

Shifting Currents:
The Hormuz disruption and
the remaking of global trade

Contents

Click on the page numbers to jump to a specific section.

05

1. The lagged Hormuz supply shock:
Logistics first, then prices

09

2. Where resilience is showing up

15

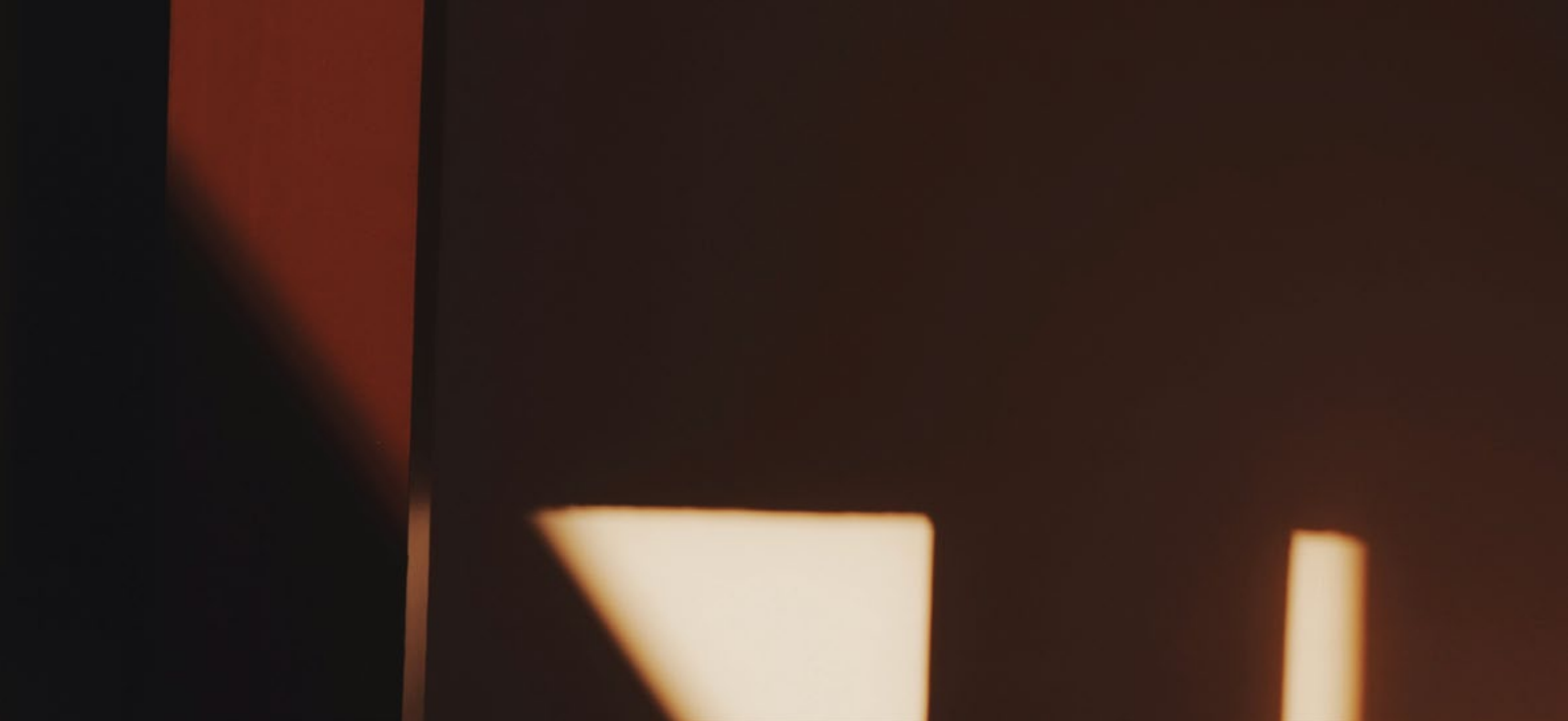
3. Investing through the rerouting

17

Risk disclosures

22

Important notice



For today's most sophisticated investors, access isn't about more information—it's about better proximity: to the people building what's next, the companies shaping the real economy, and the insights that arrive before a theme becomes consensus. The most compelling opportunities are rarely widely marketed; they sit within trusted networks, global trade corridors, and institutional deal flow where credibility, context and timing matter.

At HSBC Private Bank, we aim to achieve a simple objective: providing our clients with the same connectivity, sector expertise and global perspective that powers our corporate, trade and innovation banking platforms. That means moving beyond a macro or product-led conversation to a curated ecosystem of opportunities, introductions, and intelligence—designed to be relevant, selective, and actionable.

This is the first publication in our new thought leadership series, which will bring together our investment experts alongside specialists across the HSBC Group, informed by a front-row seat to the real economy.

In this publication, we look at global trade dynamics, assessing the impact of the Strait of Hormuz disruption as well as the many structural changes to trade flows.

We draw on insights from our discussions with Kai Fehr, Global Head of Industry Groups and Partnerships, GTS, HSBC and Aditya Gahlaut, Head of Asia, GTS, HSBC and their conversations with dozens of corporate clients. We trace how disruption typically travels: logistics first, then delivered costs, and only later into inflation, corporate decisions and investment outcomes.

Our central conviction remains intact: short-term shocks, however unsettling, do not overturn the long-term structural forces reshaping trade and capital allocation. Those forces include the steady reweighting of activity within Asia, the rising share of cross-border services trade, the booming AI-led trade and the global flows related to the infrastructure build-out and companies' energy security imperative.

We also highlight how companies are building resilience—through rerouting, inventory strategy and balance-sheet flexibility—showing that the opportunity set often sits in the response, not the shock. The most effective Boards understand that disruption, if understood precisely, can sharpen positioning rather than derail it.

Contributors



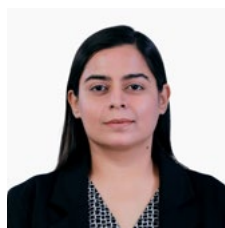
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1. The lagged Hormuz supply shock: Logistics first, then prices



When investors hear ‘Hormuz’, the instinct is to look for an immediate spike—in energy prices, inflation and a drop in activity—followed by an equally quick reversal. We think the reality is different: the impact is more durable and arrives with a lag. Disruption at a chokepoint first changes how goods move (routing, insurance terms, vessel availability), then what it costs to move them, and only later shows up in economy-wide inflation prints and corporate decisions. Even if access improves quickly, the system doesn’t snap back—because ships, crews, insurance cover and schedules don’t reset on a headline.

So, we need to assess what’s genuinely at risk, how inflation transmits, and what ‘normalisation’ can realistically look like.

1.1 The immediate binding constraint in the seaborne market—is about 12mbd

We start with the physical constraint, because the physical reality is key: markets don't price 'global consumption' but the marginal barrel that can actually be delivered.

Most of us know that around 20m barrels/day flows through the Strait of Hormuz, against total global oil consumption of roughly 105m barrels/day. But the more relevant comparison is with the ~55–60m barrels/day that is actually traded via seaborne markets, making the Strait a crucial chokepoint for a substantial share of globally tradable oil supply.

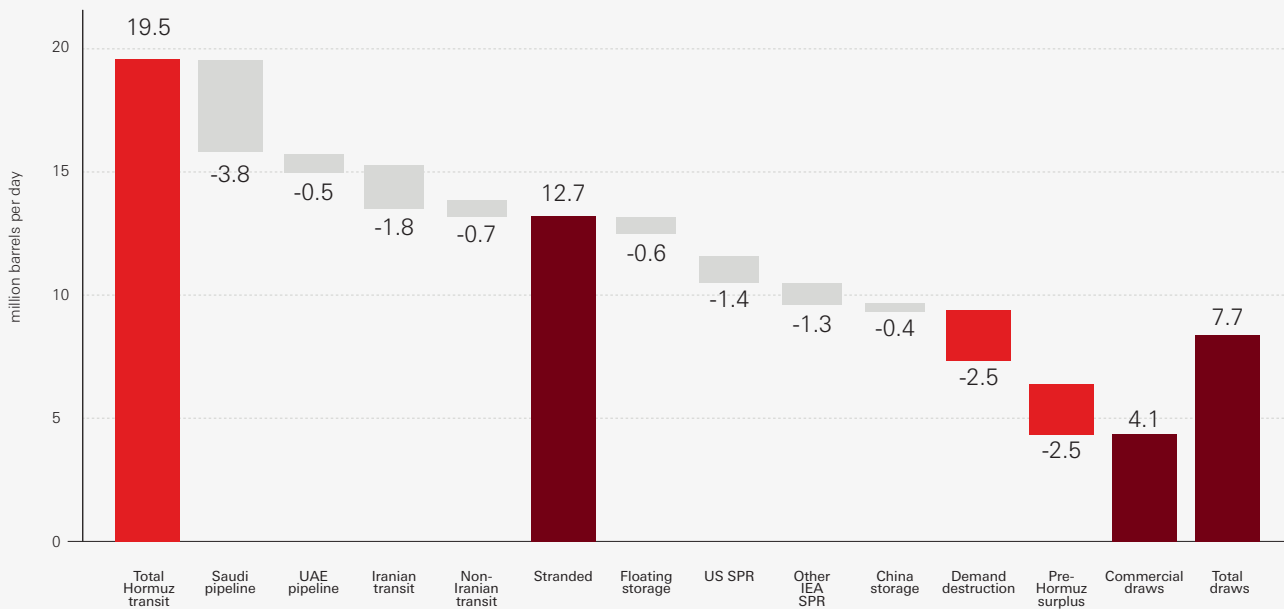
So a disruption at Hormuz doesn't hit 'global supply' evenly; it hits the portion of supply that is actually tradable via sea.

While some crude volumes can bypass the Strait via pipelines to Fujairah or across Saudi Arabia to the Red Sea, but those routes are already operating at maximum capacity. Workarounds (e.g., using trucks) reduce the shock and have helped avoid energy prices spiralling even higher, but they don't completely remove it. Even after rerouting, the implied shortfall is still roughly 12m barrels/day—a gap that has to be bridged by some combination of higher production elsewhere, reserve releases, or ultimately some demand adjustment.

There is an actual physical gap of about 12 million barrels per day.

Even if access improves quickly, the normalisation will still be sequential, not instantaneous. Vessels are repositioned, schedules rebuilt, and insurance terms repriced by route. Charter rates in many cases are around three times recent levels, which lifts delivered costs and extends lead times even beyond energy.

Net Hormuz disruption of around 12mbd and potential mitigating actions



Source: IEA, Bloomberg, Kpler, Vortexa, HSBC Global Investment Research, HSBC Private Bank, as at 01 June 2026. Note: China's SPR was not used in March and April but could draw in the future if Hormuz remains closed

1.2 Inflation doesn't arrive all at once: it moves from energy into freight, then into food with a lag

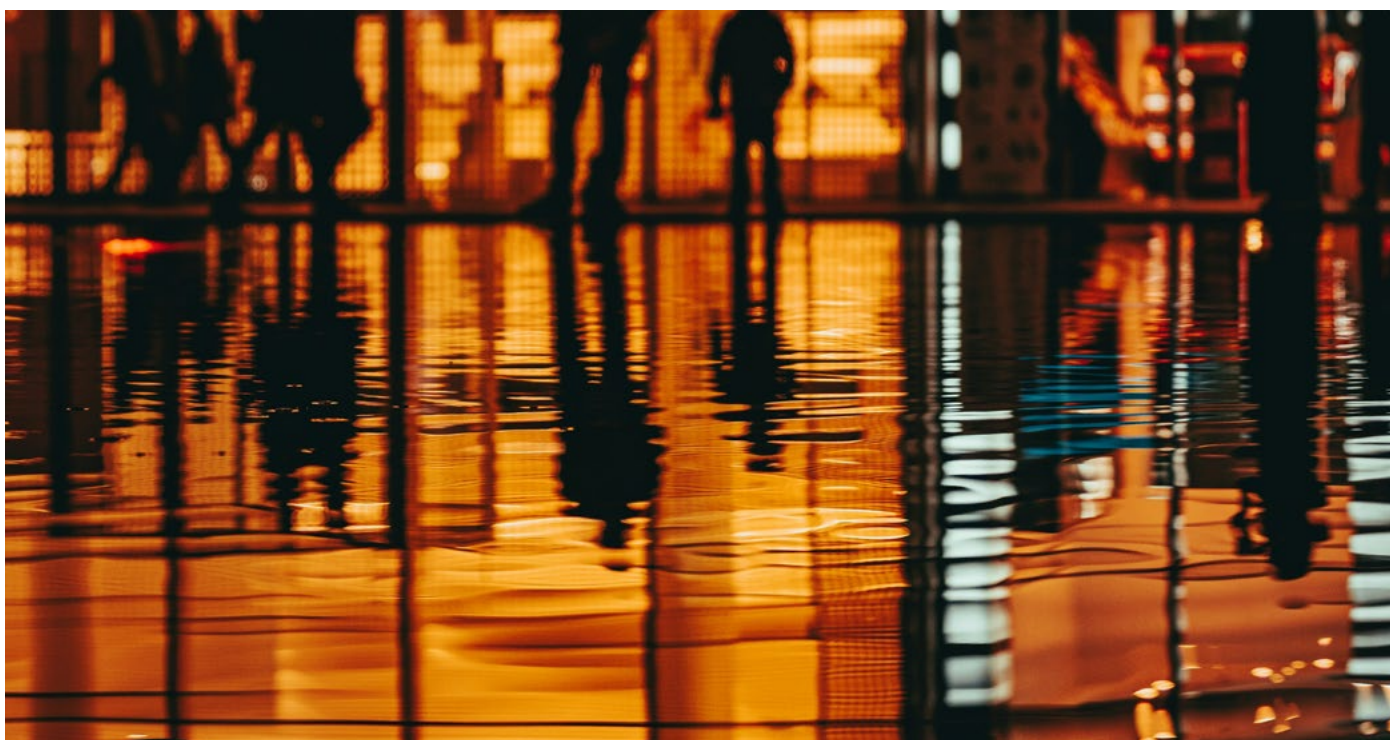
Once a physical gap opens, the next question is how it shows up in the real economy.

The risk isn't a single inflation 'shock print'; it's a sequence of cost pressures that arrive at different speeds—and hit regions unevenly.

Inflation transmission is best understood as a sequence. It starts with the price of immediate physical supply. Spot oil prices have been much higher than the 'front month' oil futures contract during the conflict, typically for delivery in 3-5 weeks' time. That divergence matters because businesses don't run on futures curves; they run on delivered costs. When the physical market is tight, businesses can feel forced to pay up to secure supply now—particularly for refined products such as diesel and jet fuel. There were reports of some delivered prices exceeding USD250/bbl in some South Asian countries at the height of the crisis. That's because for many industrial processes, there is no easy way to change production processes and switch from one input into another—certainly not in the short term.

The second layer is logistics as a cost multiplier. Freight costs have already moved materially higher, and that increase tends to filter through with a lag—first into delivered input costs, then into producer prices, and eventually into consumer prices.

The third layer is non-energy essentials, where the lag is longer, but sensitivity can be higher. Fertiliser is a clear example: an estimated 30% of global fertiliser supply moves through Hormuz, and the inflationary effects would show up later through planting and harvest cycles—towards year-end and potentially into 2027. Beyond food, a meaningful share of global helium supply also transits through the region; helium is a specialised input for parts of the semiconductor and data centre ecosystem. Stockpiles are currently comfortable, but a prolonged disruption could still tighten availability and lift costs in specific pockets of the technology supply chain.

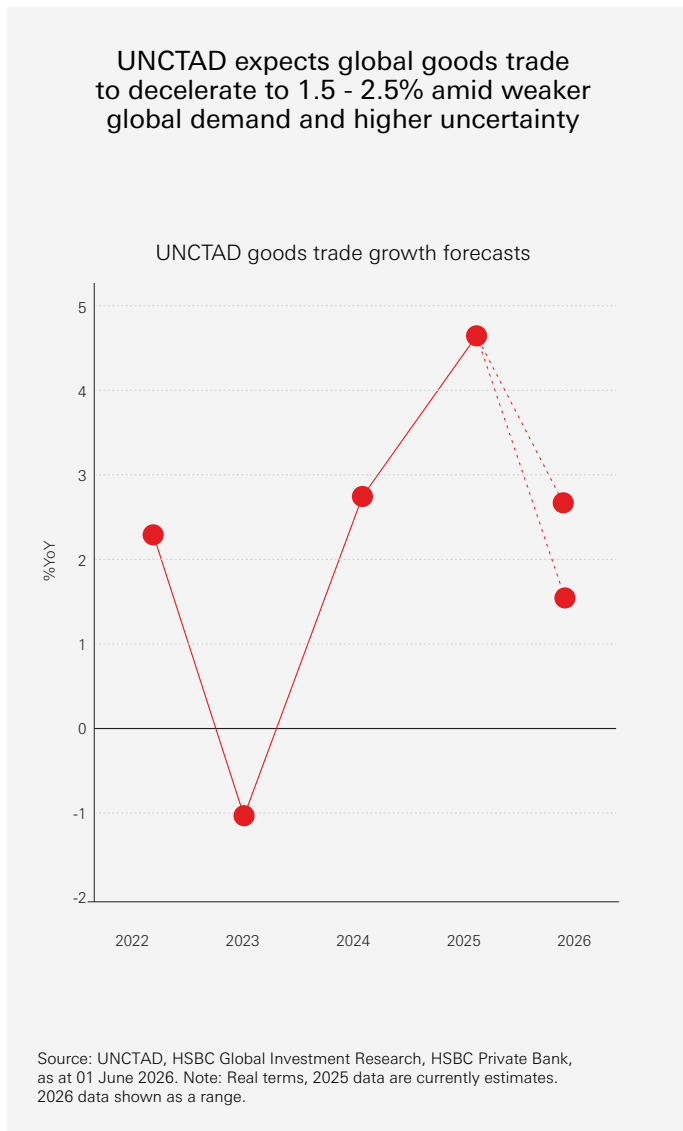


1.3 Normalisation is a process, not an announcement: plausible paths back to stability

After the initial repricing, investors naturally ask: how quickly does this unwind?

A useful reminder is that ‘reopening’ and ‘normal’ are not the same thing — because the shipping system has to be rebuilt in sequence.

What matters is not declarations but actually restoring reliable flows — because reliability is what allows inventories to rebuild, freight issues to ease and businesses to plan again.



Even when the Strait is declared open again, shipping operators are unlikely to ‘rush back’ immediately. Sailors who are currently stranded in very challenging conditions may hesitate to go back again, and ship owners need to feel comfortable that a reopening will be permanent and not be followed by renewed closures. Operators typically restart gradually, testing routes and rebuilding schedules sequentially. Clients also note that capacity currently allocated elsewhere must be redeployed.

As long as the supply disruption remains in place and normalisation is still ongoing, demand adjustment becomes the pressure valve. If additional production can’t arrive quickly enough and reserves are finite, the system ultimately clears through reduced consumption — first in the most exposed pockets, then more broadly. Governments in the Philippines, Thailand and Indonesia among others are already taking measures to help curb demand and vulnerabilities.

Resilience is a long-term plan, not a short-term reaction.

And in periods like this, the advantage goes to firms that are able to pay the higher prices and charge them through to customers, have diversified supply chains and the best contacts. Almost every business we are speaking to is looking at diversifying energy supply, both to fix the short-term problem and to better position for the future. For data centre operators, many are thinking of (or already actively investing in) their own solar, wind and nuclear electricity production. The good news is that many businesses have already been on this path for the past 2-4 years, following the Russia-Ukraine war.

For investors too, it makes sense to keep a close eye on this corporate resilience, as well as the relative regional economic impact. In our Private Bank 2026 Mid-Year Investment Outlook, this is a key consideration for our relative preference for the US and North Asia compared to Europe and South Asia.

2. Where resilience is showing up

The disruption matters, but it won't define the decade. In our view, the bigger story is that adaptation has been under way for years. Supply chains have been rerouted, trade is reweighting within Asia, and digitisation—accelerated by AI and data centre build-out—is shifting more cross-border value from goods to services. Near-term volatility tests the system; long-term structural trends keep reshaping it. So, we look next at what's holding firm.

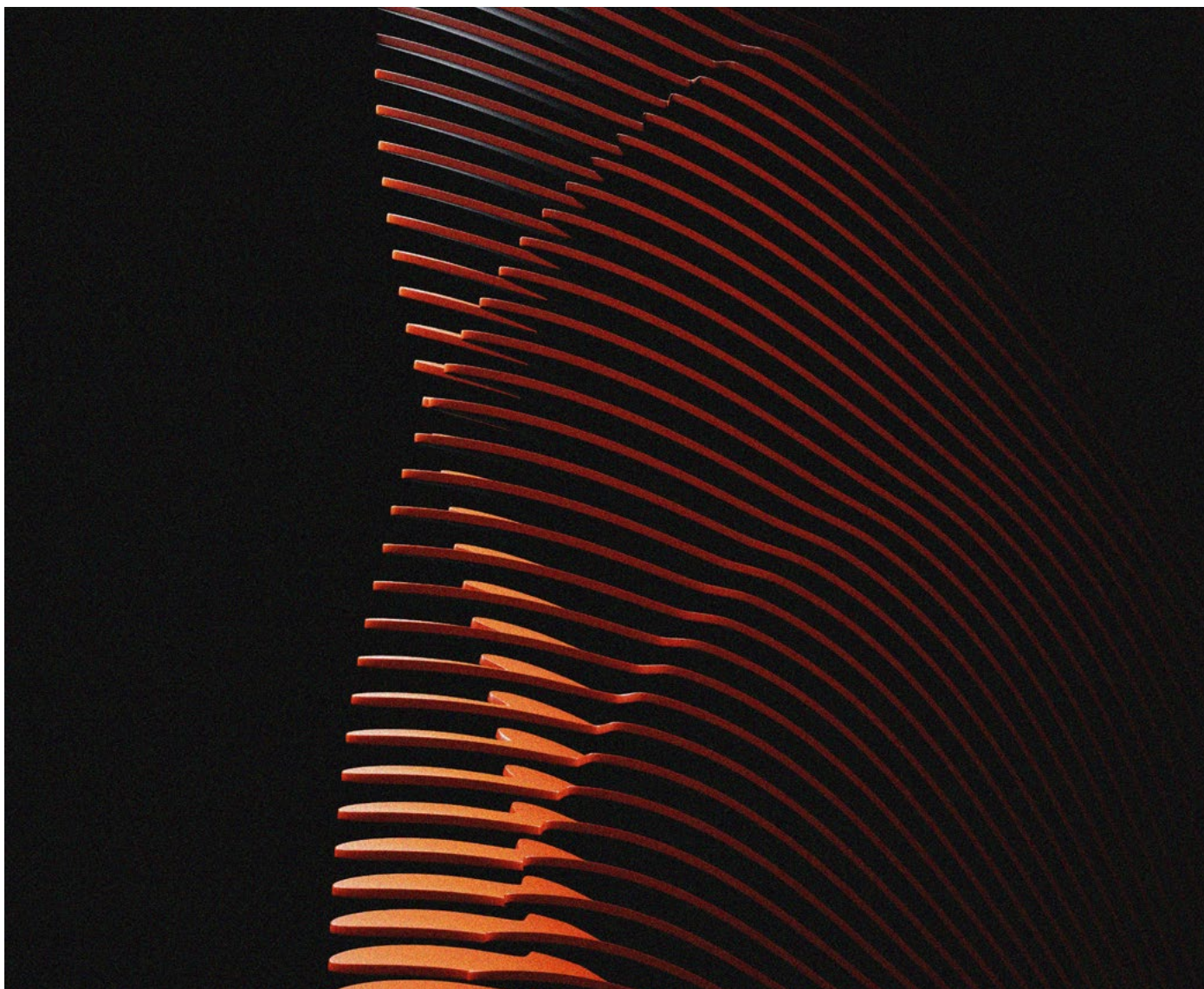
Short-term shocks don't rewrite the structural forces reshaping trade and investment—regionalisation within Asia, the rise of cross-border services trade, and the platform economy, which is lowering barriers for companies to reach new markets.

2.1 AI: a well-documented trade tailwind

The pickup in AI trade has been well documented. In the first half of 2025, AI-related trade drove nearly half of global merchandise trade growth, reflecting the surge in cross-border flows of servers, semiconductors and related equipment as firms scale compute capacity.

The investment cycle still looks early: we believe the biggest upside to growth and earnings is being driven by strategic investment, with AI as one of three key engines (alongside energy and defence). Importantly, this is no longer just a ‘chips and servers’ story. The AI build-out is pulling through a broader capex wave in data centres, networking, and—critically—power infrastructure, reinforcing trade linkages across technology and industrial supply chains.

In what follows, we focus on other drivers of trade that are underappreciated—starting with the rise of cross-border services, and then the structural forces reshaping trade corridors beyond the AI cycle.



2.2 Intra-Asia is the trade growth engine

In our view, the most important resilience story in trade today isn't a detour around one chokepoint; it's the steady reweighting of activity within Asia. Over the last 15 years, intra-Asia trade has grown around twice as fast as global trade. Rising regional consumption, improving digital infrastructure and trade architecture such as the Asia Pacific's Regional Comprehensive Economic Partnership (RCEP) reinforce the trend.

Recent events didn't create, but accelerated these trends, which had already been building through years of diversification, regionalisation and supply-chain reconfiguration.

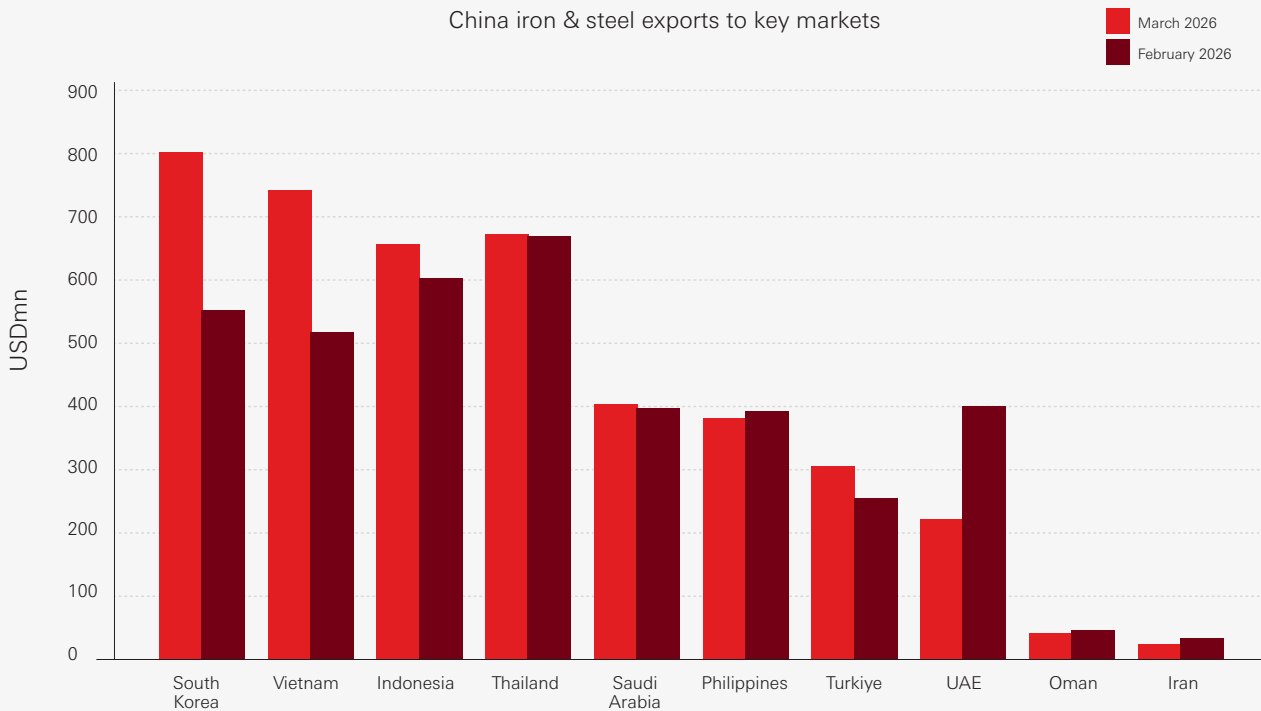
Intra-Asia: Resilience in numbers

Intra-Asia trade has grown at ~5.5% CAGR over 15 years vs ~2–2.5% for global trade.

Supply chains are being rerouted through 'plus one' hubs as China becomes a 'factory of factories'.

In 2025, China–US trade fell ~USD110bn with the bulk rerouting to ASEAN.

Asia is importing more of China's steel exports as Middle East imports decline



Source: Macrobond, HSBC Global Investment Research, HSBC Private Bank, as at 01 June 2026. Note: China refers to mainland China.

A key driver is 'China plus one' — the supply chain strategy where companies keep manufacturing in China but add a second production base elsewhere, often in Southeast Asia. Mainland China may be losing share in some final-goods exports, but it is often Chinese companies themselves that are building the 'plus one' capacity elsewhere. China therefore is increasingly a 'factory of factories', supplying intermediate goods into 'plus one' hubs that assemble and export finished products. And clearly, that intra-group trade is quite resilient in nature. In practice, that can look like intermediate inputs produced in China moving into Vietnam, for example, for final assembly, before finished goods are shipped onward. While China's trade growth with the rest of Asia is in the spotlight, it also increasingly trades with the Middle East and Latin America. In the case of the Middle East, this is mostly for big capital projects, while it is more about commodities and consumer goods in the case of Latin America. This contributes to South-South trade, which is growing at twice the speed of global trade.

Digitisation and the AI build-out reinforce this momentum. The technology investment cycle has been a clear tailwind for trade and activity in parts of Asia, such as South Korea and Taiwan. That includes the data centre build-out—servers, networking equipment and power and cooling infrastructure—which is supporting intra regional flows of components, capital goods and know how, even as supply chains diversify. At the same time, digital trade platforms including Amazon, Alibaba, Taobao and others considerably increase the ease for small companies to trade anywhere in the world, as they take care of logistics, FX conversion and other tasks. Clients note that the lower administrative burden helps them focus more on the quality of their product and on innovation.

2.3 Servitisation and digitisation

A second, underappreciated resilience engine is the rise of services within trade—enabled by digitisation and changing consumer behaviour. Services account for around 64% of global GDP, yet only ~26% of recorded trade (versus ~74% goods). But in recent years, services trade has been growing 2-2.5x faster than goods, and many industry estimates expect more than half of future trade growth to come from services.

The examples are increasingly tangible. As the cost of travel has decreased in recent years and households increasingly value experiences over more 'goods' to fill their flats with, services consumption is growing more quickly than goods consumption.

When we stream music on Spotify or Apple Music, that is cross-border services trade. The same dynamic is now extending to AI tools and subscriptions, where usage is delivered digitally across borders.

When value doesn't cross a port

In goods supply chains, value is also being 'unbundled': a product shipped from Vietnam to the US may be invoiced as \$70 for goods, with an additional \$30 for services such as design, branding and royalties.

Servitisation is another clear shift. Rolls-Royce's 'pay as you fly / power by the hour' model allows companies to use rather than buy plane engines, which therefore becomes a long-term service contract rather than a goods sale.

An increasingly common pattern observed is 'infrastructure as a service'. Instead of an airport (or similar operator) buying equipment outright, the supplier installs and maintains it and is paid for an outcome—availability, efficiency or uptime—over a multi-year contract. The capex burden shifts from the buyer to the provider, and what would have been a one-off sale becomes a long stream of contracted cash flows. For the client, it reduces upfront spend and improves flexibility. For the provider, it creates long-dated receivables that can be financed and monetised. It also provides them with lots of interesting data through the operating process that can help providers improve their product.

At the consumer end, WHOOP (fitness tracker) shows the same logic: zero-cost hardware for the customer, paired with an ongoing subscription, where much of the value sits in software and service rather than the device itself.

The implication is that a growing share of cross border value is digital, platform-enabled and more flexible to reroute—supporting resilience even when goods flows are disrupted.

We note that an interesting side-effect is related to tariffs, which are predominantly on goods, as services tariffs are hard to design and enforce.

2.4 Liquidity is available—and that’s a key source of resilience when operating costs rise

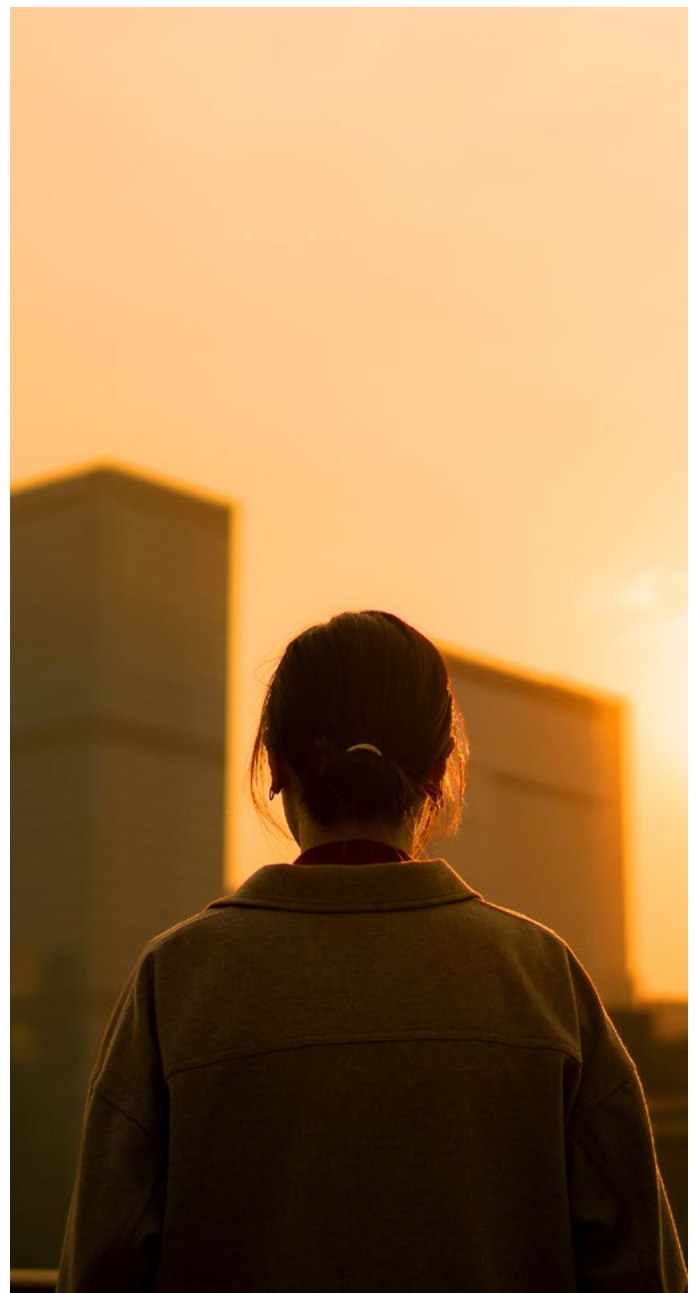
One of the most underappreciated ways to build resilience is financials. When volatility hits the physical system, it shows up quickly in the need for working capital. Higher spot prices, higher freight and insurance costs, and longer lead times all increase the liquidity tied up in inventory and receivables. A simple illustration captures the point: if a cargo was worth USD100m two months ago and is worth USD200m today, the shipment is the same—but the working capital requirement has doubled.

That’s why we’re watching liquidity conditions as closely as freight. When delivered costs rise and lead times lengthen, working capital expands—and the firms with funding flexibility are the ones that can keep supply commitments, protect customer relationships and, in many cases, gain market share. It’s common in these periods to see companies make greater use of committed liquidity. The more resilient firms are typically the ones that move early: putting back-up liquidity in place, staggering maturities, and actively releasing cash tied up in the operating cycle. In practice, that can mean extending payables (for example, moving from 90 to 120 days while suppliers can still be paid earlier), monetising confirmed receivables, and financing long-dated contracted cashflows where appropriate. ‘Infrastructure as a service’ is just one example of a solution to free up capital that is tied up in operations. The client pays for the service, reducing the capex outlay, while the provider funds the equipment sale through a loan secured against receivables.

Clearly, this creates a lot of related activity for banks, bond markets and private credit firms. The good news, again, is that many firms have been working with their financial partners to explore funding initiatives for several years, motivated both by the many shocks we have seen, as well as the many structural changes and exciting investment opportunities.

Resilience shows up in funding

Short-term volatility can create long-term advantage for companies that adapt. Those that can fund inventory, secure supply and keep plans moving tend to gain share when competitors are forced to pause. In that sense, resilience isn’t a slogan; it’s ‘an item on the balance sheet’.



2.5 Deal activity doesn't disappear—it changes shape as companies reposition for resilience

Uncertainty rarely eliminates investment. An important backdrop is that corporates are operating in the middle of a major capex cycle—driven by the AI build-out, supply-chain reconfiguration and the energy independence agenda.

Building resilience at times can mean accepting lower 'efficiency' in the narrow sense: more production locations, higher redundancy and, in some cases, more buffer inventory. All of that requires capital—and it can lengthen working-capital cycles.

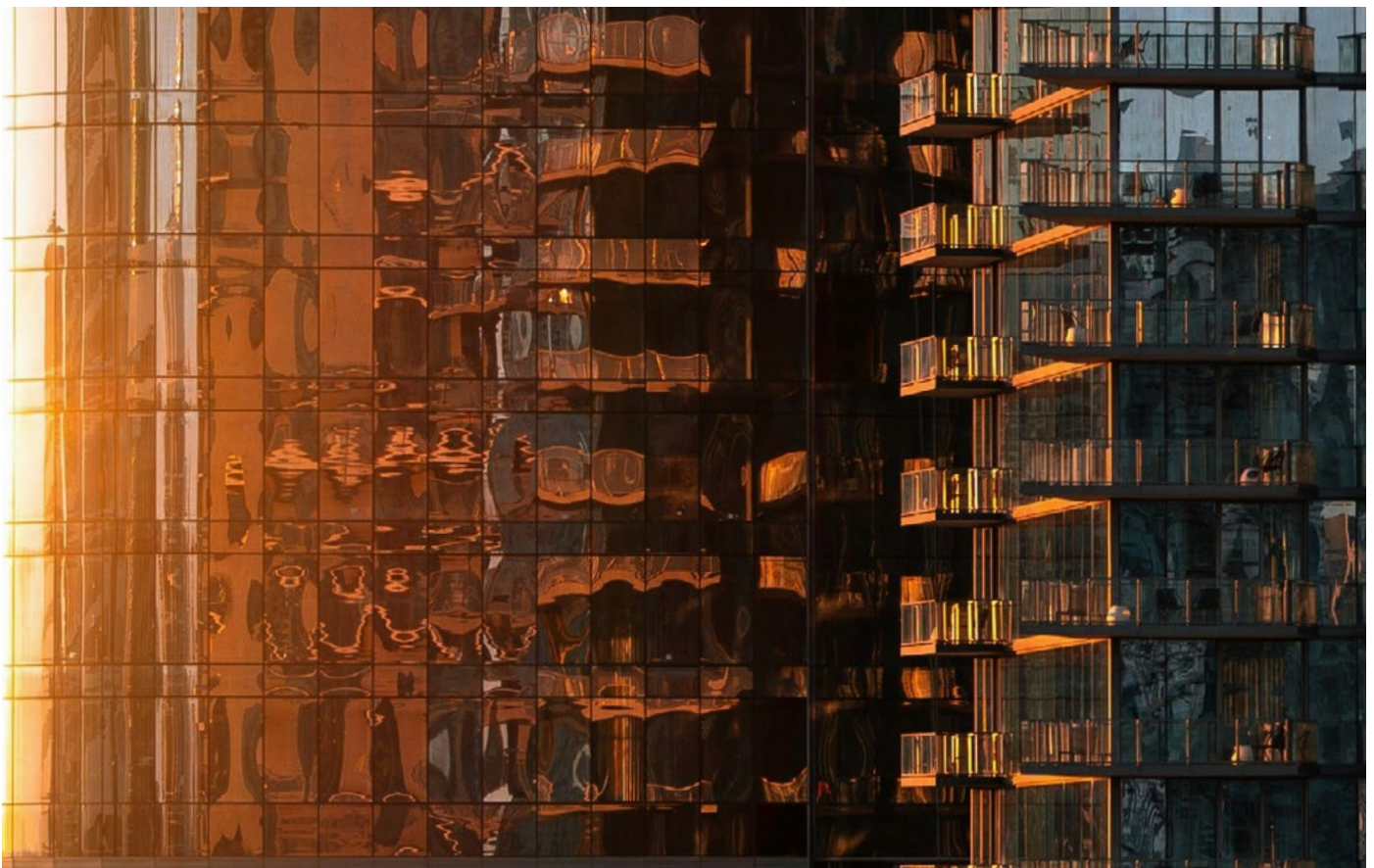
The AI cycle is a clear example. Beyond chips and servers, the data centre build-out pulls through networking equipment and power infrastructure, and energy.

Investment continues through the noise

Even when the macro narrative feels noisy, investment is still being prioritised—because structural drivers like AI, data centre build-outs, and energy independence are firmly in place.

This environment is also changing how deals get done. Rather than cancelling M&A, companies are becoming more selective on timing, structure and funding—using partnerships, staged acquisitions and asset-light models where possible. Planning horizons are moving forward, structures are being designed for flexibility, and execution certainty is being prioritised.

The practical takeaway is constructive. Resilience is being built through sustained investment, with a sharper focus on balance-sheet capacity, funding access and delivery risk—positioning the firms that can keep capital moving to emerge stronger as trade continues to reconfigure.



3. Investing through the rerouting

A sunset over a body of water with silhouettes of birds flying in the sky. The sun is partially obscured by clouds, and its reflection is visible on the water's surface. The sky is a warm orange color, and the water is dark with a shimmering reflection of the sun.

For investors, the resilience story translates into three practical implications. First, energy security is firmly on the agenda. Second, the AI-driven data centre build-out is a multi-year capex cycle with real-world bottlenecks — especially in power generation, transmission and back-up infrastructure — supporting a broader set of ‘enablers’ beyond technology. For both these trends, Asia plays a key role, boosting trade in the region and across global corridors. Third, higher shipment values and longer working-capital cycles increase demand for USD liquidity and hedging. Together, these dynamics align with our Private Bank investment convictions - stay disciplined on near-term risks while positioning for the structural themes.

3.1 Energy security: pricing the physical, funding the response

Energy security is now a strategic priority, and the shock is reinforcing investment across diversified supply, electrification, grids and storage.

The investable point is that this is not just a directional oil-price story. Even when conditions improve, normalisation is rarely instantaneous. Shipping capacity is typically redeployed, and routing patterns take time to reset. At the same time, bottlenecks across the value chain—transport, storage and processing—can keep delivered costs elevated and increase the value of resilience. In our view, this is best captured through quality and diversification across the beneficiaries of energy security, not through tactical oil-price positioning.

The takeaway:

We focus on the big capex trends to tap into the structural opportunity, while building resilience to weather the short-term uncertainty. This aligns with our view that resilience is a source of opportunity, not just risk.

3.2 Powering AI: ‘time to power’ and the infrastructure tailwind

The AI build-out is pulling forward a multi-year capex cycle, and data centres sit at the center of it. The investable point is that this is no longer just a ‘chips and servers’ story. The build-out pulls through networking equipment, cooling, back-up systems and—most importantly—power infrastructure.

In practice, the binding constraint is often time to power: grid connection, transmission capacity and reliable back-up can be as decisive as the hardware itself. Some of our clients are seeing bottlenecks in back-up infrastructure such as gas turbines, where lead times can stretch into multiple years, reinforcing the breadth of the enabling opportunity set.

That shifts attention from pure technology exposure to the enabling layer—utilities, grid investment, power equipment and the real-asset footprint that supports digital growth. It also reinforces why parts of North Asia remain leveraged to the AI ecosystem through electronics and semiconductor supply chains, even as the end-demand is global.

The takeaway:

We focus on the beneficiaries of the build-out (infrastructure and enablers), and on balance-sheet strength—because the winners are typically the firms that can execute large projects on time, on budget, and with secure access to power.

3.3 The dollar: evolution, not exit—watch funding, invoicing and hedging

De-dollarisation headlines persist, but the shift is still playing out at the margin—more in specific corridors and use cases. The growth of RMB invoicing is picking up most where state-owned enterprises are involved, and where China is the biggest trading partner, especially in South-South trade. Rate differentials and cross-currency basis can move hedged returns and influence where corporates choose to borrow and hold liquidity, especially when higher input costs and longer cycles lift cash needs. But many markets—including commodities—remain anchored to USD conventions, so any change in the use of USD will be gradual.

We therefore don’t see a wholesale exit from the dollar, with deep dollar capital markets still anchoring the system.

The takeaway:

We don’t flee from the dollar, but diversify currency exposure deliberately. Monitoring funding and hedging signals can provide early indicators of stress—or opportunity—across regions and sectors.

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;
- 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 payment.
- 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.

- **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.

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

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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

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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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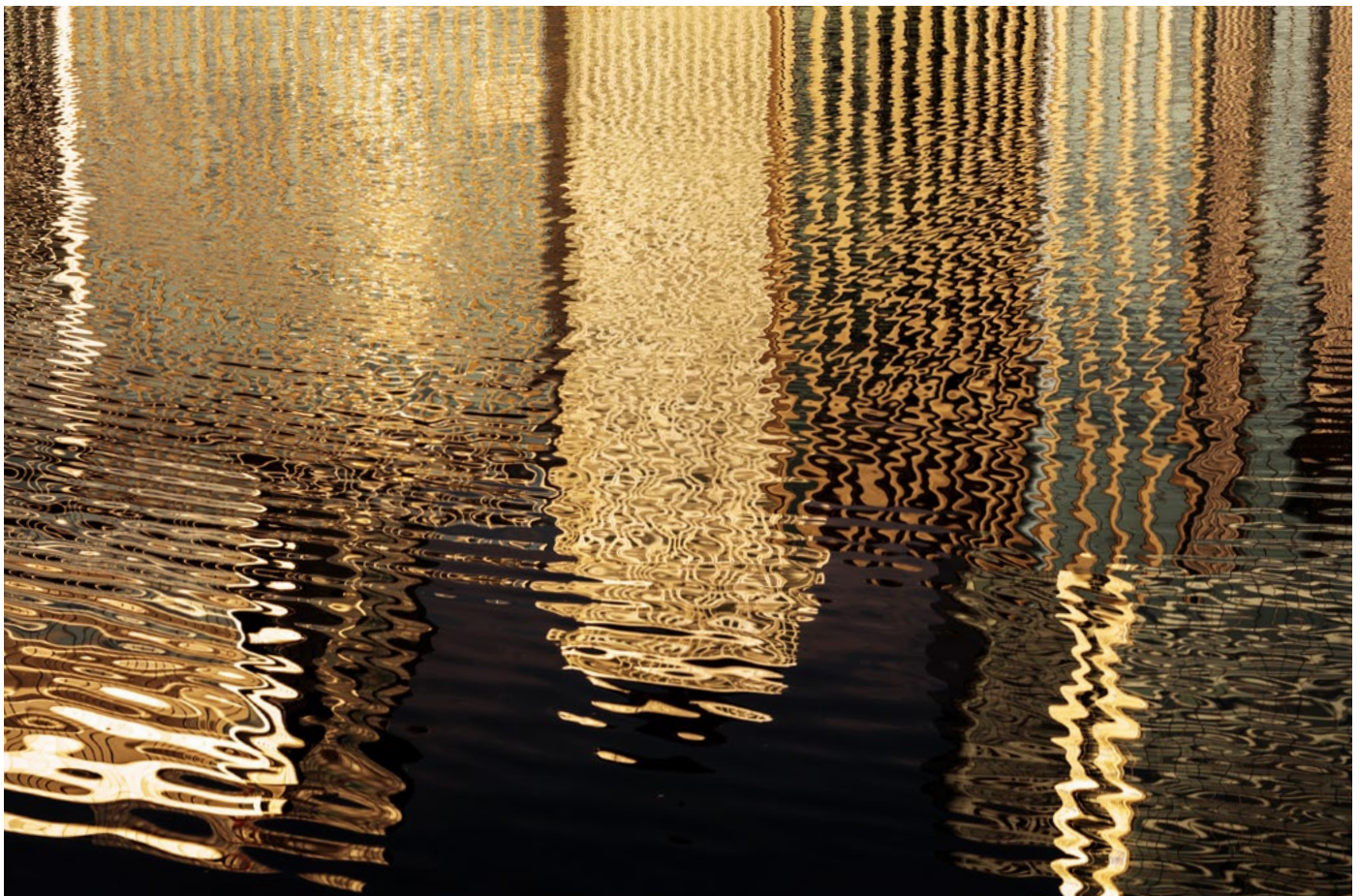
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Shifting Currents:
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