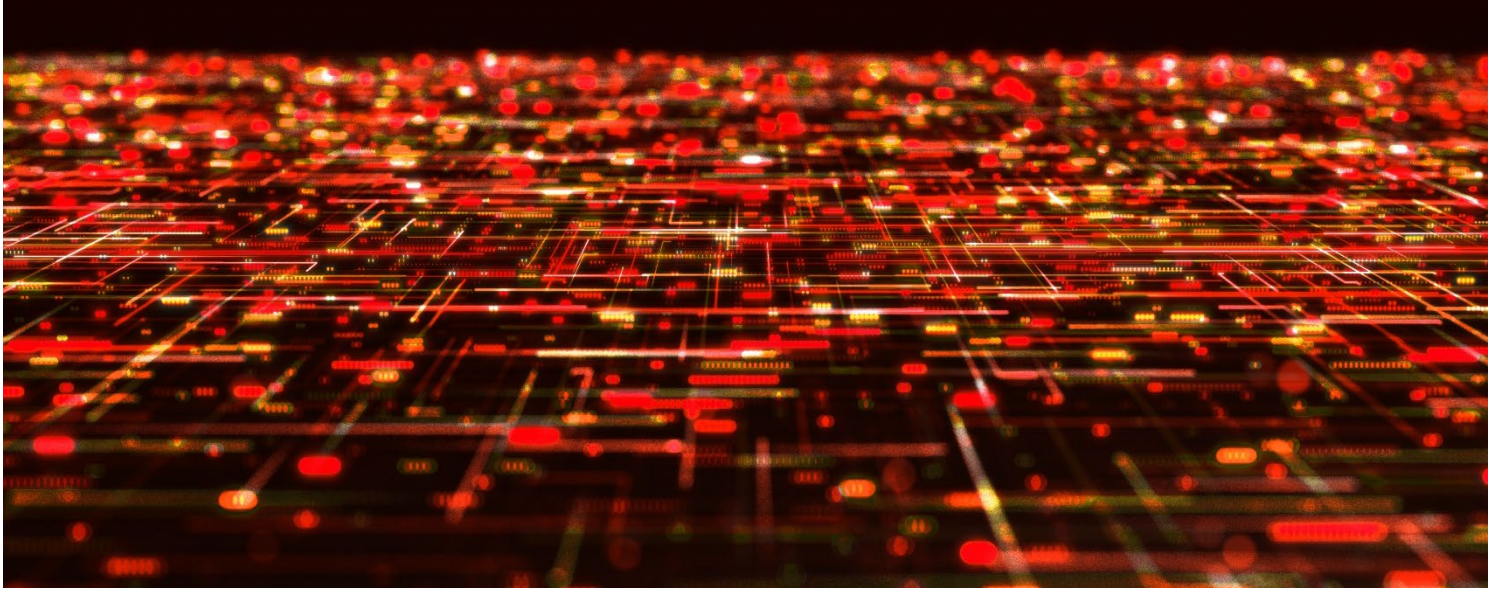


CIO Academy

Why 2026 is not 2001

09 June 2026



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Global CIO
HSBC Private Bank and
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Kevin Lyne-Smith

Global Head of Equities
HSBC Private Bank and
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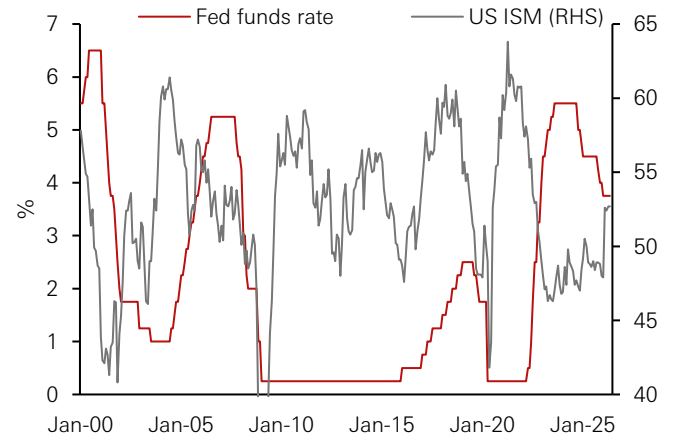
Highlights: Recently, we've seen several articles drawing parallels between the current situation and 2001, due to the strong tech-driven rally, massive capex and the wave of imminent IPOs. But there are plenty of differences with 2001, including today's still lower tech valuations, healthier balance sheets, stronger profits, a more resilient economy, lower delinquencies and a less restrictive Fed. Among the areas that are worth watching are investors' use of leverage and the recent outperformance of non-profitable tech, but neither are currently at danger levels. The main risk for investors is that a large section of the economy and the markets are driven by one factor, i.e. AI sentiment. Hence, pulling out all the stops on diversification is key, across asset classes, geographies, sectors, style and issuers.

- In 2001, equity markets' lofty valuations – in part driven by IPOs of often unprofitable companies – provided the potential for a correction. The actual triggers for that correction included a sharp fall in business confidence, with a recession that started in March 2001, caused in part by the Fed hiking rates to 6.5% when inflation rose to 3.8%. The 9/11 terrorist attacks added to the market weakness, as did Enron's and WorldCom's collapse following their accounting scandals.
- So while there are loose similarities with the current situation, there are plenty of differences too. Some planned IPOs are pricey and are not currently profitable, but several AI companies that used to be unprofitable have recently turned profitable, as monetisation of AI is improving quickly. In 2001, some IPOs had shaky business models and were not planning to make a profit for several years after floating. The disclosures and the understanding of the business case behind AI are also much better than for the internet in 2001. AI capex is high but there is still a bottleneck in data centres and chips, which will support the earnings power for chips and infrastructure in the foreseeable future. The megacaps that dominate the market are very profitable, creating a solid earnings tailwind. And the Fed is unlikely to hike sharply, reducing the risk from that side.
- We expect to see some mild volatility due to multiple headline risks around IPOs, Q2 earnings, rate uncertainty and the macro impact of the Middle East crisis, which could all form excuses for investors to take some profits. But for now, we do not think the environment sets us up for a correction. We manage those risks through diversification and selecting profitable players but continue to tap into the exciting opportunities created by the rapid innovation and capex.

Dotcom timeline: Greenspan’s warning was premature; and some events are unlikely to repeat themselves

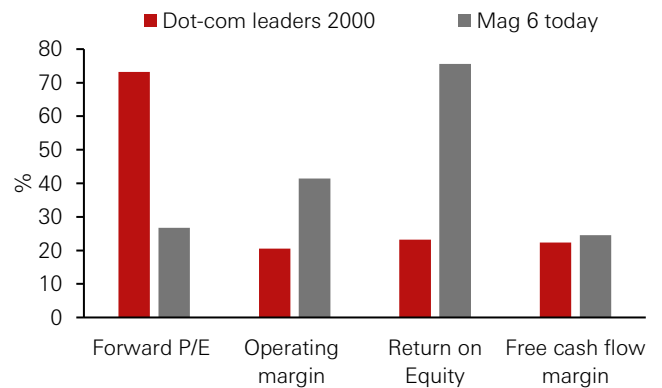
Dec 1996	Greenspan’s ‘Irrational Exuberance’ speech
Jul 1998	Thai baht collapse; start of Asian Financial Crisis
Aug 1998	Russia default
Sep 1998	LTCM bailout, Fed cuts rates; market resumes upward trend
1999	IPO mania: Pets.com; Webvan, eToys
Jun 1999	Fed starts raising rates, reaching 6.5% by May 2000 (i.e. +1.75%)
Mar 2000	Nasdaq & S&P500 peak (second peak in September)
Apr 2000	Microsoft antitrust ruling
2H 2000	Pets.com collapses; profit warnings in telecom and equipment makers
Feb 2001	Fed reverses hikes, ultimately cutting to 1% in 2003
Mar 2001	Recession starts due to tech fall, drop in consumer and business confidence, lagged effects of Fed tightening
Mid 01	Lucent, Nortel, Cisco see orders collapse
Sep 01	9/11 terrorist attacks
Nov 01	Recession ends
Q4 01	Enron collapse; further accounting scandals in Q1 02
Jun 2002	WorldCom fraud
Jul 2002	Sarbanes-Oxley Act signed, overhauling US securities regulation
Oct 2002	Market bottoms and sustained recovery starts

Rates were much higher in 2001 and ISM had been falling sharply, which is not the case today



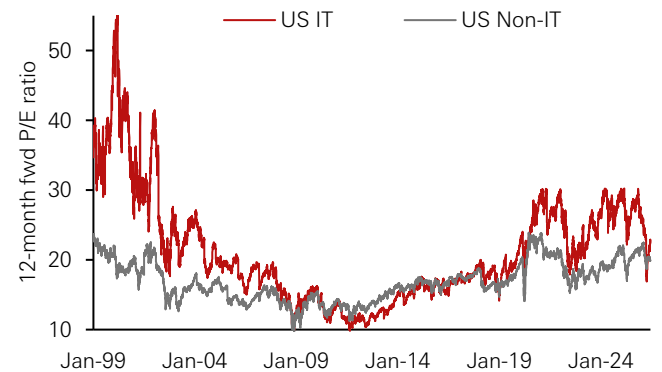
Source: Bloomberg, HSBC Private Bank as of 6 June 2026.

The largest tech companies’ earnings, valuations and liquidity ratios look better today than in 2000



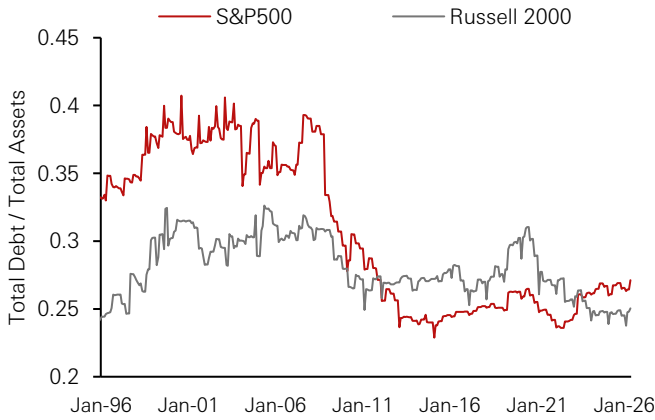
Source: Bloomberg, HSBC Private Bank as of 6 June 2026. Past performance is not a reliable indicator of future performance.

Tech is more reasonably valued than in 2000 both on an absolute basis and compared to other sectors



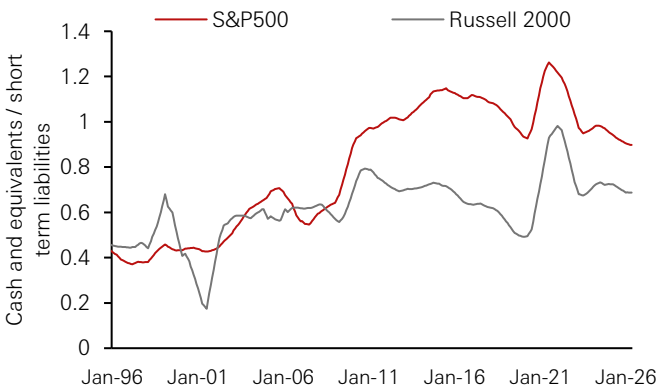
Source: Bloomberg, HSBC Private Bank as of 6 June 2026. Past performance is not a reliable indicator of future performance.

Leverage of large and small caps is less elevated than it was then



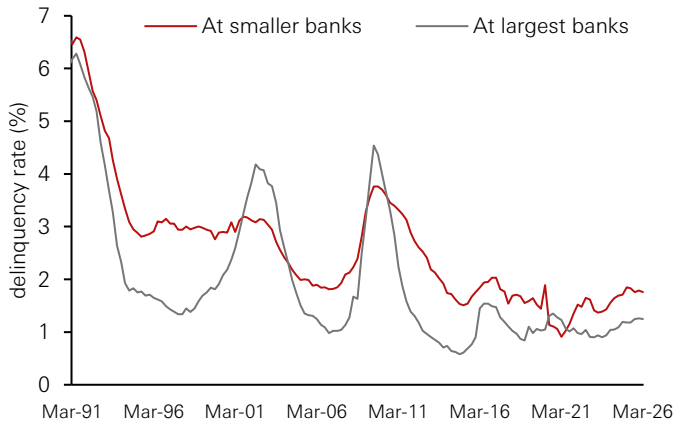
Source: Bloomberg, HSBC Private Bank as of 6 June 2026.

US companies' liquidity is better too – especially for large firms but even for smaller ones



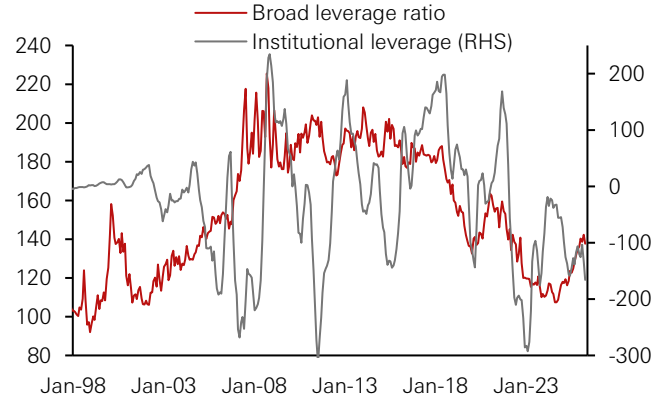
Source: Bloomberg, HSBC Private Bank as of 6 June 2026.

US business loans' delinquency rates are relatively low currently compared to history



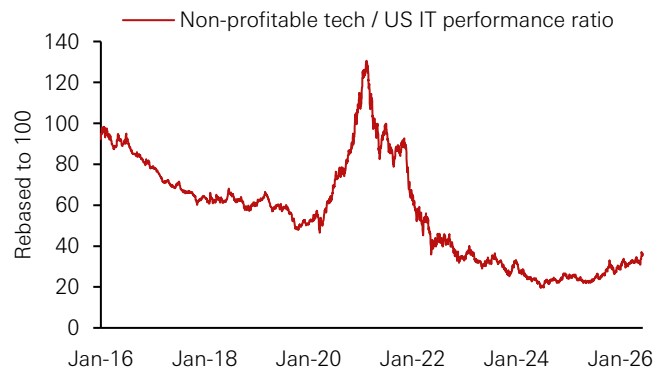
Source: Federal Reserve, HSBC Private Bank as of 6 June 2026.

Risk factor 1: We keep an eye on investors' use of margin debt, but it is not at worrying levels yet



Source: FINRA, CFTC, Bloomberg HSBC Private Bank as of 6 June 2026.

Risk factor 2: Unprofitable tech has outperformed recently; a focus on companies with imminent profitability is key



Source: Bloomberg, HSBC Private Bank as of 6 June 2026. Past performance is not a reliable indicator of future performance.

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.

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The value of investments and the income from them can go down as

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