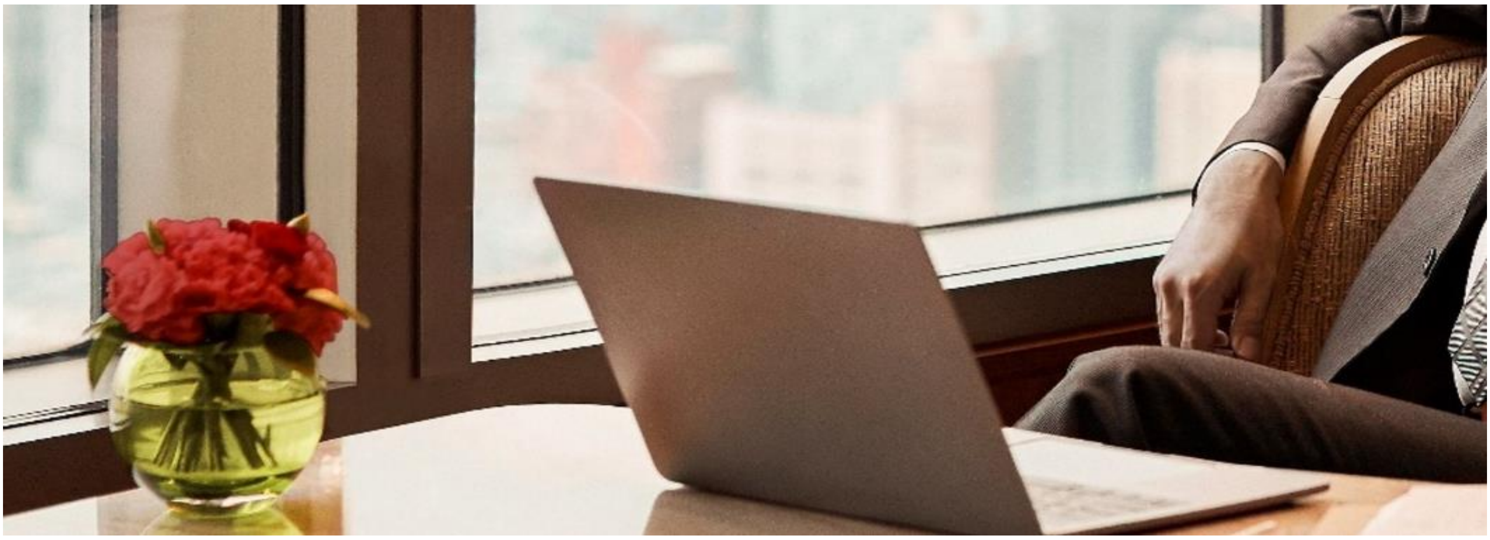
HSBC Private Bank

Investor Essentials

The Psychology Behind Successful Investing - The Dos and Don'ts for a New Investor – Part 3 of 3

July 2026



Contributors

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Highlights: "*The investor's chief problem — and even his worst enemy — is likely to be himself.*" — *Benjamin Graham*. In Part 3 of our Investor Essentials - *Understanding the Psychology of Investing* - we decode the behavioural pitfalls that lead investors to make impulsive decisions. We discuss techniques about mastering behaviour, and imbibing concepts like adopting the '*Dopamine Discipline*' in a world where modern tech induced endless scrolling has hijacked our brains' reward pathways. Markets will always be noisy. As investors, our advantage is choosing calm—again and again.

Briefly, here are all the concepts this report covers:

- **Master behaviour - the real differentiator:** The biggest investment risk isn't the market—often, it's our own reactions to it. The good news is that behaviour can be trained. In a world designed to distract, imbibe the '*Dopamine Discipline*' - to break free from digital overstimulation. Because your portfolio isn't your only compounding asset. Your attention is, too. Protect it, train it – to make better decisions—calmly, consistently & with intention.
- **Beware the pitfalls of overtrading**: Frequent trading can compound mistakes faster than it compounds returns—while disciplined, low-drama investing lets time do the heavy lifting.
- **Active vs passive investing:** Use passive funds when markets are efficient & you want broad exposure; use active selectively where markets are less efficient and more complex.
- **Understanding costs & fees:** Treat excessive fees as potential negative return and ask, "*What am I getting for this price?*" If the value (service, diversification, risk management, advice) isn't clear, your future self may be funding someone else's compounding instead of your own.
- **Managing currency exposure like it's an asset class**: FX is more than a by-product of global investing. If managed intentionally, it can be a source of return, rather than a drag.
- **Measuring your investment portfolio's performance**: By understanding *Beta* vs *Alpha*.
- **Profits with Purpose**: They say "*we do not inherit the earth from our ancestors; we borrow it from our children*". We discuss how incorporating purpose doesn't dilute performance; it sharpens decision making by linking capital to consequences, and profits with progress.

In Part 1 of our *Investor Essentials* report, titled **Choices over Brilliance**, the message was simple: investing isn't about one genius call — it's about building a repeatable system that turns money into optionality: choices around where you live, how you work, and how you support the people you care about. It's about the habits that do the heavy lifting and understanding the abstract concept of compounding through the doubling lens.

In Part 2, **Understanding the Building Blocks of Investing**, the focus shifted from mindset to mechanics: We decoded the risk-return drivers of key assets classes and how to build a portfolio that meets one's life objectives by using a core–satellite approach: a diversified core anchored by Strategic Asset Allocation (SAA), complemented by measured Tactical Asset Allocation (TAA) tilts and disciplined thematic satellites. Another key message for NextGen investors was that diversification isn't just a textbook risk management tool — it's a response to a borderless life - achieved by spreading exposure across regions, currencies and asset types.

We continue this learning journey in Part 3, **The Psychology Behind Successful Investing,** because once you've got the foundations right (i.e. you've defined your '*why*', understood the right building blocks, and developed a diversified portfolio), the biggest risk to compounding is often behavioural: the urge to react, to overtrade, to chase what's hot and abandon what's "boring" but sound. This is where the real edge of successful investors shows up — not in finding the next "winner", but in mastering oneself.

In this report, we'll unpack the mental shortcuts and biases that quietly hijack decisions; when active management may genuinely earn its keep versus when low-cost passive exposure is the smarter default; and why fees matter more than most people think, when they compound for decades.

Finally, the report discusses a topic that's close to most NextGen investors' heart – combining profits with purpose and positive impact:

1.) Master your behaviour - an underrated superpower of great investors

Real-life investing has as much to do with psychology as it does with analysing the markets – more than most investors appreciate. As a new investor, you may have developed a great investment strategy and picked a theoretically sound investment process, but without knowing how to manage your reactions when markets fluctuate, none of it is likely to produce the required results.

The irony is, we all feel we are rational and are in full control of our emotions. But the reality is, we're not. Even highly capable people make inconsistent decisions under pressure, hype, fear, or information overload. Behavioural finance exists because markets may be complex, but the hardest part is - managing ourselves. But in a world full of information and distractions, it's not an easy job. So, what should you do - and where should you start – when it comes to managing your own behaviour?

Start with imbibing the 'Dopamine Discipline'*:

So, what exactly is 'Dopamine Discipline'? Your portfolio isn't your only compounding asset—your attention is, too. Modern apps aren't neutral. They're designed to keep us clicking - built to monetise our focus. The endless scrolling, gaming, and notification-chasing can quietly train our brain to crave "easy wins", making deep work, patient investing, and real relationships feel strangely dull. New investors can manage their focus with a 'Dopamine Detox'.

The fix - 'Dopamine Detox' - isn't heroic willpower; it's smart design: Dopamine Detox offers a practical mindset shift - create friction when the urge to scroll or escape shows up, practise pausing and letting it pass. An impulse is information, not an instruction.

An urge is a wave: it rises, peaks, and passes—if you don't feed it. Keep the horizon small (this hour, this task, today), stack tiny wins, and choose the brief discomfort of discipline over the long drag of regret.

Done well, this isn't about becoming a productivity machine; it's about showing up with calm, clear judgement—so you can invest, lead, and live with intention. Ultimately, focus compounds the same way capital does: quietly, then all at once.

The next step is understanding the common behavioural traps that quietly drain returns (and how they show up in real life). Here's a list of biases that can derail decision-making, along with a suggested antidote to each:

A.) **Anchoring & adjustment - getting stuck on a reference point**: We latch onto an initial number or story—yesterday's price, an IPO pop, a headline—and then adjust too slowly when new information arrives. The "anchor" becomes a psychological ceiling or floor, even when it's irrelevant.

Antidote: Reset the anchor to fundamentals and goals, not past prices or narratives.

B.) **Overconfidence - mistaking noise for insight**: In a constant stream of market updates and hot takes, it's easy to feel informed—and therefore skilled. This often leads to acting on "placebo" information (data that feels meaningful but is mostly noise), trading too much, and exiting good positions too early. We discuss the risks of overtrading later in this report.

Antidote: Refrain from acting on noisy data, unless it changes fundamentals.

C.) **Herd behaviour – akin to outsourcing conviction to the crowd**: Copying what's "*in vogue*" feels safe—until it isn't. Herding drives bubbles and panic-selling because social proof is powerful, especially in uncertain environments.

Antidote: Ask, "*Is this my decision or the social default?*"

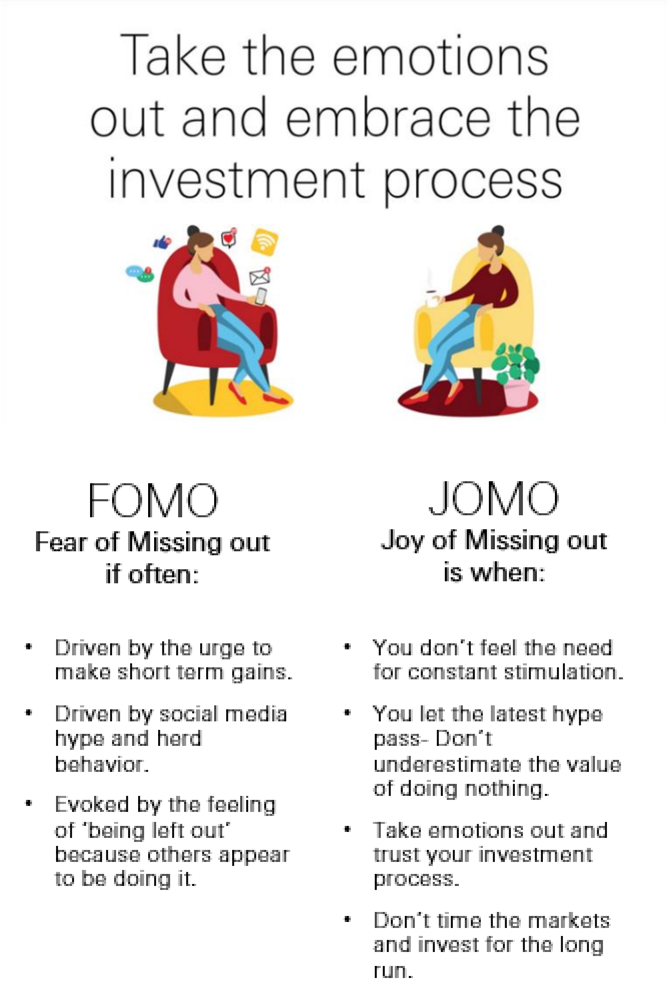
D.) **Disposition effect - selling winners too early, holding losers too long**: Many investors lock in small gains quickly (because profit feels good) and delay selling losers (because losses sting). Research shows investors are 1.7 times as likely to sell a winner than a loser—a pattern that can systematically weaken outcomes*.

Antidote: Define sell/trim rules in advance; don't negotiate with yourself mid-storm.

E.) **Status quo bias - choosing "safe" today that's costly tomorrow**: Holding too much in cash can feel comforting, but inflation quietly erodes purchasing power. One of the biggest mistakes is often taking too little risk, not too much—especially over long horizons.

Antidote: Align risk-taking with goals & time.

"The stock market is a device for transferring money from the impatient to the patient." — Warren Buffett



Source: HSBC Private Bank, July 2026

But knowing biases exist doesn't automatically stop them. People can understand the right behaviour and still fail in the moment—just like knowing nutrition doesn't stop mindless snacking.

That's why the solution isn't "*try harder*". It's to build an environment and a process that makes good behaviour the default.

This is where 'Dopamine Discipline' becomes practical: Create friction between you and impulsive actions (scrolling, reacting, revenge-trading), and create ease for the behaviours that build wealth (reviewing, rebalancing, staying diversified).

Here's how strong investors make good decisions more often

1.) **They don't fix everything –** just fix their top 2–3 biases first: Behaviour change sticks when it's targeted. Identify the two or three patterns that hit you hardest (e.g., FOMO + recency bias, or overconfidence + disposition effect). Work those first.

2.) **They pre-commit to a rules-based process (because mood is not a strategy):** The most reliable way to reduce emotional investing is a clear, repeatable process. Think like elite athletes: they focus on the process, not the medal. Same with investing—outcomes vary, but discipline is controllable.

As detailed in Part 2, a robust process typically includes:

- Strategic Asset Allocation (SAA) as your long-term anchor (diversification, long-term focus, rebalancing, optimisation)
- Tactical Asset Allocation (TAA) for measured, risk-aware tilts when conditions justify it
- Portfolio construction + periodic rebalancing to keep risk aligned to your plan.

3.) **Think in portfolios, not "hot picks":** Concentrated, frequently traded positions can magnify behavioural errors. A diversified, multi-asset portfolio aligned to your objectives tends to create a smoother journey—one you're more likely to stick with through volatility.

And sticking with the strategy matters: Volatility is part of the journey. Acting impulsively during volatility is where behavioural biases do the most damage.

The next section on risks of overtrading is very much linked to the behavioural risks we discussed in this section.

2.) Beware the pitfalls of overtrading

Over-trading is the investing equivalent of doomscrolling. It feels like you're "*staying on top of things*", but it often turns your portfolio into a stress-driven reaction machine. From a NextGen or a new investor's vantage point—where markets, memes, and notifications hit at full volume—the risk is confusing activity with progress. As detailed below, every extra trade may increase frictional costs; raise the odds of buying high and selling low; and pull you into short-term noise that drowns out your long-term plan. Here are the financial pitfalls of overtrading:

- **Compounding transaction costs:** Each buy or sell order incurs broker fees, commissions and bid-ask spreads. With time, these seemingly small fees compound, needing higher asset gains just to break even.

- **Triggering tax liabilities:** Frequent trading may trigger capital gains tax.

- **Frequent trading increases the likelihood of mistiming the market** – often leading to buying high and selling low.

- **It also feeds behavioural traps**: Overconfidence after a win, revenge trading after a loss, and FOMO when everyone else looks like they're printing money. Eventually, all this leads to emotional burnout by creating more stress, anxiety and eventual decision fatigue.

3.) Understanding active vs passive investing

Active investing aims to beat the market by selecting securities, tilting exposures, or timing opportunities. It can be preferable when markets are less efficient or more complex—for example in emerging markets, smaller companies, credit, or specialist themes—where skilled managers may add value through deeper research, security selection, and risk management. It can also be useful in volatile or fast-changing regimes (e.g. high dispersion between winners and losers, or elevated downside risk), where an active manager can tilt defensively, avoid specific risks, and adapt exposures rather than simply tracking the index. Selecting the right managers is therefore a key decision in active investing.

Passive investing is often a strong choice when you want low-cost, transparent, broad market exposure— especially in highly efficient markets like large-cap developed equities, where consistently beating the index after fees is difficult. It can also suit investors who value simplicity and discipline - to capture the market return, stay diversified, and potentially avoid manager-style drift or the risk of picking the "wrong" active fund at the wrong time. In a core–satellite framework, many investors use a combination of active and passive funds/ETFs - passive for the core (SAA anchor) and active selectively in satellites (TAA tilts or high-conviction themes), where the goal is targeted upside without turning the whole portfolio into a concentrated bet.

4.) Understanding the impact of costs and fees

Costs don't just reduce returns — they quietly compound against you. Young investors have time on their side, but fees also have time. A 1% annual drag doesn't look dramatic in year one; over decades it can meaningfully shrink the end portfolio value because you're not just losing money — you're losing the growth on the money you paid away. Different fees hit in different ways (and you'll often pay more than one). Before investing, providers will signpost charges in the product documents — and it's worth reading them as the headline price is rarely the whole story. Common cost types include:

- **Trading/transaction fees**: charged when you buy or sell shares (or other instruments). These can punish frequent trading — particularly when smaller portfolios mean each fee is a larger % of the amount invested.

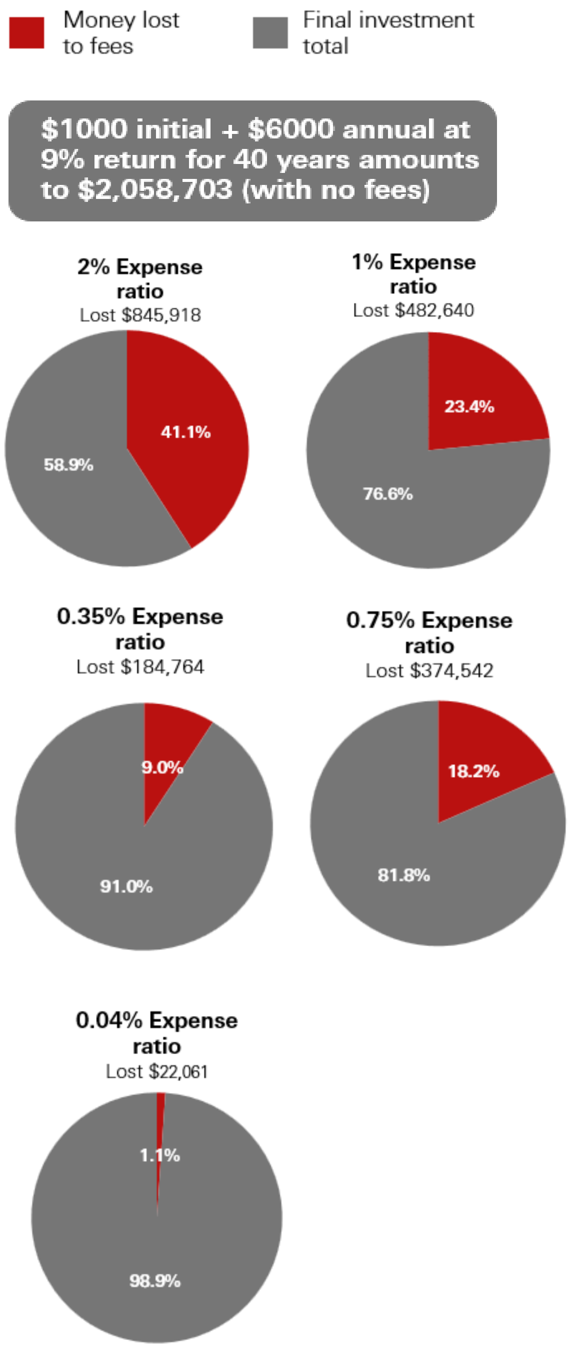
- **Account/platform fees**: what you pay for custody, administration, and access to the platform's tools. These can be flat fees or percentage based.

- **Ongoing/annual management charges (funds):** Deducted within the fund and useful for comparing options because they include the manager's charge plus other operating expenses.

- **Advice fees:** Paid for personalised recommendations. Self-directing may avoid advice fees — but you're then "paying" in another currency: your own time & discipline.

Reading the small print hiding costs in plain sight; using low-cost index/ETFs for core exposure; reducing trading frequency; using technology (*portfolio analytics – i.e. fees by holding, cost per trade & cost as a percentage of contributions*) to make fees visible; picking the right platform & pricing model for your portfolio size are some key strategies to avoid overpaying unnecessary costs and charges.

The hidden impact of fees and charges



Source: International Money Life, HSBC Private Bank, July 2026

Good wealth managers don't just follow a rigorous investment process; they also provide cost focused implementation via:

- **Targeted use of active management** (third party and in-house).
- **Variety of implementation styles** assessed (passive, active, factor-based) for each asset class.
- **Holistic fund market assessment**: Fund market assessed for both 3rd party and in-house funds.
- **Efficient beta capture** – Via low-cost funds/active ETFs.

5.) Managing your portfolio's currency exposure like it's an asset class

For any investor holding a global portfolio, FX exposure outside of their home currency already exists and this FX risk feeds straight into home-currency returns (via translation risk), even when local asset prices don't move. The only consideration therefore is, whether this risk is managed intentionally or left unmanaged by default. We think FX is more than a by-product of global investing. If managed intentionally, it can be viewed as an asset class in its own right. Good investors treat FX as a deliberate portfolio lever with clear objectives: reduce unwanted volatility and drawdowns, and—where suitable—add a diversifying return stream.

For investors, FX has identifiable return drivers:

- **Carry**: The strategy of earning rate differentials between two currencies. But it's vulnerable to sharp "risk-off" unwinds.

- **Value or PPP (Purchasing Power Parity) mean reversion**: Useful as a long-term anchor but is slow and patience-testing.

- **Momentum or following the trend**: Can work in sustained moves but struggles in choppy reversals.

In practice, we think FX hedging decisions should be made by asset class: Fixed income is usually the first candidate that should be hedged because a 5–10% currency move can overwhelm a 2–3% bond yield, while equities are more nuanced and time-horizon dependent (though watch concentration risk, which is often USD-heavy).

How can you hedge your FX exposure?

a.) Investors can use a passive hedge ratio: Think of it like setting a "currency seatbelt" for your investments.

A passive hedge ratio (e.g. 50% or 100%) is a simple, set-and-forget strategy. You choose a fixed amount of your foreign-currency exposure to protect all the time:

- **100% hedge =** you're fully protected from currency moves (good or bad) because you've neutralised the FX impact.

- **50% hedge =** you protect half, and you still "feel" half of any currency ups and downs.

b.) Active overlay (more hands-on): Instead of keeping the hedge fixed, an active overlay tilts the hedge when there's a need or reason, using forwards, swaps or options—while recognising hedging costs, lost upside from favourable FX moves, rebalancing needs, and operational/counterparty risks. Typical reasons are:

- **Valuations:** The currency looks expensive/cheap versus fair value,
- **Rate divergence**: Interest rates are moving differently across countries.
- **Regime shifts**: Markets move into a new "mood" or regime (e.g., risk-on vs risk-off behaviour changing).
- **Spending need:** You've got upcoming spending in a specific currency and want more certainty.

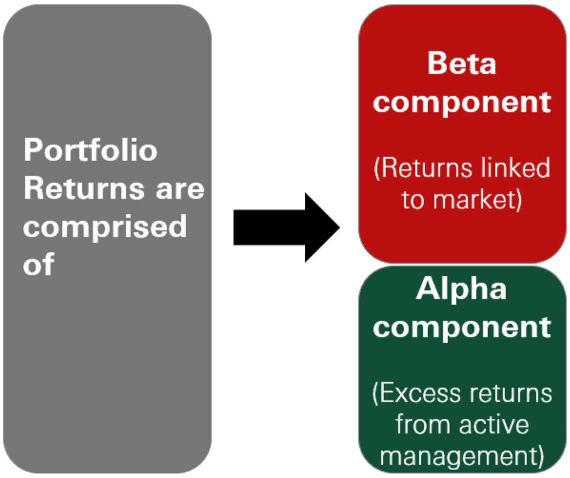
For more details, check out our recent CIO Academy paper, *Foreign exchange as an "asset class": how to treat FX in your investment process*.

6.) Measuring Your Portfolio Performance

One should interpret portfolio performance through a clear framework that separates what the markets delivered from what investors (or their money managers) added through portfolio decisions. This is done by using suitable benchmarks for each asset class—for example (a non-exhaustive list) - a relevant global equity index for equities, an appropriate bond index (with the right duration and credit quality) for fixed income, and fit-for-purpose benchmarks for alternatives—then measuring the portfolio and each sleeve in the client's base currency so results reflect what they can actually spend.

The benchmark return represents market performance - the *Beta***:** the return you'd expect from broad exposure to that asset class. Any difference between the portfolio and its benchmark is *Alpha*—value added (or lost) through security selection, active tilts, manager choices, timing, implementation and costs. As global portfolios also carry embedded FX exposure, it is worth assessing how much of the outcome came from asset returns versus currency translation, and how any hedging policy changed that experience—often most meaningfully in fixed income, where currency moves can dominate yield. The goal is a transparent read-through, so investors can see whether results were driven by markets, by active investment skill, or by currency and hedging effects.

Portfolio Performance = Beta + Alpha



Source: HSBC Private Bank, July 2026

7.) Profits with Purpose and Impact

Profits and purpose aren't competing goals—they're two sides of the same risk-and-return coin. In a world where customers, regulators, and employees expect more transparency, the most resilient businesses are the ones that can explain how they make money, not just how much they make.

Focusing on profits with impact means backing companies that solve real problems—cleaner energy, better access to health and education, safer financial systems, more inclusive growth—because real-world utility is hard to disrupt.

Purpose becomes a quality filter: it pushes management teams to think long term, invest in innovation, and earn trust that translates into pricing power, talent attraction, and stronger stakeholder relationships.

For investors, a focus on "*profits with impact*" is also a behavioural advantage. It reduces the temptation to chase hype because your portfolio has a clearer job: fund outcomes you can articulate and measure, not just stories you can share. That clarity helps one stay disciplined through volatility—especially when headlines are loud and attention is fragmented.

Done well, purpose doesn't dilute performance; it sharpens decision-making by linking capital to consequences. And when you connect profit to progress, you're not only aiming for returns—you're helping shape the kind of economy you want to retire into.

To wrap up

This final chapter of Investor Essentials– *The Psychology Behind Successful Investing* - is a practical guide to protecting your compounding from the modern world's loudest enemies: hype, fear, and the always-on feed.

It breaks down the behavioural biases that quietly drain returns — anchoring, overconfidence, herd behaviour, the disposition effect, and status quo bias — and pairs each with a simple antidote: rules, structure, and decision-making that's anchored to goals, not noise.

As a new investor, it's imperative to tackle other important aspects of investing too:

- **Overtrading:** Is "*doomscrolling for your portfolio*" — it feels productive, but compounds friction - fees, spreads, mistakes, and stress.

- **Active vs passive as a tool choice**: Use low-cost passive when markets are efficient and you want simple, broad exposure; use active selectively where markets are less efficient and more complex and skill can plausibly pay for itself.

- **Fees:** As an investor, it is important to understand the potential negative impact of excessive fees on returns over time and ask, "*What am I getting for this price?*" If the value (the service, diversification, risk management or advice) isn't clear, your future self may be funding someone else's compounding instead of your own.

Treat FX exposure intentionally (not as an accidental by-product), understand what's beta vs alpha when reviewing performance, and remember that "profits with purpose" isn't sentimental — it can be a discipline advantage, because it keeps your portfolio anchored to outcomes you can explain when volatility tests your conviction.

Bottom line for new investors: The goal isn't to outsmart everyone else — it's to outsmart your future, stressed, distracted self. Build a system that makes calm the default - then let time do what it does best - compound good habits into positive outcomes. After all, "*We are what we repeatedly do. Excellence, then, is not an act, but a habit". **

We sincerely hope our 3-part *Investor Essentials* series offers you the framework, knowledge and confidence to embark on your investing journey, and stay consistent to build your wealth. Happy investing!

***Sources:**

- The Dopamine Discipline - Written by Radheshyam More
- "We do not inherit the earth from our ancestors; we borrow it from our children." - Proverb (widely cited; attribution varies)
- "We are what we repeatedly do. Excellence, then, is not an act, but a habit." — Will Durant

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; (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

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