 2025, the G20 economies recorded an average score of 52% for circular economy policy, indicating both progress and headroom for further adoption.

Source: Ellen McArthur Foundation, BloombergNEF, HSBC Private Bank as at 21 May 2026.

Biodiversity and Circular Economy

Biodiversity and the circular economy are increasingly central to long-term investing because they sit at the intersection of systemic risk management and durable growth. Since the advent of modern capitalism, nature has often been treated as an extractive input, with environmental costs externalised back to ecosystems. That model is now colliding with biophysical limits: biodiversity loss, land degradation, water stress and climate impacts are compounding and beginning to affect real economic output, corporate cashflows and sovereign stability.

From an economic lens, nature is not a “nice to have”. It is productive infrastructure. Ecosystem services—such as pollination, soil fertility, water purification, flood protection and climate regulation—are estimated to be worth upwards of USD150 trillion annually (Source: WWF, UNEP, 2025). Over 55% of global GDP (around USD58 trillion) is moderately or highly dependent on nature. Biodiversity loss is best understood as a macro risk

factor: it can raise input costs, disrupt supply chains, reduce agricultural yields, increase insurance losses, and amplify inflation volatility through food and commodity channels. For investors, that translates into higher earnings uncertainty, stranded assets, and a wider dispersion between business models that can adapt and those that cannot.

Meanwhile, transitioning to a circular economy – which eliminates waste and maximises resource efficiency – could unlock up to USD4.5 trillion in new economic growth globally. This is where the circular economy becomes a practical investment pathway.

The linear “Make–Take–Use–Waste” model accelerates habitat destruction and resource depletion, while also exposing companies to commodity price swings and tightening regulation. A circular model—“Reduce, Repair, Reuse, Recycle and Redesign” (the 5Rs)—aims to decouple growth from virgin resource extraction by keeping materials in use for longer, designing out waste, and regenerating natural systems. In effect, circularity is a

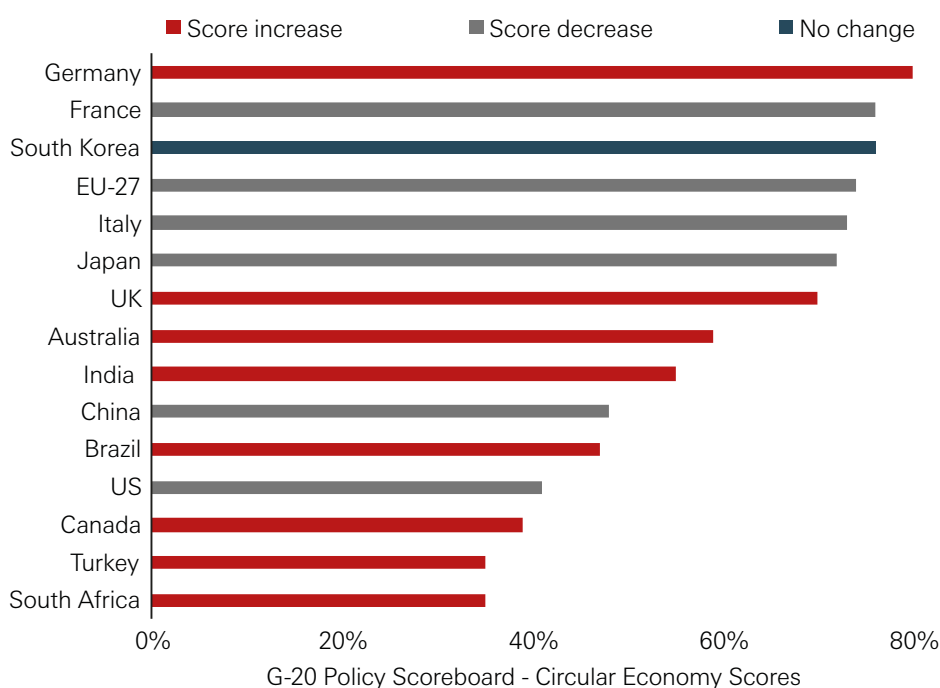
form of resilience engineering for the economy: it reduces dependency on scarce inputs, lowers lifecycle emissions, and can ease pressure on land and biodiversity by reducing the need for new extraction and conversion.

For long-term investors, circularity can be a differentiator between winners and losers across multiple sectors. Companies that redesign products for durability, modularity and recyclability can defend margins through lower material costs and improved supply security. Firms that build repair, refurbishment and resale models can create recurring revenues and stronger customer loyalty.

Policy momentum is building and industrials enabling advanced sorting, recycling, and material recovery can benefit from policy tailwinds and rising demand for secondary materials. Meanwhile, sectors with heavy nature dependencies like agriculture, forestry, fisheries, chemicals, construction and mining –face increasing scrutiny through emerging nature-related disclosure frameworks and evolving regulation, which may raise the cost of capital for laggards. Overall, whilst progress is being made, several nations are still lagging in achieving their biodiversity targets. The United Nations Biodiversity Conference (COP17) will take place in Armenia in October 2026, to review progress on implementation and shape next steps.

Over time, investors who integrate nature dependency and impact into fundamental analysis—alongside exposure to circular solutions—will be better positioned for a world where ecological constraints increasingly shape economic outcomes.

European economies are leading in Circular Economy Scores*



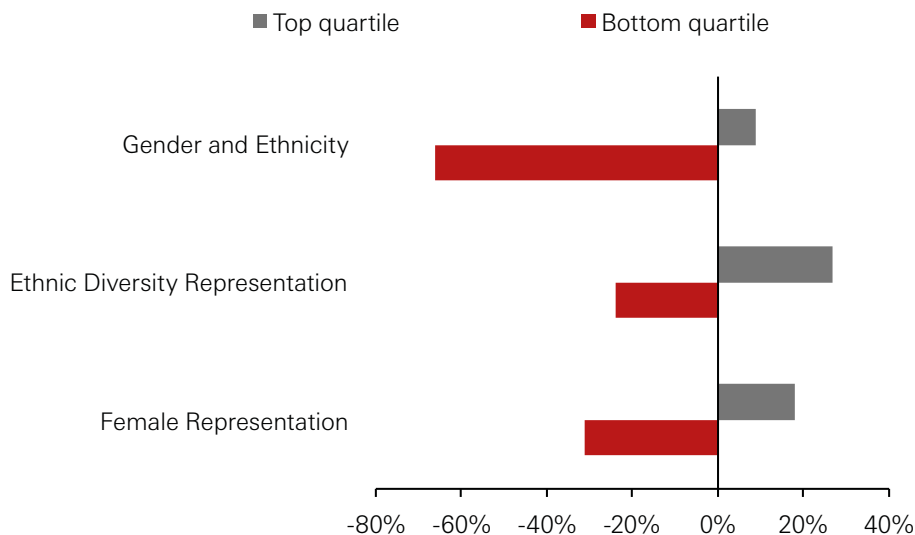
Source: BloombergNEF, HSBC Private Bank, 21 May 2026. *The scorecard tracks government support for the green economy among G20 countries in 2025. The change in scores are compared to the assessment in 2024.

Evolving Society



Our society is undergoing rapid change due to geopolitics and people's evolving attitudes. Global forces are driving countries to secure their energy and resources. At the same time, inclusion and diversity are increasingly recognised as drivers of innovation and financial performance.

Likelihood of financial outperformance based on diversity



Source: McKinsey, HSBC Private Bank as at 21 May 2026.

Our Two High Conviction Themes

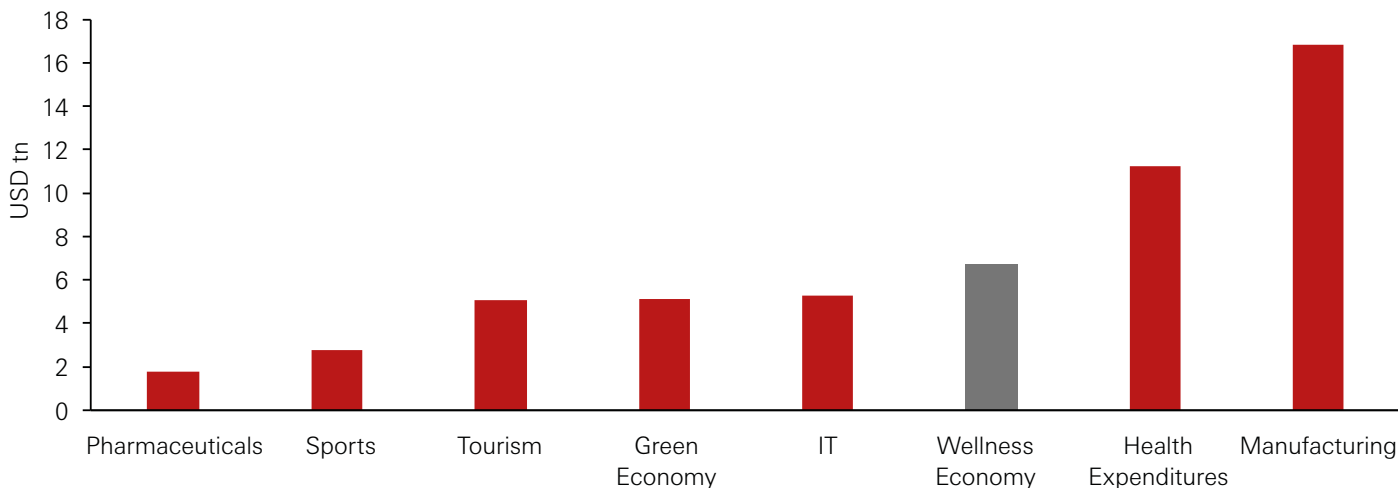
1. Social Empowerment and Well-being

Our theme focuses on gender equality, diversity, female workforce participation, and increased awareness and spending on mental and physical well-being. This is because studies have shown that more diverse organisations tend to perform better. The wellness economy is expected to grow rapidly over the next decade, presenting compelling investment opportunities

2. Energy and Resource Security

Geopolitical shocks have exposed vulnerabilities in energy and supply chains, driving price spikes and disruption. Building resilience needs governments to invest in energy and resource security and build strategic buffers. This same focus must secure the critical inputs for AI infrastructure, including semiconductors and key minerals/metals, to avoid bottlenecks and volatility.

Wellness Economy (as of 2024) accounts for over 6% of global GDP and is larger in commercial value than even Sports and Tourism



Source: Global Wellness Institute, HSBC Private Bank as at 21 May 2026.

Rising expectations around quality of life, inclusive workplaces and equal opportunity are reshaping societies and influencing economic outcomes worldwide. As demographics shift, digital connectivity increases and workforce preferences evolve, several organisations and governments are placing greater emphasis on social empowerment, diversity and employee wellbeing. Similarly, in the wake of recent geopolitical events, global governments have increased their focus on security and energy independence. Both these secular shifts create long-term opportunities for investors.

Social Empowerment and Well-being

Diversity and inclusion are increasingly viewed as drivers of innovation and financial performance. Several studies indicate that the linkage between diversity and financial outperformance is becoming clearer with each passing year. Multiple studies consistently demonstrate that leadership diversity correlates with stronger financial results due to different perspectives in decision-making, robust governance and closer alignment with diverse customer bases. Flexible working, skills development and wellness programmes are key tools for attracting and retaining talent. Research from Deloitte shows that a sense of belonging can increase employee engagement by up to 45% while companies with strong DEI practices see a 50% reduction in turnover risk. As such, organisations that invest in engagement and wellbeing often see improvements in

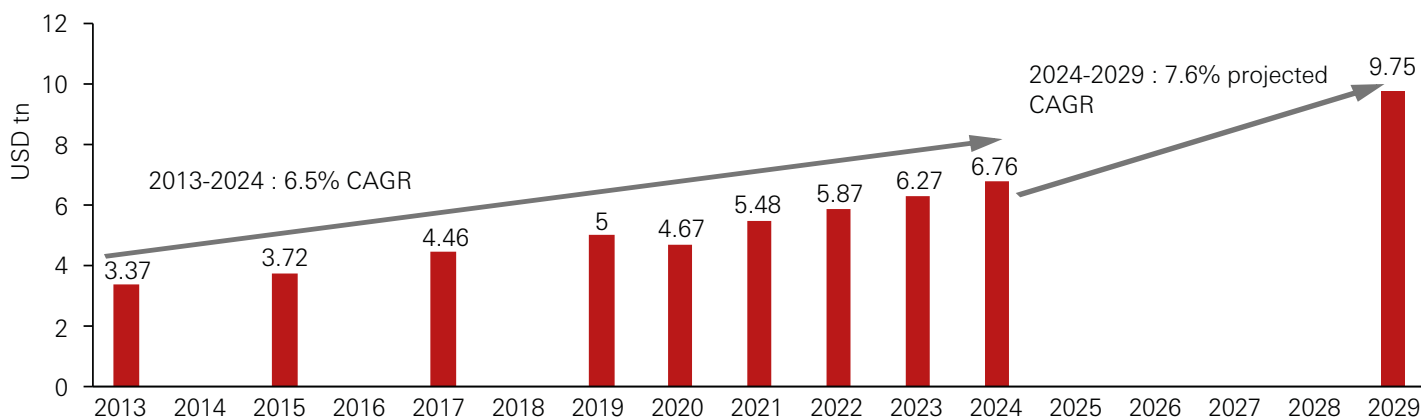
productivity, innovation and retention. Younger workers increasingly value purpose, sustainability and inclusive corporate values. Rising female labour force participation is expanding economic potential; closing gender employment gaps could add an estimated USD12 trillion to global GDP. Physical and mental well-being is becoming increasingly important to large segments of our society.

The United Nations projects that global population aged 65 or more will reach around 1.6bn by 2050. With greater awareness, they will have increased ability and willingness to spend on personal well-being. On the other hand, with rising spending power and affluence, Millennials and Gen-Z are increasing shaping consumption landscape with their focus on wellness and focus on transparency and ethical consumption. A 2025 McKinsey study showed that 84% of consumers in the US and 94% in China view wellness as a “top” or “important” priority. Between 2013-2024, the wellness economy grew by c.6.5% per year compared to global GDP growth of 3.2% per year. It is poised to rise by nearly 7.6% by 2029, reaching close to USD 10trillion in value. Increased spending on wellness presents brands with new business opportunities. For investors, this supports opportunities in sectors such as education technology, human capital management platforms, workplace collaboration tools, and healthcare and wellness services, driven by growing demand for better living and working environments.

Energy and Resource Security

Recent geopolitical shocks have underlined how quickly energy markets and global logistics can be disrupted, driving sharp spikes in oil and power costs and exposing the fragility of just in time supply chains. Strengthening energy security now means diversifying sources and routes, investing in resilient grids and storage, and accelerating the transition to lower volatility domestic generation that includes both renewable and non-renewable solutions like oil, nuclear, wind and solar energy — so households and businesses aren’t whiplashed by external events. In parallel, supply chain security requires greater transparency, strategic buffers for critical inputs and more regional resilience to keep essential goods moving when trade lanes or suppliers are interrupted. This focus also needs to extend to the materials underpinning AI infrastructure—such as semiconductors and the critical minerals and metals used in data centres, networking equipment, and advanced chips—so that the build out of digital capacity isn’t constrained by concentrated supply, export controls, or sudden price shocks. Adjusting to this new reality, global governments are making energy and resource security an integral part of their economic security strategy. We think this secular shift offers investors attractive long-term opportunities in areas like nuclear energy, battery storage and energy infrastructure. Regionally, we see attractive opportunities in the US and Chinese investments in energy infrastructure.

Recent studies by Indeed and the University of Oxford showed how corporate well-being practices contribute to financial value



Source: Global Wellness Institute, HSBC Private Bank as at 21 May 2026. Forecasts are subject to change.

Seeking Diverse Returns amid Volatile Data

The conflict in the Middle East will continue to affect global growth, creating an uneven economy. We look for themes supported by resilient activity, and add two themes that focus on income, to help stabilise portfolio returns.

Global M&A volumes were rising quickly before the conflict and should soon rebound



Source: Bloomberg, HSBC Private Bank as at 21 May 2026.

Our Four High Conviction Themes

1. North American Re-industrialisation	US re-industrialisation efforts first gained traction during COVID but have seen further impetus as the Middle East conflict highlights the fragility of global supply chains. In addition, re-onshoring of strategic industries and the build-out of an AI ecosystem become key priorities, which boost manufacturing investment.
2. Global Financials	While global growth is uneven, it remains healthy, with plenty of demand for loans to finance investment, working capital and M&A. Interest margins remain attractive as central banks are unlikely to cut rates, and yield curves see mild steepening pressures. Delinquencies may rise but the increase should be mild.
3. M&A and Shareholder Value Creation	While the conflict has naturally slowed the deal flow, there is strong underlying demand for companies to acquire other businesses and capabilities to improve supply chains, tech knowledge and expertise. Companies are also adding to shareholders' returns and income with dividend payouts and share buybacks.
4. Income Through Active Credit Selection	Central banks are generally done with their interest rate cuts, and a handful may even hike rates. As a result, bond holders should not expect broad-based capital gains but focus on clipping coupons, picking the best parts of the credit and yield curves, across global markets.

X 3

US semiconductor manufacturing capacity is set to triple by 2030

X 2

US manufacturing construction doubled from \$120bn to \$234bn in the past 3 years

29%

Global Financials' P/E ratio is almost 30% below that of other sectors

Source: Bloomberg, Semiconductor Industry Association, Federal Reserve, HSBC Private Bank as at 21 May 2026.

We fully expect the economic data to be quite volatile and, at times, confusing to investors in coming months, as a result of the lagged effects of the Middle East conflict. The high energy prices will not come back to normal for a while, and supply chains could see continued disturbance as it takes time for ships to be in the right place at the right time to make everything go smoothly. Some areas of the economy – such as consumption – may be harder hit by the high energy costs than areas with structural support – such as AI and capex. The same holds for geographical differences, where oil importers in Europe and South Asia may be more negatively affected, while the US (as a big energy producer) may be more resilient. Our themes focus on two areas where we see good fundamentals support, and two areas that can produce income for investors and thus help stabilise portfolios.

North American Re-industrialisation

US manufacturing was in a long decline from 1980, with the sharpest drop coming when China entered the WTO. However, a clear inflection point and re-industrialisation came in 2021, under the Biden Administration. Since then, construction and capital spending in the sector (though not employment) have been buoyant.

US tariffs have encouraged local and foreign companies to invest in the US. But the biggest drivers of recent

re-industrialisation are companies' desire to reduce supply chain risk and the construction of the AI and tech ecosystem. The spending on defence is helping support another ecosystem, with a lot of industrial activity.

Global Financials

The Financials sector is a cyclical sector and has therefore seen some pressure during the conflict. Yet, this also means that the sector is trading at low valuations, and we see areas of support as well.

Lending activity should be very well supported by two of the themes we list here – i.e. re-industrialisation and M&A activity. The huge capex cycle linked to AI, energy independence and security needs funding – which supports capital market issuance, bank lending and private market funding. Banks should benefit from all of these aspects. M&A and shareholder value creation will boost investment banking revenues.

Some investors are increasingly concerned about the potential for higher loan delinquencies, in private and public markets. While there have already been several examples of this, most of the cases are idiosyncratic or concentrated in sectors such as automotives and software. Broad-based delinquency data do not show any pronounced rise, and in the absence of stagflation or marked rate hikes, the rise in defaults should remain manageable for financial institutions.

M&A and Shareholder Value Creation

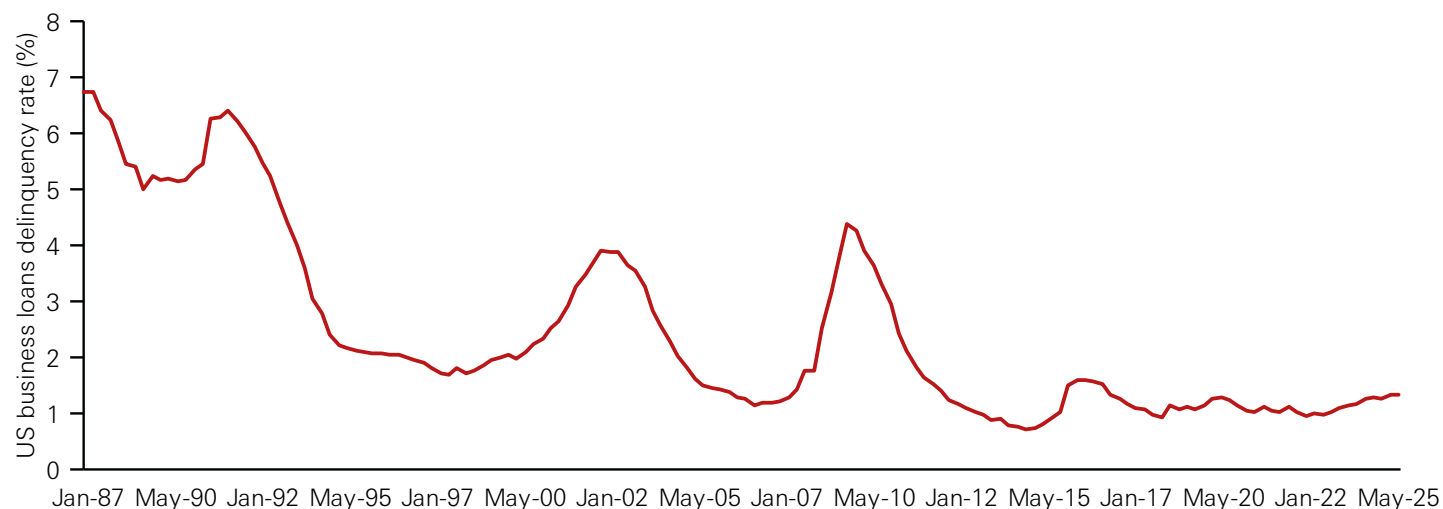
Companies are taking steps to adapt to a changing world through M&A, as it is often quicker and easier to acquire the necessary expertise, specialised labour and new client segments than to build it yourself. While the hit to risk appetite stalled M&A during the Middle East conflict, we think M&A will find renewed support in coming months as companies optimise their structure. That includes optimisation of the balance sheets. Buying back shares or raising dividends can be attractive strategies to increase shareholder interest.

As these actions are generally strategic rather than cyclical in nature, they can be attractive investment themes when economic data are more volatile.

Income Through Active Credit Selection

As rate cuts come to an end in the US and most other developed markets, our bond market strategy is focused on clipping coupons, finding the best relative value, and using active management to benefit from volatility. Our Asian theme looks at the best opportunities in the emerging markets, while this theme focuses on the developed markets. We prefer investment grade over high yield, see opportunities in both financials and non-financials, and keep duration close to benchmark.

Delinquencies on US business loans remain very low compared to history



Source: Federal Reserve, HSBC Private Bank as at 21 May 2026.

Contributors



Global Chief Investment Officer
Willem Sels
willem.sels@hsbcpcb.com



Director, Global Market Strategist and Managing Editor
Neha Sahni
neha.sahni@hsbcpcb.com



Chief Investment Officer, North Asia
Patrick Ho
patrick.w.w.ho@hsbcpcb.com



Chief Investment Officer, China
Desmond Kuang
Desmond.kuang@hsbc.com.cn



Chief Investment Officer, UK
Jonathan Sparks
jonathan.sparks@hsbcpcb.com



Chief Investment Officer, EMEA and Switzerland
Georgios Leontaris
georgios.leontaris@hsbcpcb.com



Global Head of Equities
Kevin Lyne Smith
kevin.lyne-smith@hsbc.com



Chief Investment Officer, Americas
Jose Rasco
jose.a.rasco@hsbcpcb.com



Global Head of Fixed Income
Laurent Lacroix
laurent.lacroix@hsbcpcb.com



Currencies and Commodities Strategist
Rodolphe Bohn
rodolphe.bohn@hsbcpcb.com



Investment Strategist, Asia
Abhilash Narayan, CFA
abhilash.narayan@hsbcpcb.com



Investment Strategist
Wilson Cheung, CFA
wilson.c.h.cheung@hsbcpcb.com



Global Market Analyst, Real Estate Investment
Guy Sheppard
guy.r.sheppard@hsbc.com



Managing Principal Hedge Funds
Tim Gascoigne
tim.gascoigne@hsbc.com



Private Markets Investment Specialist
Huw Morgan
huw.morgan@hsbc.com



Head of Global, US and Europe Investment Content Strategy
Aashna Bhatia
aashna.bhatia@hsbc.co.in



Global Content Administration Analyst
Arnesh Hemrom
arnesh.hemrom@hsbc.co.in

Disclaimers

HSBC and Sustainability

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information, visit

www.hsbc.com/sustainability.

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. contractual 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.

Risks of investing in private markets

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Past performance information presented is not indicative of future performance. The return and costs may increase or decrease as a result of currency fluctuations.

- **Liquidity Risk** - Investors may be unable to dispose of an investment quickly and at a price that's closely related to recent similar transactions. There is no guarantee of distributions and no established secondary market.

- **Event Risk** - A significant event may cause a substantial decline in the market value of all securities.

- **Long-term Horizon** - Investors should expect to be locked-in for the full term of the investment, which is subject to extensions.

- **No Capital Protection** - Investors may lose the entirety of invested capital.

- **Unpredictable Cashflows** - Capital may be called and distributed at short notice.

- **Economic Conditions** - Ability to realise/divest from existing investments depends on market conditions and the regulatory environment.

- **Risk of Forfeiture** - Failure to make call payments could result in forfeiture of commitment, including invested capital, without compensation.

- **Default Risk** - in the event of default investors risk losing their entire remaining interest in the vehicle and may be subject to legal proceedings to recover unfunded commitments.

- **Reliance on Third-party Management Teams** - Underlying investments will be managed by various third-party management teams that will in aggregate determine the eventual returns for the investor.

The risk factors listed above are not exhaustive, always refer to product specific documentation for full details and risk disclosures.

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; (e) 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 ESG or sustainable investing products 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 have any ESG or sustainable characteristics. 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 effect of ESG and Sustainable investing products. ESG and Sustainable investing and related measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

HSBC may rely on measurement criteria devised and reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the ESG / sustainability effect of, or measurement criteria for, an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of ESG / sustainability effect will be achieved. ESG and Sustainable investing is an evolving area and new regulations and coverage are being developed which will affect how investments can be categorised or labelled in the future.

An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future. When we allocate an HSBC ESG and Sustainable Investing (SI) classification: HSBC ESG Enhanced, HSBC Thematic or HSBC Impact (this is known as HSBC Purpose in the UK) to an investment product, this does not mean that all individual underlying holdings in the investment product or portfolio individually qualify for the classification. Similarly, when we classify an equity or fixed income under an HSBC ESG Enhanced, HSBC Thematic or HSBC Impact (this is known as HSBC Purpose in the UK) category, this does not mean that the underlying issuer's activities are fully aligned with the relevant ESG or sustainable characteristics attributable to the classification. Not all investments, portfolios or services are eligible to be classified under our ESG and SI classifications. This may be because there is insufficient information available or because a particular investment product does not meet HSBC's SI classifications criteria.

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information, visit www.hsbc.com/sustainability.

Important notice

This is a marketing communication issued by **HSBC Private Bank**. HSBC Private Bank is the principal private bank business of the HSBC Group. Private Bank may be carried out internationally by different HSBC legal entities according to local regulatory requirements. Different companies within HSBC Private Bank or the HSBC Group may provide the services listed in this document. Members of the HSBC Group may trade in products mentioned in this publication.

This document does not constitute independent investment research under the European Markets in Financial Instruments Directive (“MiFID”), or other relevant law or regulation, and is not subject to any prohibition on dealing ahead of its distribution. Any references to specific financial instruments or issuers do not represent HSBC Private Bank's views, opinions or recommendations, express or implied, and are provided for information only. The information contained within this document is intended for general circulation to HSBC Private Bank clients. The content of this document may not be suitable for your financial situation, investment experience and investment objectives, and HSBC Private Bank does not make any representation with respect to the suitability or appropriateness to you of any financial instrument or investment strategy presented in this document.

This document is for information purposes only and does not constitute and should not be construed as legal, tax or investment advice or a solicitation and/or recommendation of any kind from the Bank to you, nor as an offer or invitation from the Bank to you to subscribe to, purchase, redeem or sell any financial instruments, or to enter into any transaction with respect to such instruments.

HSBC Private Bank has based this document on information obtained from sources it believes to be reliable, but which may not have been independently verified. While this information has been prepared in good faith including information from sources believed to be reliable, no representation or warranty, expressed or implied, is or will be made by HSBC Private Bank or any part of the HSBC Group or by any

of their respective officers, employees or agents as to or in relation to the accuracy or completeness of this document.

It is important to note that the capital value of, and income from, any investment may go down as well as up and you may not get back the original amount invested. Past performance is not a guide to future performance. Forward-looking statements, views and opinions expressed, and estimates given constitute HSBC Private Bank's best judgement at the time of publication, are solely expressed as general commentary and do not constitute investment advice or a guarantee of returns and do not necessarily reflect the views and opinions of other market participants and are subject to change without notice. Actual results may differ materially from the forecasts/estimates.

Some HSBC Offices listed may act only as representatives of HSBC Private Bank and are therefore not permitted to sell products and services, or offer advice to customers. They serve as points of contact only. Further details are available on request.

In the United Kingdom, this document has been approved for distribution by HSBC UK Bank plc whose Private Bank office is located at 8 Cork Street, London W1S 3LJ and whose registered office is at 1 Century Square, Birmingham, B1 1HQ. HSBC UK Bank plc is registered in England under number 09928412. Clients should be aware that the rules and regulations made under the Financial Services and Markets Act 2000 for the protection of investors, including the protection of the Financial Services Compensation Scheme, do not apply to investment business undertaken with the non-UK offices of the HSBC Group. This publication is a Financial Promotion for the purposes of Section 21 of the Financial Services & Markets Act 2000 and has been approved for distribution in the United Kingdom in accordance with the Financial Promotion Rules by HSBC UK Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In Guernsey, this material is distributed by HSBC Private Bank(C.I.), which is the trading name of HSBC Private Bank (Suisse) SA, Guernsey Branch, with registered office in Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3NF. HSBC Private Bank (Suisse) SA, Guernsey Branch is licensed by the Guernsey Financial Services Commission for Banking, Credit, Insurance Intermediary and Investment Business. HSBC Private Bank (Suisse) SA is registered in Switzerland under UID number CHE-101.727.921, with registered office in Quai des Bergues 9-17, 1201 Geneva (GE), Switzerland. HSBC Private Bank (Suisse) SA is licensed as a Bank and Securities Dealer by the Swiss Financial Market Supervisory Authority FINMA.

In Jersey, this material is issued by HSBC Bank plc, Jersey Branch, HSBC House, Esplanade, St. Helier, Jersey, JE1 1HS. HSBC Bank plc, Jersey Branch is regulated by the Jersey Financial Services Commission. HSBC Bank plc is registered in England and Wales, number 14259. Registered office 8 Canada Square, London, E14 5HQ. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In Isle of Man, this material is issued by HSBC Bank plc, Clinch's House, Douglas, IM1 4LN, which is licensed and regulated by the Isle of Man Financial Services Authority. HSBC Bank plc is registered in England and Wales number 14259. Registered office: 8 Canada Square, London, E14 5HQ. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In France, this material is distributed by HSBC Private Bank Luxembourg French Branch - SIREN 911 971 083 RCS Paris. HSBC Private Bank in France is subject to approval and control by the Autorité de Contrôle Prudentiel et de Résolution [Prudential Control and Resolution Authority]. HSBC Private Bank is a Branch of HSBC Private Bank (Luxembourg) S.A. 18 Boulevard de Kockelscheuer

L-1821 Luxembourg, Public Limited Luxembourg Company with share capital of : 160.000.000 euros, RCS Luxembourg : B52461, Trade and Companies Register of Paris Bank and Insurance Intermediary registered with the Organisme pour le Registre des Intermédiaires en Assurances [Organisation for the Register of Insurance Intermediaries] under no. 2011CM008 (www.orias.fr) - Intra-community VAT number: FR34911971083. HSBC Private Bank in France - Registered office: 38, avenue Kléber 75116 Paris- FRANCE

In or from Switzerland, this marketing material is distributed by HSBC Private Bank (Suisse) SA, a bank regulated by the Swiss Financial Market Supervisory Authority FINMA, whose office is located at Quai des Bergues 9-17, 1201 Geneva, Switzerland. This document does not constitute independent financial research and has not been prepared in accordance with the Swiss Bankers Association's "Directive on the Independence of Financial Research", or any other relevant body of law.

In Abu Dhabi Global Markets (ADGM) HSBC Bank Middle East Limited, ADGM Branch, Al Sila Tower, The Executive Center, Level 12, PO BOX 764648, Abu Dhabi, is regulated by the ADGM Financial Services Regulatory Authority (FSRA) and lead regulated by the Dubai Financial Services Authority (DFSA). Contents in this document are directed at FSRA defined Professional Clients and only a Person meeting this criteria should act upon it.

In Dubai International Financial Centre (DIFC) HSBC Private Bank (Suisse) SA, DIFC Branch, P.O. Box 506553 Dubai, UAE which is regulated by the Dubai Financial Services Authority (DFSA) and FINMA. Contents in this document are directed at DFSA defined Professional Clients and only a Person meeting this criteria should act upon it.

In Bahrain, this communication is distributed by HSBC Bank Middle East Limited, Bahrain Branch, a member of the HSBC Group, which comprises HSBC Holdings Plc and each of its subsidiaries and includes entities providing private bank services. HSBC Bank Middle East Limited, Bahrain Branch may refer clients to HSBC Group entities providing private bank services as well as, to the extent permissible, refer certain private bank financial products and services to clients in Bahrain. However, such private bank financial products and services shall be governed by the terms and conditions and laws and regulations applicable to relevant HSBC Group entity that will provide the financial products or services.

HSBC Bank Middle East Limited, Bahrain Branch, is regulated by the Central Bank of Bahrain and is lead regulated by the Dubai Financial Services Authority.

In Qatar, this communication is distributed by HSBC Bank Middle East Limited, Qatar Branch, P.O. Box 57, Doha, Qatar, which is licensed and regulated by the Qatar Central Bank and is lead regulated by the Dubai Financial Services Authority.

HSBC Bank Middle East Limited, Qatar Branch may refer clients to HSBC Group entities providing private bank services as well as, to the extent permissible, refer certain private bank financial products and services to clients in Qatar. However, such private bank financial products and services shall be governed by the terms and conditions and laws and regulations applicable to relevant HSBC Group entity that will provide the financial products or services.

In Hong Kong and Singapore, THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED OR ENDORSED BY ANY REGULATORY AUTHORITY IN HONG KONG OR SINGAPORE. HSBC Private Bank is a division of Hongkong and Shanghai Bank Corporation Limited. In Hong Kong, this document has been distributed by The Hongkong and Shanghai Bank Corporation Limited in the conduct of its Hong Kong regulated business. In Singapore, the document is distributed by the Singapore Branch of The Hongkong and Shanghai Bank Corporation Limited. Both Hongkong and Shanghai Bank Corporation Limited and Singapore Branch of Hongkong and Shanghai Bank Corporation Limited are part of the HSBC Group. This document is not intended for and must not be distributed to retail investors in Hong Kong and Singapore. The recipient(s) should qualify as professional investor(s) as defined under the Securities and Futures Ordinance in Hong Kong or accredited investor(s) or institutional investor(s)

or other relevant person(s) as defined under the Securities and Futures Act in Singapore. Please contact a representative of The Hong Kong and Shanghai Bank Corporation Limited or the Singapore Branch of The Hong Kong and Shanghai Bank Corporation Limited respectively in respect of any matters arising from, or in connection with this report.

In Thailand, this material is distributed by The Hongkong and Shanghai Bank Corporation Limited, Bangkok branch. Registered and incorporated in Hong Kong SAR. Registered office: 1 Queen's Road Central, Hong Kong SAR and registered as a branch office in Thailand having registered number: 0100544000390. Bangkok branch registered office: No. 968 Rama IV Road, Si Lom Sub-district, Bang Rak District, Bangkok Metropolis. Authorized and supervised by the Bank of Thailand and the Securities and Exchange Commission, Thailand.

In Luxembourg, this material is distributed by HSBC Private Bank (Luxembourg) S.A. RCS B52461, which is located at 18 Boulevard de Kockelscheuer L-1821 Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier ("CSSF").

In the United States, "HSBC Private Bank" is the marketing name for the private bank business. HSBC Private Bank offers bank products and services through HSBC Bank USA, N.A. ("HSBC Bank"), Member FDIC. Investment, annuities, and variable life insurance products are offered by HSBC Securities (USA) Inc. ("HSBC Securities"), member NYSE/FINRA/SIPC. In California, HSBC Securities conducts insurance business as HSBC Securities Insurance Services. License #: **OE67746**. HSBC Securities is an affiliate of HSBC Bank. Whole life, universal life, term life, and other types of insurance are offered by HSBC Insurance Agency (USA) Inc., a wholly owned subsidiary of HSBC Bank. Products and services may vary by state and are not available in all states. California license #: **OD36843**.

Investments, Annuity and Insurance Products: Are not a deposit or other obligation of the bank or any of its affiliates; Not FDIC insured or insured by any federal government agency; Not guaranteed by the bank or any of its affiliates; and may lose value

All decisions regarding the tax implications of your investment(s) should be made in consultation with your independent tax advisor

In Australia, this document is issued by HSBC Bank Australia Limited ABN 48 006 434 162, AFSL/ACL 232595 (HBAU). It is prepared by The Hongkong and Shanghai Bank Corporation Limited (**HBAU**), 1 Queen's Road Central, Hong Kong. HBAU is incorporated in Hong Kong and is part of the HSBC Group. HBAU has a Sydney Branch ARBN 117 925 970 AFSL 301737. The document is current and is subject to change at any time.

The statements contained in this document is general in nature and does not constitute investment research or a recommendation, or a statement of opinion (financial product advice) to buy or sell investments. This document has not taken into account your personal objectives, financial situation and needs. Because of that, before acting on the document you should consider its appropriateness to you, having regard to your objectives, financial situation or needs.

This document is not by any means intended as a solicitation, nor a recommendation to purchase financial products in any jurisdiction in which such an offer is not lawful.

Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements. HBAU, HBAP and the HSBC Group of companies do not give any warranty or make any representation as to the accuracy or completeness of the forward-looking statements contained herein, or as to changes in the statements after the publication.

The value of investments and the income from them can go down as well as up and investors may

not get back the amount originally invested. Past performance contained in this document or video is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results.

Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Investments are subject to market risks, read all investment related documents carefully.

HBAU, HBAP and the HSBC Group of companies accepts no responsibility for the accuracy and/or completeness of any third-party information obtained from sources we believe to be reliable but which have not been independently verified.

© Copyright 2026. The Hongkong and Shanghai Bank Corporation Limited, ALL RIGHTS RESERVED.

No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of The Hongkong and Shanghai Bank Corporation Limited.

In mainland China, this material is distributed by HSBC Bank (China) Company Limited ("HBCN") to its customers for general reference only. This document has no contractual value and is not and should not be construed as an offer or the solicitation of an offer or a recommendation for the purchase or sale of any investment or subscribe for, or to participate in, any services. HBCN is not recommending or soliciting any action based on it.

In UAE, this material is distributed by HSBC Bank Middle East Limited UAE Branch, which is regulated by the Central Bank of UAE, the Securities and Commodities Authority in the UAE under license number 602004 and for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority.

In Kuwait, this material is distributed by HSBC Bank Middle East Limited, Kuwait Branch (HBME KUWAIT) which is regulated by the Central Bank of Kuwait, Capital Markets Authority for licensed Securities Activities and lead regulated by the Dubai Financial Services Authority. This document is directed to clients of HBME KUWAIT and should not be acted upon by any other person. HBME KUWAIT is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer arising from or relating to your use of or reliance on this document. The content of this document does not constitute the offering of advice or recommendation to invest and should not be used as the basis for any decision to buy or sell investments.

In HSBC India, this material is distributed by Hongkong and Shanghai Bank Corporation Limited, India ("HSBC India"). HSBC India is a branch of the Hongkong and Shanghai Bank Corporation Limited. HSBC India is an AMFI-registered Mutual Fund Distributor of select mutual funds and a referrer of other 3rd party investment products. Mutual Fund investments are subject to market risks, read all scheme related documents carefully. HSBC India does not distribute investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or any other jurisdiction where such distribution would be contrary to law or regulation. HSBC India, will receive commission from HSBC Asset Management (India) Private Limited, in its capacity as a AMFI registered mutual fund distributor of HSBC Mutual Fund. The Sponsor of HSBC Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), a member of the HSBC Group. Please note that HSBC India and the Sponsor being part of the HSBC Group, may give rise to real, perceived, or potential conflicts of interest. HSBC India has a policy in place to

identify, prevent and manage such conflict of interest. HSBC India provides non-discretionary portfolio advisory services for select Private Bank customers under the SEBI (Portfolio Managers) Regulations, 2020 ("PMS Regulations") vide registration no. INP000000795. Performance of each portfolio may vary for each investor because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints.

In Israel, this marketing material is distributed by HSBC Private Bank (Suisse) SA (the "Bank") with its office located at Quai des Bergues 9-17, 1201 Genève, Switzerland. The Bank is regulated by the Swiss Financial Market Supervisory Authority FINMA. This document does not constitute independent financial research and has not been prepared in accordance with the Swiss Bankers Association's "Directive on the Independence of Financial Research", or any other relevant body of law. The Bank relies on the General Permit of the Israel Securities Authority and it is not supervised neither by the Bank of Israel nor by the Israel Securities Authority, including on the content of the present document.

For SAA/TAA

This is an illustrative approach of a globally diversified portfolio allocation strategy across asset classes; the strategy and the underlying fulfilment options are not applicable to India customers.

Where your location of residence differs from that of the HSBC entity where your account is held, please go to **HSBC Private Bank website > Disclaimer > Cross Border Disclaimer** for disclosure of cross-border considerations regarding your location of residence.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of HSBC.

A complete list of private bank entities is available on our HSBC Private Bank website.

©Copyright HSBC 2026

ALL RIGHTS RESERVED



HSBC Private Bank