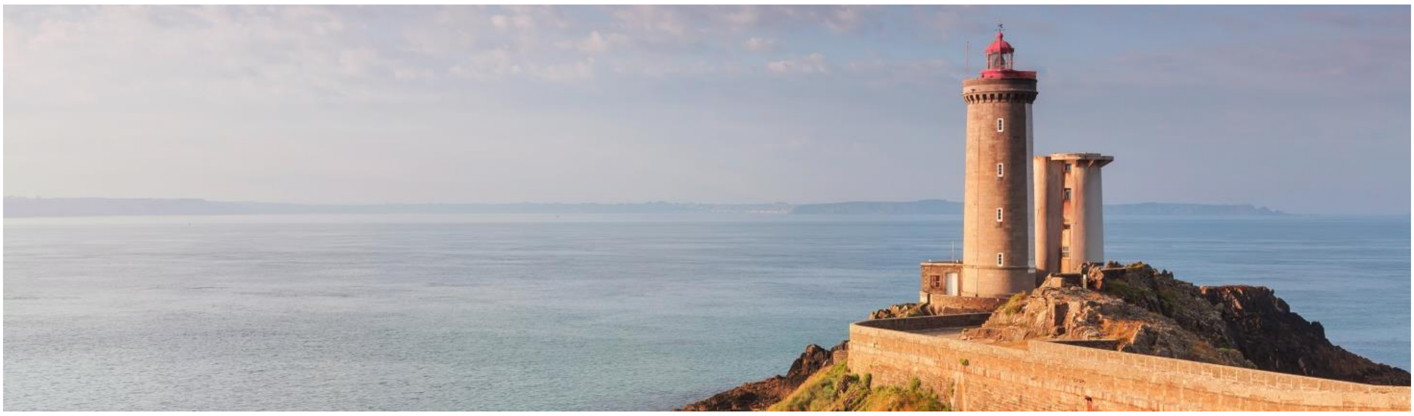
Global Investment Committee Monthly view – September 2026

Equities' broadening earnings growth offsets bond yield concerns



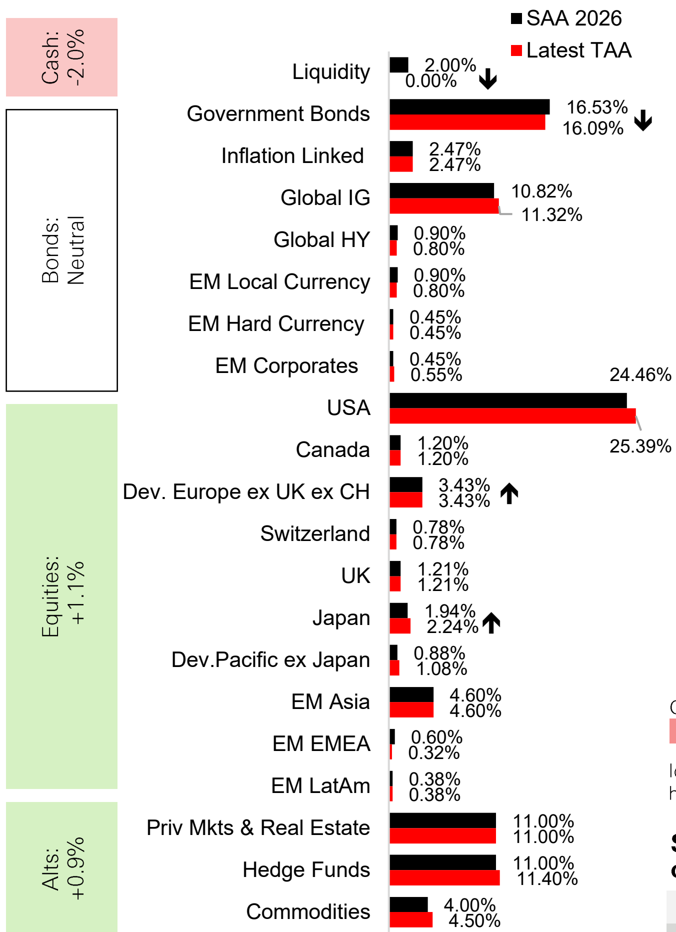
- Bond yields have been volatile recently, largely due to concerns over bond supply from the US government and hyperscalers. While these worries won't quickly disappear, real yields are now at attractive levels, and credit spreads are not seeing much pressure. So, while short-term volatility could persist, there is value in bonds for investors who can take a longer-term perspective.
- Bond yield volatility should not cause material or lasting damage to equity markets, because stocks are supported by broadening earnings growth, across sectors and regions. AI-led innovation and investment not only benefits IT, but also industrials and financials; and not just in the US but in North Asia too.
- We broaden our exposure further by upgrading Japanese stocks to overweight. Japan provides attractive options in the tech and advanced manufacturing space while financials should benefit from the recent steepening of the yield curve. Japanese stocks also tend to be a great diversifier for global equity portfolios. JPY intervention puts a floor under JPY, which should provide some comfort and benefit equity risk appetite.
- Even in Europe there are plenty of beneficiaries of rising productivity and investment, so we cover our small underweight, lifting the region to neutral.

This Monthly View is shorter than usual as we publish our Q4 Investment Outlook on 3 September.

DM government bonds	Credit and emerging market debt	Equities
Overweight on UK index-linked gilts, Australian Sovereign Bonds	**Overweight** on Global IG; Mexican and South African Local Currency Bonds, and Chinese HC Corporate bonds	**Overweight** on US, South Africa, Japan, Mainland China, Hong Kong, Singapore and South Korea
Underweight: NA	**Underweight** on Indonesian LC debt; Argentinian and Ukrainian Hard Currency bonds, GCC HC bonds	**Underweight** on France, Türkiye, India, Indonesia and Thailand

Summary of our positioning

Tactical Asset Allocation: we make small additions to Japanese and European stocks



*We consider Real Estate and Private Markets as long term investments, and hence the TAA equals the SAA for those asset classes.

Sector views: we only make small tweaks as performance largely aligns with our preferences

		Global	US	Europe	Asia
Cyclical	Materials	=/+	=/+	=/+	=/+
	Industrials	=/+	=/+	=/+	=
	Consumer discretionary	=/-	=	=/-	=
	IT	+	+	=/+	=/+
	Communications services	=/+	=/+	= ↓	=/+
	Financials	=/+	=/+	=/+	=/+
	Real estate	=	=	=	=
Defensive	Energy	=/+	=/+	=/+	=/+
	Consumer staples	=/-	=/-	=/-	=/-
	Healthcare	=	=	=	=/+
	Utilities	=/+	= ↓	=/+	=

Guide to symbols: + Overweight =/+ Mild Overweight = Neutral =/- Mild Underweight - Underweight

Icons: ↑ View on this asset class has been upgraded; ↓ View on this asset class has been downgraded.

Style and Strategy preferences: we have removed our cyclical bias

US	Growth
Europe	Growth and Large Cap
Asia	Growth and Quality

	Asset Class	View	Comments
Bonds	Government Bonds	=	Issuance concerns create volatility but real yields are attractive; we clip coupons
	Inflation Linked (IL)	=	Breakeven rates are fair, but oil prices are volatile; we like UK linkers
	Global IG	=/+	While overall yields are still attractive, we keep duration to medium
	Global HY	=	While macro risks remain elevated, risk appetite is supportive
	EM Local Currency debt	=	A stronger USD can pose some challenges but some areas are supported, depending primarily on oil and tech exposure.
	EM Hard Currency Sov	=	We still find yield but remain selective and generally focus on quality
	EM Corporate debt	=/+	A resilient economic cycle and attractive yields make us look for carry
Equities	US Equities	=/+	The US is resilient to the energy shock and well exposed to AI-related upside
	Canada	=	Canada faces domestic challenges but benefits from still high commodity prices
	Dev. Europe ex UK	= ↑	There are plenty of beneficiaries of innovation and investment
	Switzerland	=	The defensive sector composition should help amid global uncertainties
	UK	=	The UK's value style offers diversification, but risks include growth and politics
	Japan	=/+ ↑	Japan biggest sectors align with our preference. JPY intervention creates stability
	Dev. Pacific ex.Japan	=/+	We overweight Singapore and Hong Kong because of local market drivers
	EM Asia	=	We overweight China due to resilience and innovation but India faces headwinds
	EM EMEA	=	We hold a neutral view on EMEA. South Africa benefits from bullish gold outlook
	EM Latam	=	Elections offer two-way risks, but stronger commodity prices are supportive
Commodities	Gold	+	USD strength is a risk, but gold should still benefit from diversification flows
	Silver	=	Following the recent volatility, we see two-way risks and less upside
	Oil	=	Oil prices remain very volatile as they move with the news flow

Markets caught between head- and tailwinds

The tailwinds

The biggest tailwinds for equity markets and global risk appetite are the resilience of the global economy and the support from AI-led innovation, which are translating into solid and broadening earnings growth.

While we recently got a weak US retail sales figure, illustrating the K-shaped nature of US growth, the US economy nevertheless remains resilient, thanks to higher-end consumer spending and a strong US energy sector.

That cyclical momentum is further supported by structural trends, which our readers will be familiar with. Re-onshoring continues as tariffs and trade frictions remain part of our new reality. Global choke points incentivise companies to rely more on local or regional suppliers.

Around the world, rising defence spending is supporting activity and related tech innovation. And as companies and governments diversify energy sources and prepare for a surge in AI-led electricity demand, investment in electricity generation and distribution accelerate.

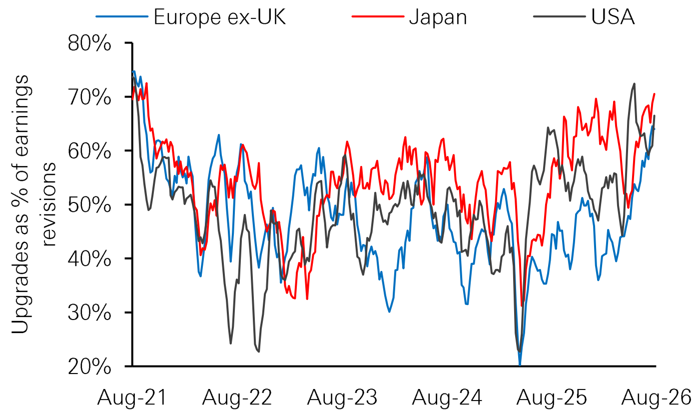
So, it is no surprise that the US earnings season created many positive surprises – not just in technology, but also in industrials, financials and other sectors. These sectors are therefore also among the best performers this month, in addition to energy and materials, which are supported by our Energy & Resource Security theme and by the continued commodity price volatility.

As these themes provide global support, it should also not come as a surprise that earnings momentum is broadening geographically. Even in Europe, which only has a small tech sector, there are plenty of AI adopters who are seeing improved productivity because of it. And in Japan, we find a particularly attractive index composition, including Industrials, Financials and IT as the three biggest sectors – three of our principal overweights.

As a result, we **upgrade Japanese stocks back to overweight**. JPY volatility and worries about rising bond yields as well as the BoJ policy had caused us to take a more prudent stance in the past 3 months, but we think fears are now waning. JPY intervention by both Japan and the US puts a floor under JPY, which should provide some comfort and benefit risk appetite. The BoJ will probably hike two more times by Q1 2027, but this is already in the price. Japanese stocks provide attractive options in the tech and advanced manufacturing space while financials should benefit from the recent steepening of the yield curve. Japan also tends to be a great diversifier for global portfolios.

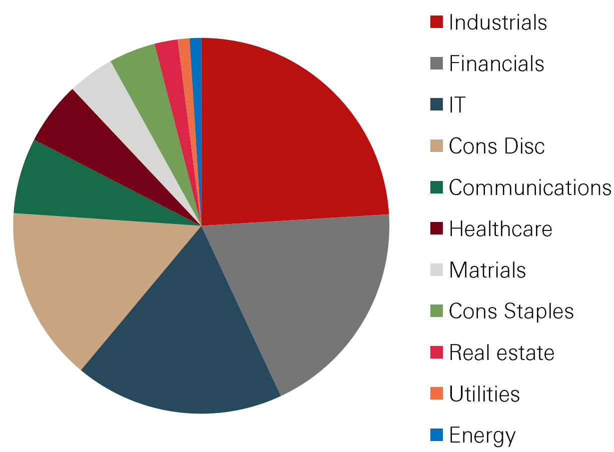
Europe ex-UK is supported by fiscal spending and productivity growth. GDP growth – while moderate - has been more resilient to the energy shock than thought. We have added a bit of exposure to neutralise the small underweight we held in our tactical allocation (TAA) and align it with the SAA.

Earnings growth continues to broaden, including Europe and Japan



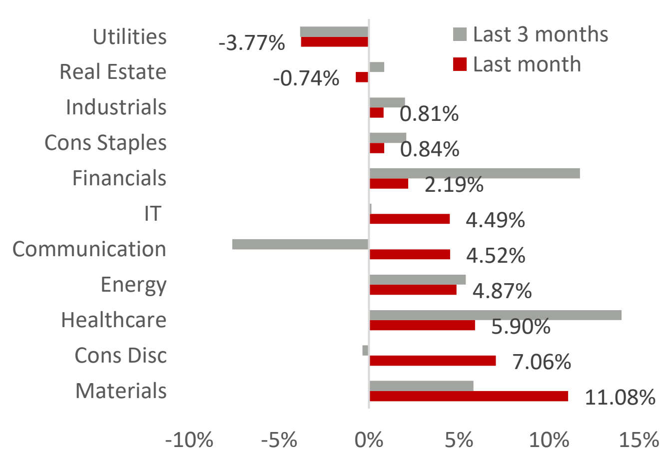
Source: LSEG, I/B/E/S, HSBC Private Bank as at 23 August 2026. Forecasts are subject to change

Many of the sectors we currently like have a high weight in the MSCI Japan



Source: MSCI, HSBC Private Bank as at 23 August 2026.

AI innovation, re-onshoring and energy & resource security support sector performance



Source: Global sector performance, Bloomberg, HSBC Private Bank as at 23 August 2026. Past performance is not a reliable indicator of future performance.

The headwinds: how much does the bond market sell-off matter?

Just like in equity markets, the narrative in the bond market has been changing a lot recently, moving from one topic to the next.

The first factor creating continued volatility (both ups and downs) is oil prices. We think two-way risks will remain because the situation in the Strait of Hormuz remains unresolved.

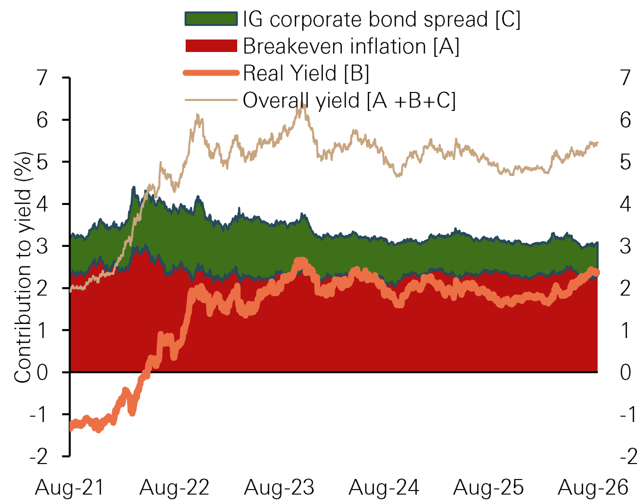
But energy-led headline inflation is having a less devastating effect on core inflation than some feared. This should help the Fed keep rates unchanged, as PCE core inflation is its preferred measure, and it has been kept in check by falling rental inflation. This insight, and more mixed recent US activity data, have caused investors to scale back the number of rate hikes they are pricing in for the rest of the year. While just a few weeks ago, they still expected two hikes by December, just one hike is now priced in. As a result, short-dated yields have come down, anchoring the front end of the yield curve.

Nevertheless, the longer end of the curve has sold off (long-dated yields have drifted up), resulting in a steeper curve. This is almost entirely due to higher real yields, as breakeven inflation expectations have been kept in check. In other words, markets are pricing in higher risk premia for uncertainty and supply/demand technicals:

1) Uncertainty: the main investor concern is about lower transparency of Fed decisions and reduced guidance. However, Fed policy is set by the committee and not by the Chair alone. As time passes, we will naturally get more clarity in Fed members' speeches, and uncertainty will ease.
2) Supply: there is heightened concern about Treasury supply (a known factor) and hyperscaler bond supply (a new and less quantifiable factor). We note however that there is no huge jump in the long-term growth of outstanding investment grade bonds. This may explain why investment grade spreads have also not jumped. And it is worth pointing out that US corporate balance sheets remain in good health. As for government bonds, some help has come from Scott Bessent's announcement that the Treasury would buy back some 30-year bonds, shifting the market composition to shorter maturities, thereby easing the pressure on the long end of the curve.

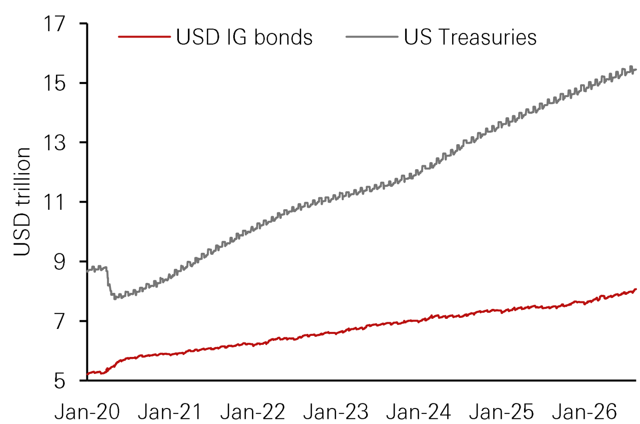
While short-term volatility could persist due to the uncertain supply outlook, hedge fund deleveraging and investors shortening duration in the mortgage backed security (MBS) market, we find real yields attractive at current levels. Investors who can look through the volatility and lock in current yields can earn attractive income, which is a great source of returns as well as a portfolio stabiliser. For equities, we do not see the current bond volatility as an obstacle to further market upside as earnings growth should drive up stocks.

Yields are driven higher by real yields, while inflation expectations and spreads are stable



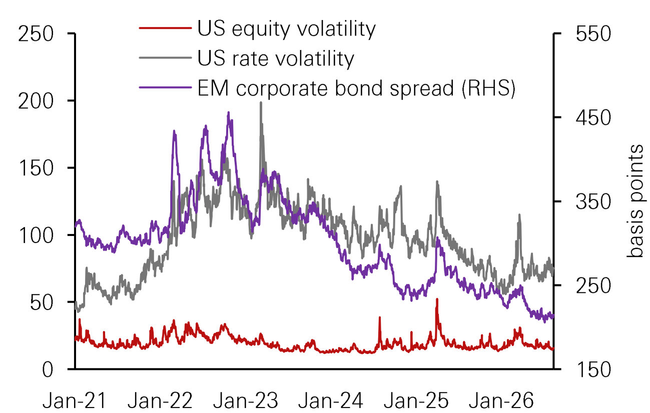
Source: Bloomberg, HSBC Private Bank as at 23 August 2026. Past performance is not a reliable indicator of future performance

There is no major sudden jump in outstanding Treasury or USD IG bonds



Source: Bloomberg index notional value, HSBC Private Bank as at 23 August 2026.

Limited impact on equity volatility or EM spreads



Source: Bloomberg, HSBC Private Bank as at 23 August 2026. Past performance is not a reliable indicator of future performance.

Asset class views

Equities

Regions	View
US	=/+
Canada	=
Europe ex UK	**=**
Switzerland	=
UK	=
Japan	**=/+**
Dev. Pacific ex Japan	=/+
Emerging Markets	=
Hong Kong	=/+
Singapore	=/+
France	=/-
Germany	=
Italy	=
Spain	=

Foreign Exchange

	Long-term view
USD	+
CAD	=
EUR	-
GBP	-
CHF	=
JPY	=
AUD	=
NZD	=
SGD	=
Emerging Markets	-
EUR/GBP	=
EUR/CHF	-

Commodities

	Long-term view
Gold	+
Silver	=
Oil	=

Fixed Income

Overall	View
Sovereign	=
Corp. Inv. Grade	=/+
High Yield	=
Emerging Markets	=/+

Detail		View	Maturity
USD	Sovereign	=	Medium
	Sov. I-L	=	Medium
	Corp. IG	=/+	Medium
	High Yield	=	Short-to-Medium
EUR	Sovereign	=	Medium-to-long
	Periphery	=	Medium-to-long
	Sov. I-L	=	Medium
	Corp. IG	=/+	Medium-to-long
	High Yield	=	Short-to-Medium
GBP	Sovereign	=	Medium-to-long
	Sov. I-L	=/+	Medium
	Corp. IG	=/+	Medium
	High Yield	=	Short-to-Medium

Detail		View	Maturity
JPY	Sovereign	=	Medium-to-Long
	Corp. IG	=	Medium
AUD	Sovereign	=/+	Medium-to-long
	Corp. IG	=/+	Medium-to-long
NZD	Sovereign	=	Medium-to-long
	Corp. IG	=	Medium-to-long
CAD	Sovereign	=	Medium-to-long
	Corp. IG	=/+	Medium-to-long
EM	Sov (local)	=	Short-to-Medium
	Sov (USD)	=	Short-to-Medium
	Corp. (local)	=	Short-to-Medium
	Corp. (USD)	=/+	Short-to-Medium

Emerging Markets

Equities	View
Mainland China	=/+
India	=/-
Indonesia	=/-
Philippines	=
Malaysia	=
South Korea	=/+
Taiwan	=
Thailand	=/-
Brazil	=
Mexico	=
Türkiye	=/-
South Africa	=/+
UAE	=
Russia	NA (*)

Foreign Exchange	View
Mainland China	=
India	**=**
Indonesia	-
South Korea	+
Thailand	=
Philippines	=
Brazil	=
Mexico	=
Russia	NA (**)
Turkey	-
South Africa	=

		Foreign currency	
EM Fixed Income	**Local currency**	**Sov**	**Corp**
Mainland China	=		=/+
India	=		=
Indonesia	=/-	=	=
South Korea		=	=
Argentina		–	–
Brazil	=	=	=
Colombia		=	=
Mexico	=/+	=	=
Russia	-	-	-
GCC		=/-	=/-
Türkiye	=	=	=
South Africa	=/+	=	=

Notes: (*): Russia has dropped out of the MSCI benchmark, and therefore also out of our SAA and our GIC universe.
(**) We consider the RUB uninvestable at this point
Guide to symbols: +: Overweight =/+: Small Overweight =: Neutral =/-: Small Underweight -: Underweight
For currencies, the signs refer to bullish/neutral/bearish views

Changes this month

Equities	Change	Comment
Japan	↑	Consistent growth in Japanese equities earnings has brought down their valuations multiple. Furthermore, the index comprises three of our most favoured sectors – Technology, Financials and Industrials. Whilst Technology and Industrials are benefitting from the AI tailwind and Japan's expertise in advanced manufacturing, Japanese Financials are benefitting from the steepening of the JGB yield curve. With all these factors pointing to continued earnings growth in Japanese equities, we upgrade our view from **neutral to mildly overweight**.
Europe	↑	Better than expected activity data, improved earnings and investment, and adoption of AI by European businesses which is improving their productivity and profitability – all lead us to upgrade our overall view on Europe ex UK from **mildly underweight to neutral**.

Currencies and Commodities	Change	Comment
INR	↑	The downward pressure on INR appears to have bottomed out with government's recent FCNR deposit scheme attracting over $80bn USD, and a resumption of inflows into Indian bonds and equities. RBI's USD reserves are looking healthy. Furthermore, recent reduction in crude prices should put less pressure on INR. We therefore upgrade our view from **bearish to neutral**.

Performance

Total Returns as at 26 August 2026

Fixed Income	Year to date	2025	2024	2023	2022	2021
US Treasuries	-0.9%	8.0%	-1.7%	3.5%	-16.5%	-3.7%
UK Gilts	-0.4%	6.1%	-3.0%	5.6%	-17.1%	-4.9%
German Bunds	-0.7%	-0.6%	0.1%	7.0%	-18.9%	-2.8%
Japan Govt	-2.6%	-4.4%	-1.6%	3.3%	-2.8%	0.0%
Global Inflation linked	1.3%	4.5%	-0.6%	4.6%	-17.4%	5.4%
Global Corporate IG	0.6%	7.1%	3.7%	9.1%	-14.1%	-0.8%
Global High Yield	3.3%	10.0%	10.7%	13.7%	-11.0%	2.5%
EM local currency	5.5%	17.2%	-1.4%	12.4%	-0.3%	-3.6%
EM hard currency	2.3%	13.5%	5.7%	10.4%	-16.5%	-1.5%

Equity	Year to date	2025	2024	2023	2022	2021
North America	12.6%	17.3%	24.6%	26.5%	-19.8%	26.5%
Dev.Europe ex UK	13.2%	19.1%	7.2%	16.4%	-12.9%	23.5%
UK	12.4%	25.8%	9.5%	7.7%	7.1%	19.6%
Japan	21.8%	24.3%	20.7%	28.6%	-4.5%	13.4%
Dev.Pacific ex Japan	11.6%	14.1%	12.1%	5.8%	-1.8%	9.0%
Australia	8.4%	6.5%	11.6%	14.1%	1.6%	16.1%
New Zealand	24.5%	-1.7%	37.0%	6.5%	-19.1%	-15.0%
Hong Kong	10.0%	35.1%	-0.4%	-14.7%	-4.6%	-3.4%
Singapore	25.5%	26.3%	36.0%	3.7%	-11.5%	7.8%
Emerging Markets	23.7%	31.3%	13.1%	9.9%	-15.5%	-0.2%
Brazil	8.1%	35.0%	-11.7%	22.1%	8.2%	-11.4%
Russia	NA	NA	NA	NA	NA	20.5%
India	-2.9%	7.7%	14.4%	21.5%	2.4%	28.4%
China	-7.5%	30.5%	19.5%	-10.7%	-20.7%	-21.7%
South America	3.6%	56.0%	10.1%	9.1%	2.5%	12.5%

Alternatives	Year to date	2025	2024	2023	2022	2021
Real Estate	14.2%	8.4%	2.8%	10.9%	-23.7%	32.6%
Hedge Funds	4.4%	11.1%	9.4%	9.1%	-4.2%	10.6%
Gold	6.4%	64.6%	27.2%	13.1%	-0.3%	-3.6%
WTI Crude Oil	43.2%	-19.9%	0.1%	-10.7%	4.2%	58.7%
Private Equity	NA	14.2%	5.7%	5.5%	-5.6%	48.8%

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Glossary of terms

Absolute return – The nominal return on an investment irrespective of any given specific benchmark.

Alternative investments – Non-traditional investments with low correlations to traditional assets which are typically used to improve portfolio diversification.

Annualised return – The yearly increase (or decrease) in the value of an investment, including the effects of compounding.

Annualised volatility – The estimated spread of returns of an asset on an annual basis. Volatility is usually used as a measure of risk, as a highly volatile asset may offer large negative as well as large positive returns.

Asset allocation – The apportioning of investment assets between different asset classes such as equities, fixed income, liquid assets (cash), real estate, etc

Asset class – Assets are aggregated into groups that share similar characteristics. Asset classes include 'Equity,' 'Fixed income,' 'Liquid assets,' 'Real Estate' and 'Commodities'.

Benchmark – A single or a weighted collection of indices used as a reference or comparison of investment performance.

Credit risk – The risk of loss to your investment arising from a counterparty (eg a bond issuer or a bank) which does not, or cannot, make the required payments as promised or agreed on in a contract.

Cumulative return – Actual (non-annualised) performance over a given period of time.

Derivatives – Instruments such as futures, options and swaps that derive their value from the movement in the price of an underlying asset.

Diversification – The process of spreading a portfolio's holdings over a range of securities and asset classes with the aim of reducing volatility.

Duration – The weighted average maturity of a bond's cash flows or of any series of linked cash flows.

Expected return – The weighted average of a probability distribution of possible rates of return.

Fund of funds – A fund whose purpose is to invest in other funds. Applicable to all asset classes.

Hedge – A transaction made with the intent of reducing investment risk, for example using options or forwards.

Hedge fund – An unregulated fund which is allowed to use strategies that are unavailable to the majority of unit and investment trusts. Hedge funds can be exempt from many of the rules and regulations governing traditional funds. Usually considered as an 'Alternative' asset class.

High yield – Corporate bonds that are rated below investment grade (defined as BB and below).

Hold – Maintain a current level of investment in a particular asset class, market, sector, security, or investment vehicle.

Illiquid asset – An investment that cannot be realised at short notice.

Inflation – Rising prices of individual or a basket of goods and services.

Long duration – A fixed income security that has a modified duration that is longer than 7 years.

Long term – An investment time horizon of five years or greater.

Market capitalisation – Refers to the total value of a company or stock exchange. Usually calculated by multiplying the number of shares outstanding for a company or a stock exchange by the value of a single share.

Market risk – The risk that the value of your investment can fall as well as rise by taking exposure to a particular market. Market risk cannot be diversified away from by increasing holdings of similar securities.

Medium duration – A fixed income security that has a modified duration between 3 and 7 years.

Medium term – An investment time horizon of between three and five years.

Neutral – A portfolio position that is the same as the benchmark would suggest, or: a seven to ten year time horizon.

Overweight – A portfolio position that is higher than the benchmark would suggest.

Private equity – Securities of unlisted companies which are generally illiquid and are therefore held for longer periods of time than more traditional securities.

Relative return – The return that an asset achieves over a period of time compared to a benchmark.

Short duration – A fixed income security that has a modified duration between one and three years.

Short term – An investment time horizon of between one and three years, or a tactical view of less than six months.

Strategic asset allocation – The proportional mix of asset classes which should meet an investor's risk and return objectives over a seven to ten year time horizon.

Tactical asset allocation – An active management strategy that deviates from the long-term strategic asset allocation in order to take advantage of current market views.

Total return – A measure of the return over a stated period that incorporates both the return from price appreciation and investment income, such as coupons and dividends.

Traditional investments – Equities, bonds, and cash.

Underweight – A portfolio position that is lower than the benchmark would suggest.

Risk disclosures

Risks of investment in fixed income

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

Credit risk

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

Risks associated with high yield fixed income instruments

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

– Capital growth risk - some high-yield bond funds may have fees and/ or dividends paid out of capital. As a result, the capital that the fund has available for investment in the future and capital growth may be reduced; and
– Dividend distributions - some high-yield bond funds may not distribute dividends, but instead reinvest the dividends into the fund or alternatively, the investment manager may have discretion on whether or not to make any distribution out of income and/ or capital of the fund. Also, a high distribution yield does not imply a positive or high return on the total investment.
– Vulnerability to economic cycles - during economic downturns such instruments may typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

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

– Subordinated debentures - subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in the event of the issuer's liquidation.
– Perpetual debentures - perpetual debentures often are callable, do not have maturity dates and are subordinated. Investors may incur reinvestment and subordination risks. Investors may lose all their invested principal in certain circumstances. Interest payments may be variable, deferred or cancelled. Investors may face uncertainties over when and how much they can receive such payments.
– Contingent convertible or bail-in debentures - Contingent convertible and bail-in debentures are hybrid debt-equity instruments that may be written off or converted to common stock on the occurrence of a trigger event. Contingent convertible debentures refer to debentures that contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event. These debentures generally absorb losses while the issuer remains a going concern (i.e. in advance of the point of non-viability). "Bail-in" generally refers to (a) contractual mechanisms (i.e. cotractual bail-in) under which debentures contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event, or (b) statutory mechanisms (i.e. statutory bail-in) whereby a national resolution authority writes down or converts debentures under specified conditions to common stock. Bail-in debentures generally absorb losses at the point of non viability. These features can introduce notable risks to investors who may lose all their invested principal.

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

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

Changes in legislation and/or regulation

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

Nationalisation risk

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

Reinvestment risk

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

Risk disclosure on Dim Sum Bonds

Although sovereign bonds may be guaranteed by the China Central Government, investors should note that unless otherwise specified, other renminbi bonds will not be guaranteed by the China Central Government.

Renminbi bonds are settled in renminbi, changes in exchange rates may have an adverse effect on the value of that investment. You may not get back the same amount of Hong Kong Dollars upon maturity of the bond.

There may not be active secondary market available even if a renminbi bond is listed. Therefore, you need to face a certain degree of liquidity risk.

Renminbi is subject to foreign exchange control. Renminbi is not freely convertible in Hong Kong. Should the China Central Government tighten the control, the liquidity of renminbi or even renminbi bonds in Hong Kong will be affected and you may be exposed to higher liquidity risks. Investors should be prepared that you may need to hold a renminbi bond until maturity.

Alternative Investments

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

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

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; (c) higher rates of inflation; (f) less oversight by a regulator of local securities market; (g) longer settlement periods in so far as securities transactions and (h) less stringent laws in so far the duties of company officers and protection of Investors.

Risk disclosure on FX Margin

The price fluctuation of FX could be substantial under certain market conditions and/or occurrence of certain events, news or developments and this could pose significant risk to the Customer.

Leveraged FX trading carry a high degree of risk and the Customer may suffer losses exceeding their initial margin funds. Market conditions may make it impossible to square/close-out FX contracts/options. Customers could face substantial margin calls and therefore liquidity problems if the relevant price of the currency goes against them.

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

Currency risk – where product relates to other currencies

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

Chinese Yuan ("CNY") risks

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

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

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

Illiquid markets/products

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

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

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors to varying degrees. Certain instruments we classify as 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.

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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.

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