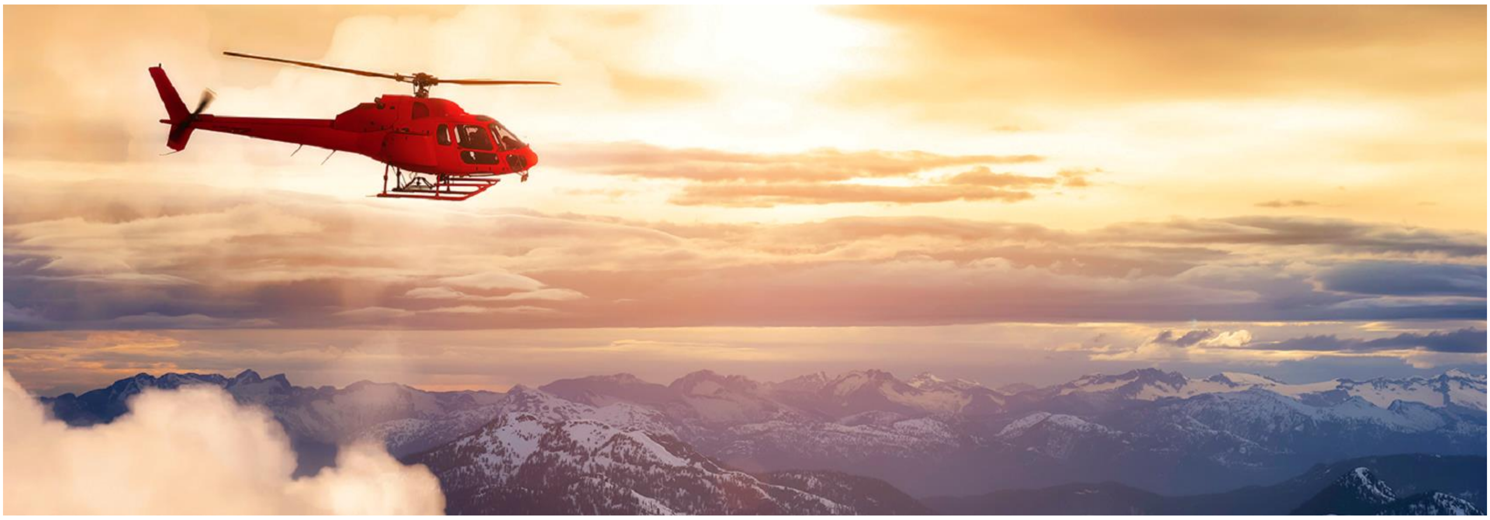
HSBC Private Bank

CIO Academy

Opportunities in AI's creative destruction: Why we disagree with a dystopian view of the AI world

April 2026



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Highlights: In 1949, George Orwell published a Novel called 1984 which was a satire of a dystopian future. Whilst today, everyone's trying to fathom a future with Artificial Intelligence, a lot of Orwellian AI-fearmongering is on the rise. Doomsday type thought experiments that play on markets' pre-existing fears have gone viral. One, written by Citrini, painted a vision of a world where AI precipitates white-collar lay-offs and mass-unemployment exceeding the 10% mark, culminating into a stock-market precipice in 2028. It morphed the AI narrative from a productivity booster to being an existential threat to human prosperity. The report also propagated contentious concepts like "Ghost GDP", labelled human relations as "*nothing but friction*" and the author later proposed higher taxes on AI adopters. We find the entire proposition – both the extent of the problem and the solutions offered – not just hypothetical but also out of sync with basic principles of economics and the learnings from economic history. In this paper, we decipher some of the extreme assumptions that such thought experiments use and contrast them with some reality checks.

Our take – let's not demonise AI. The new AI world isn't dystopian. It's opportunity rich:

- **AI's creative destruction offers opportunities to those who learn, adopt and invest in it**. Like the internet, we believe AI will act as an equaliser. It will democratise economic and investment opportunities for those who embrace it.
- **AI & Jobs: The future belongs to an AI augmented, rather than AI threatened workforce.** Yes – there's going to be some job displacement in areas where jobs follow a set pattern of physical or intellectual labour. But economies are dynamic ecosystems, and the number of jobs isn't static, especially amidst tech revolutions. With AI's continued adoption, productivity will increase, more problems will be solved & new industries will be created, which will create more AI enabled jobs. Human prosperity and cumulative consumption should therefore trend higher.
- **Human Accountability will still be key – because an AI agent can't be held accountable if it hallucinates or lacks context**. AI intelligent workflows will always depend on critical human cognitive skills that cannot be replicated by Artificial Intelligence. Meta-capabilities like connecting the dots and providing judgement in the face of uncertainty; the human knack of innovative problem solving; strategic leadership and farsightedness; building relationships and trust will still be at the core of running successful businesses.

What are the investment implications of this new AI enabled world?

AI will create corporate winners and losers. Companies that meaningfully adopt AI in their operations continue to see lower costs, higher revenues and better margins, and steady share price outperformance vs their non-AI adopting peers. We see opportunities in AI adopters like a.) Financials, industrials & medicine; b.) Enablers like AI compute & cloud providers, and Utilities; c.) Physical infrastructure buildout like data centres & energy infrastructure d.) New frontiers of AI tech like building data centres in space & other AI enabled Space Tech. Besides, consistently rising earnings expectations, and relatively compressed US valuations offer an attractive entry point. Bottom-up stock picking & allocating to Hedge Funds will help.

Artificial Intelligence vs Natural Stupidity

When Terry Pratchett wrote "*Real stupidity beats Artificial intelligence every time*" in his book, Hogfather, published in 1996, little must he have known that three decades down the line, his prophecy will turn out to be one of the major challenges facing the markets in 2026. An undesired side effect of the exponential growth in the Artificial Intelligence technology in recent years has been that there's also been a parallel growth in doomsayers and an AI derangement syndrome of sorts - a strange duality of contradictory AI related investor anxieties – whereby, on the one hand, there is a deep scepticism about the Return on Investment (RoI) on the AI capex being done by US big tech in 2026; yet, on the other hand, the markets are fearful of AI's disruptive impact on a wide range of sectors. This scepticism has led to a rise in dystopian fearmongering about AI. The problem is that markets tend to take these outlandish, alarmist views at face value, mistaking them to be the base case or the most probabilistic economic scenario, when they're not. This report details why we disagree with a dystopian AI view of the world. Rather, we see several investment opportunities in its creative destruction.

Extreme AI thought experiments make extreme assumptions:

1.) **Assumption #1: AI will completely replace workers rather than boost their productivity**. Alarmist thought experiments trepidatiously predict widespread while collar layoffs due to AI's adoption. This follows what is called in economics **- The Lump of Labour Fallacy** – a mistaken belief in Labour Economics that says that there is a fixed amount of work (a"lump") in an economy, whereby the total number of jobs are static and work can only be redistributed, not expanded.

The Reality: Economies are dynamic systems, where, with the advent of any new technology, demand changes, new industries emerge, and productivity lifts increase job creation. Yes – with AI's adoption, there's certainly going to be some job displacement in areas where jobs follow a set pattern of low-skilled physical or intellectual labour or even in some skilled work like writing a software code. But, no, we are not in a "*human intelligence displacement spiral*" as claimed by Citrini in their thought experiment. We are living through an era of transformation, where the old labour landscape is giving way to the rise of a new labour landscape. Rather than indulging in mass layoffs, we expect corporates to use AI to simplify processes and procedures; reduce complexity; and empower staff with the AI tools they need to deliver more personalised services to individual customer needs, at scale. As such, corporates will strengthen their technology foundations to deploy AI at scale - securely, efficiently, and responsibly.

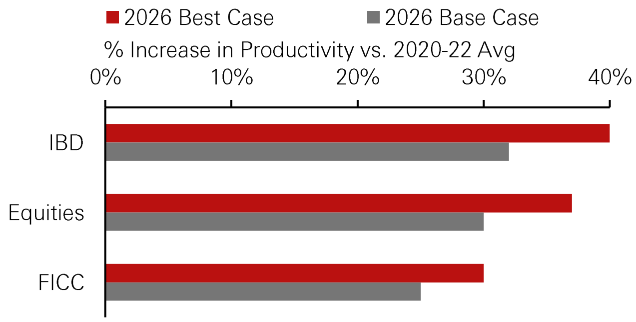
To substantiate our view, we examine this labour market transformation through a.) Recent data, b.) Current context from our own industry – banking and finance, and c.) Some historical industry context from healthcare.

a.) **What do the labour market data say?** Data show that despite fast paced AI adoption in the US - whilst the labour market isn't that all guns blazing - it isn't in a freefall either. Monthly US employment data have been noisy in 2026, with a lot of fluctuation from month to month, but the 6-months average change in private sector payrolls is still circa +53,000, which is decent in our view. March 2026 marked the strongest level of job growth in over two years. As per the Bureau of Labor Statistics data, the US added 178,000 nonfarm jobs, and US unemployment rate edged down to 4.3% (very close to Fed's long term unemployment target of 4.2%). While some companies are shedding their excess payroll flab they built-up during excessive hiring in the Covid era, compared with 12 months ago, the US unemployment rate is nearly unchanged. Plus, the YoY average hourly earnings growth remains at 3.5%, which is still above inflation. As such, labour market indicators show little sign of a dystopian-type AI-driven labour disruption.

b.) **Context from AI adoption in Financials:** AI offers structural productivity up-lift to several sectors, especially banking and finance, where leaner, AI-enabled teams are unlocking leverage. In a service industry like banking, where client relationships, personal context and trust matter, AI-driven productivity gains are unlikely to trigger broad banker head-count cuts. Instead, the use of AI is gradually leading to a recalibration of team structures, tightening support intensity at the margin, and improving processes where repetitive workflows dominate. AI-enabled workflow automation is alleviating capacity-constraints by supporting faster information processing and aiding decision velocity - helping banks expand coverage and capabilities. Yes - AI tools that streamline and automate processes are expanding employee throughput and compressing deal timelines, especially for senior bankers, enabling coverage of more mandates and higher revenue without a proportional increase in support. Yet, analyst pipelines and the apprenticeship model remain intact, even if there's some modest pyramid tightening (rather than sweeping structural cuts). As such, financials are modernising core platforms, building central AI platforms that employees can use to access a range of AI productivity tools, and lead key strategic partnerships, while keeping human judgement, decision-making and accountability at the core of their businesses.

According to a BCG report, AI will be a two-pronged tailwind for capital market participants like banks and other financial institutions. Work-flow automations should unlock 25-40% productivity uplift for bankers; and related capital formation Supercycle should amplify trading and fee momentum.

AI is boosting front-office productivity in financials, but human input is still critical



Source: Data from Deloitte 2023 study, Bloomberg Intelligence, HSBC Private Bank, April 2026. Note: IBD stands for Investment Banking Division; FICC is Fixed Income, Currencies and Commodities.

c.) **Historical context:** History shows that with the advent of any new technology, whether it was the introduction of computers in offices in the 1990s or the automation of certain processes in manufacturing between the 1970s-80s, workforce adapts quickly to the changing realities of the job market; upskills through training and development and eventually upgrades to higher value work. A few years ago, the first job that experts said would be wiped out due to AI was that of radiologists. With Computer Vision (CV) achieving superhuman levels around 2020, AI could read radiology scans faster than humans. Fast forward to 2026, and almost every radiology platform is now aided by AI. But even then, radiology as a profession is thriving. In fact, there's a shortage of radiologists. Why? Because the purpose of a radiologist's job is to diagnose diseases, connect the dots, collaborate with doctors and help patients. AI helped radiologists read scans faster, in-patient them faster and increased the number of patients they could see in a day. AI increased radiologists' productivity, and the value they provided to their patients and the wider society, instead of making them redundant. It's therefore clear that the alarmists' view went too far to create an artificial scare for this all-so-important profession for the society.

So, what's the future of jobs with AI?

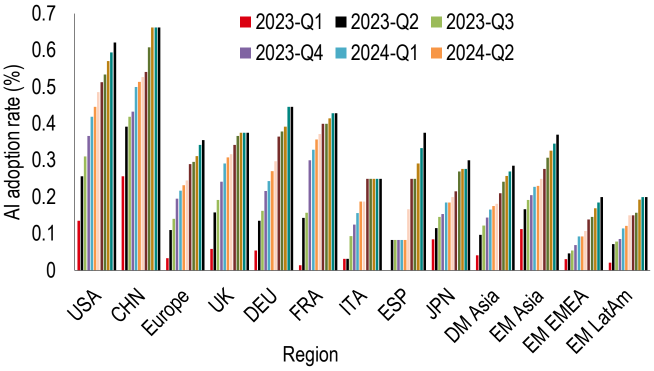
Rapid rise of AI is creating new career paths. New jobs that require a mix of technical skills, human creativity, an understanding of psychology, and a focus on human-AI collaboration are being created fast. Some jobs like Prompt Engineers, AI Ethicists & Policy Specialists, AI Business Strategists, Machine Learning Operations (MLOps) Engineers, AI Trainers/Data Annotators etc. - that did not exist until a few years ago are some of the top AI jobs that have emerged recently - and this process is expected to continue. With the possible expansion of AI data centres to space, AI will likely create new jobs - some of which we can't even imagine today. As such, they haven't even been named yet.

But human accountability will still be key: Because you can't hold an AI agent accountable for hallucinating. Whilst new AI jobs emerge and the future of work evolves, we do not foresee a juncture, anytime soon, where humans will de-value building relationships, trust, and having interactions with other humans, whilst entrusting end-to-end business decisions and implementation to AI Agents. Rather, we envisage AI agents integrating within existing businesses, elevating corporate workflows and professions – to increase the value add offered to the customers, rather than completely displacing white-collared workers. Human oversight, creativity, context and wisdom will be central to any process, and almost everybody will have to upskill on the job and adopt AI in their workflow to remain relevant. For those who lose their jobs, they would likely re-train to find new roles in an AI diffused job market.

2.) **Assumption #2**: **AI's adoption rate is exponential and even:** Citrini's report assumes a fast-paced AI adoption, which starts now and ends up in doomsday scenario in 2028. But we think this assumption lacks a sense of reality.

The Reality: AI adoption isn't happening at the same pace across the globe. As per HSBC Global Investment Research's analysis of earnings calls, there is a global increase in the proportion of companies discussing AI adoption on earnings calls. As the chart on the next page shows, the estimated adoption rate for the US is over 60%. Europe overall had increased to 35% AI adoption until the last earnings season. Germany and France are leading the adoption race in Europe with about 45% adoption rate. Therefore, whilst AI's development as a technology may be exponential, the pace of its adoption in the real world remains more linear. Besides, every industry will have a different application of the AI technology and will need time to adjust and use AI. The shift from fragmented, experimental AI pilots to robust, production-grade, enterprise-wide AI deployments will take time, in our view.

Global AI adoption rate varies by region



Source: HSBC Global Investment Research, HSBC Global Private Bank, LSEG, FTSE Russell, April 2026

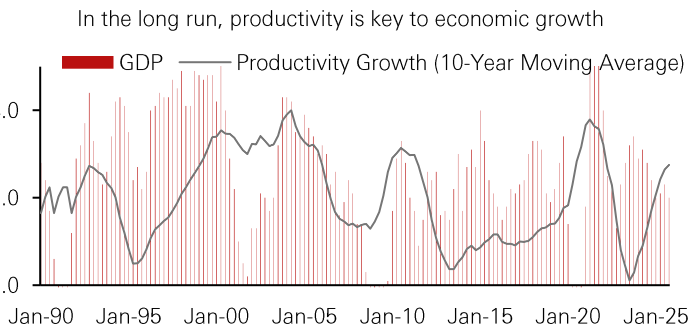
3.) **Assumption #3: AI will create "Ghost GDP"**: Ghost GDP means collective activity in the economy, but without any economic value. The alarmists' view is that swift advances in AI will turbocharge corporate productivity, whilst rendering large sections of human labour obsolete. This will collapse aggregate consumption – creating an Orwellian economy.

The Reality: This assumption violates some of the basic accounting principles in economics. If, as expected, AI adoption meaningfully improves productivity gains (i.e. more output per unit of input), it should enhance real GDP growth and ultimately enhance the population's prosperity, not reduce it. Based on a framework developed by Nobel laureate Daron Acemoglu, Bloomberg estimates that AI's lift to the level of GDP in advanced economies such as the US can be anywhere from 1% to 9% over the next decade — equivalent to 0.1 to 0.9 percentage point on annual growth.

Furthermore, increased corporate productivity cannot simply create higher corporate revenues and profits, without higher household consumption at the other end of the equation; and that higher consumption cannot exist without higher incomes.

Looking at the same thing through the sectoral lense, in Finance for example, AI adoption will create real GDP gains via better credit underwriting leading to fewer bad loans. AI fraud detection is already leading to loss reduction and AI aided superior capital allocation decisions should lead to higher productivity economy wide. In healthcare, AI's output is directly tied to better human outcomes, where earlier diagnosis, drug discovery acceleration and personalised treatments are already delivering faster treatments, cure & better survival rates.

After a slump, US labour productivity has picked up lately, in part due to AI



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Bloomberg, HSBC Private Bank; April 2026

Also, measuring AI's real positive impact just through the GDP lense is fallacious. One needs to be mindful that GDP measures collective activity (the volume of things done in an economy), not necessarily its utility, quality or outcomes. As the previous sectoral examples show, we don't just expect to see enhanced GDP via AI induced productivity gains; we also expect to see better human outcomes, product utility and service outcomes, once AI is fully adopted.

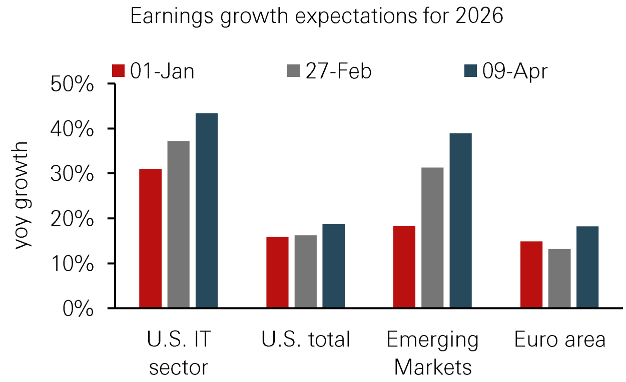
In fact, quite contrary to the pessimists' view, **we think AI's widespread adoption may reduce "Ghost GDP" instead** by shrinking the gap between real and reported output; cutting redundant and wasteful activity through automation; and by optimising capital more effectively.

The key takeaway here is that we are at the cusp the next technological revolution, whereby, the old economic order is giving way to a new economic order, and the labour market therefore will evolve too. We see great opportunities in AI's creative destruction for those who learn, adopt and invest in it. Like the internet, we believe AI will act as an equaliser. It will democratise economic opportunities for those who embrace it. It's therefore time to grow both professionally and financially by embracing AI, rather than fearing it.

So, where do we see investment opportunities in this new AI enabled world?

US equities earnings expectations are recovering but valuations remain compressed. This valuation compression suggests capital is still pricing-in geopolitical risk rather than focusing on the underlying fundamentals. The below chart shows how analysts have continuously upgraded their earnings expectations over recent months, despite several geopolitical events.

Earnings expectations continue to climb

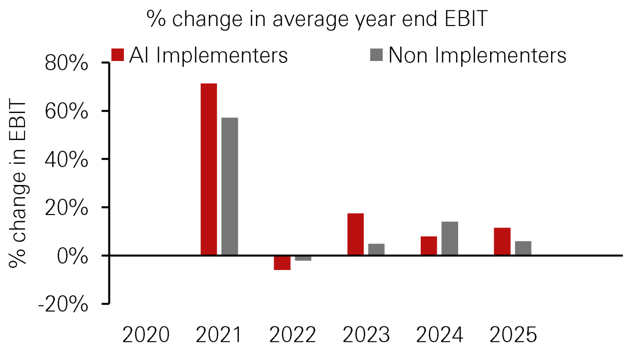


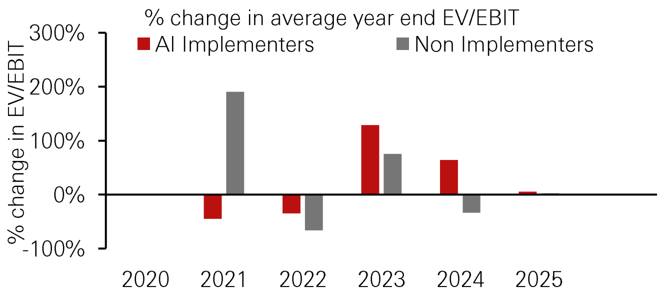
Source: HSBC Private Bank, I/B/E/S consensus data, LSEG Datastream, April 2026

This earnings uptrend doesn't appear cyclical. It's structural. We think AI adoption and the ensuing productivity uplift will create a structural earnings upswing rather than a short-lived cyclical one. Why? The first reason is the continuous productivity uplift as discussed earlier in this report. Plus, in the new AI era, significant capital investment will be required in areas such as the energy transition, digital infrastructure, power generation, defence AI, and next-generation manufacturing, which will create both new jobs and ample investment opportunities for the discerning. Continued AI infrastructure buildout in areas such as data centres and energy will support the broader economic activity for years, uplifting earnings, creating four clear areas of opportunities:

1.) **AI Adopters**: Companies that are meaningfully adopting AI in their operations are already reaping the benefits of operational leverage - benefitting from better processes, lower costs; higher revenues; better margins; and meaningful share price outperformance vs their non-AI adopting peers. Data show measurable benefits in their financial performance. As the two charts on the top right show, in 2024 and 2025, companies who used AI showed, on average, higher EBIT growth (12% adopters growth vs 6% growth of non-adopters) and higher EV/EBIT valuation multiples (5% vs 2% respectively). Sector-wise, we like adopters of AI in financials and industrials.

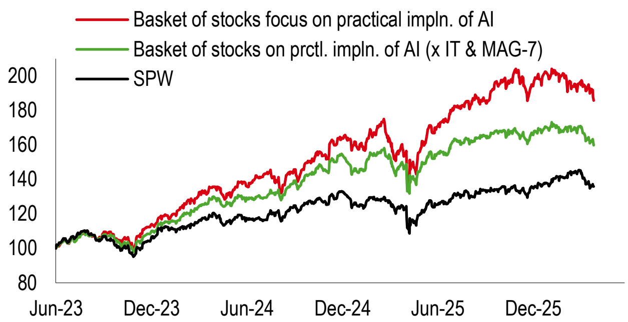
AI adopters' average EBIT and EV/EBIT growth vs non-AI adopters





Source: HSBC Global Investment Research, HSBC Private Bank, LSEG, FTSE Russel, April 2026

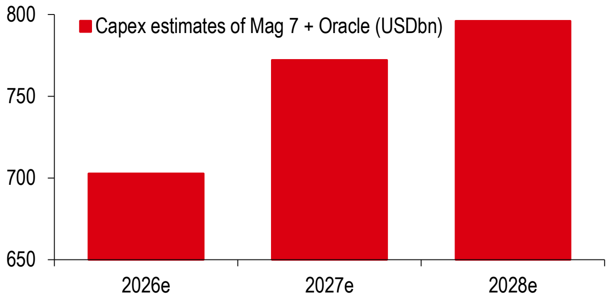
Stock performance of AI implementors exceeds the overall index



Source: HSBC Global Investment Research, HSBC Private Bank; April 2026

2.) **AI Enablers (compute, cloud and data centres):** Hyperscalers have committed to spend over $700bn in AI capex in 2026 and beyond. This level of investment, combined with the ever-rising demand for AI compute should boost their earnings structurally higher over the foreseeable future. We continue to like US tech, where sharp sector rotation has reduced valuation froth and concentrated positioning, especially in Big Tech.

Hyperscalers will spend ~ $700bn in AI capex in 2026



Source: HSBC Global Investment Research, HSBC Private Bank, Bloomberg, April 2026

3.) **AI Infrastructure**: We like the beneficiaries of AI infrastructure build-out like utilities and materials. AI's energy demand and the manufacturing of AI chips along with AI data centres' construction, which are beneficial for utilities and materials.

4.) **New frontiers of AI**: With AI's constant evolution, we see attractive investment opportunities in frontier technologies like Aerospace/ Space Tech – the rise of special data centres; next gen manufacturing and cybersecurity.

In essence - the new AI world isn't dystopian, it's opportunity rich

While provocative AI thought experiments may be a good intellectual exercise and make for interesting reads, they aren't the most likely outcome or a central scenario. Neither do their extreme assumptions pass the reality check.

AI & jobs: When one thinks of AI & jobs today – the first instinct is fear. The very first question that comes to most people's minds is "*Will AI take my job*"? But maybe, a better question to ask oneself is "*How can I use AI to get more effective at my job?*" Those who see AI as a tool (rather than a threat) will embrace it and thrive.

Do not fall for the 'Lump of Labour Fallacy': Whilst technological advancements have always been about machines replacing human labour, right from the invention of the wheel; to the creation of the combustion engine; to the invention of PCs and internet - economic history shows that economies are dynamic ecosystems and the number of jobs isn't fixed. As technology grows, new industries emerge, work expands, and newer problems need to be solved. This creates new jobs, just as old ones die. As AI diffuses in the real world, we expect the working population to re-tool, upskill and readjust to the new landscape.

But human discernment and accountability will still be as critical - because unlike human employees, one cannot hold an AI agent accountable for making mistakes. Some human cognitive skills cannot be replicated by AI. Meta-capabilities like connecting the dots and providing judgement in the face of uncertainty; strategic leadership and farsightedness; effective communication; ethical reasoning and orchestration; bringing contextual learnings from past experiences to enhance qualitative and quantitative decisions – all of which are crucial to building business relationships will never go out of fashion. We foresee a future that blends human insight with advanced technology. AI will augment analytical and decision-making capabilities, but we expect humans to remain the main decision makers.

We see several long-term investment opportunities in AI's creative destruction:

AI will create winners and losers. Whilst the overall level of jobs may not dissipate (even if the types of jobs change in the new AI era), some companies which do not keep up with the changing times may get destroyed, just as new companies levering AI get created. What this implies is that every company now needs to have an AI strategy.

It also means that for investors, there are both short term tactical opportunities, along with the long-term structural ones. We see opportunities in AI adopters; AI enablers; Infrastructure buildout; and the new frontiers of AI tech like data centres in space.

At present, consistently rising earnings expectations in the backdrop of relatively compressed valuations offer an attractive entry point, especially in US tech stocks. To optimise these opportunities, we think bottom-up stock picking, as well as allocating a portion of their capital to Hedge Funds (which benefit from short term market volatility and asymmetrical risk-reward strategies) should help investors.

Sources Used:

*Citrini Research Substack Report on AI, February 2026

* HSBC Global Investment Research reports, April 2026

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.

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