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## **FUND MANAGERS TURNING OPTIMISTIC ABOUT GREATER CHINA EQUITIES, SAYS HSBC SURVEY**

HSBC, one of the world's largest banking and financial services organisations with headquarters in London, has announced the results of a fund managers survey it conducted among leading fund management houses in the first quarter of 2009. The survey shows that despite continuing market volatility and economic uncertainty, global fund managers are optimistic about Greater China equities.

This is the tenth survey HSBC has conducted since 2006. The survey analyses the world's leading fund management houses by their funds under management (FUM), their asset allocation views and their global money flows.

### **Main Survey Results**

#### **Asset Allocation**

In the first quarter of 2009, the 12 fund managers surveyed<sup>1</sup> favoured bonds over equities as uncertainties across the global economy remained. Francois Moreau, Managing Director, Head of Personal Financial Services in Japan, The Hongkong and Shanghai Banking Corporation Limited, said, "In HSBC's last survey in the fourth quarter of 2008, fund managers were more bullish towards equities due to relatively attractive valuations at that time. Flight to quality continues to be a central theme for fund managers as they tend to veer towards more conservative asset classes given continued market volatility and the global economic uncertainty. We expect this sentiment to remain in the medium term."

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## HSBC Fund Managers Survey Results/2

By geography, fund managers are most optimistic about Greater China equities because they expect the stimulus policies of the Chinese government to support domestic demand and economic growth. Sixty-seven per cent of fund managers took an overweight view, up from 50 per cent in the last quarter of 2008. No one held an underweight view in the first quarter this year, in contrast to the previous 38 per cent. Thirty-three per cent were neutral, up from 13 per cent.

Fund managers' views on Japanese equities were unchanged from the last survey.

### Asset Allocation by Class

	Underweight		Neutral		Overweight	
	1Q09	4Q08	1Q09	4Q08	1Q09	4Q08
Bonds	0%	20%	43%	30%	57%	50%
Cash	17%	13%	50%	63%	33%	25%
Equities	22%	30%	44%	20%	33%	50%

### Asset Allocation by Geography (Equities)

	Underweight		Neutral		Overweight	
	1Q09	4Q08	1Q09	4Q08	1Q09	4Q08
North America	33%	50%	33%	20%	33%	30%
Europe (incl. UK)	22%	50%	56%	30%	22%	20%
Japan	33%	33%	56%	56%	11%	11%
Asia-Pacific ex-Japan	22%	22%	33%	22%	44%	56%
Great China	0%	38%	33%	13%	67%	50%
Emerging Markets	38%	33%	25%	11%	38%	56%

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## HSBC Fund Managers Survey Results/3

### Asset Allocation by Geography (Bonds)

	Underweight		Neutral		Overweight	
	1Q09	4Q08	1Q09	4Q08	1Q09	4Q08
US Dollar	43%	56%	29%	33%	29%	11%
European	0%	11%	50%	33%	50%	56%
Global emerging markets/ High yield	33%	33%	33%	11%	33%	56%

### Analysis of their Global Money Flows

For the first time since the survey was launched in 3Q06, HSBC has introduced the HSBC Fund Flow Tracker, which represents cumulative dollar value of money flows covering the past 10 quarters. The net money flow<sup>2</sup> estimates are derived from movements in FUM versus index movements in the equivalent class. (A full copy of the survey results is attached to this release.)

At the end of the fourth quarter of 2008, the fund houses covered in the survey reported aggregated FUM of US\$3.27 trillion, representing about 17 per cent of the estimated total global FUM<sup>3</sup>. The survey shows that at the end of the fourth quarter of 2008, FUM decreased by US\$295 billion, a drop of 8.26 per cent from 3Q08. Equity funds, which decreased by US\$252 billion, contributed the most to total FUM decrease. At the same time, money funds recorded an increase of US\$83.2 billion and bond funds, an increase of US\$4.5 billion.

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## HSBC Fund Managers Survey Results/4

Below are the net fund flows derived by subtracting market growth from FUM growth during the fourth quarter of 2008 in various asset classes:

### Net flows as percentage of sector FUM

Asset class	End 4Q08	End 3Q08
North America equities	+2.7%	+3.6%
Japan equities	-3.0%	-3.5%
Asia-Pacific ex-Japan equities	-1.0%	-5.5%
Greater China equities	-4.4%	-4.6%
Emerging markets equities	-9.2%	-11.1%
US bonds	+2.9%	+9.4%
Europe (including UK) bonds	+8.7%	-5.4%
High-yield/emerging markets bonds	-11.9%	-6.3%

For equity funds, fund movements tracked market performance, with net inflows from 3Q06 to 4Q07 and net outflows since 1Q08. The movements in bond funds suggest a flight to quality, particularly towards US dollar investment grade corporate bonds and European (incl. UK) bonds, and show investors diversifying their holdings. Stable fund flows in Greater China equities show sustained investor interest in the sector.

Global emerging markets equity funds continued to see the highest outflow due to concerns that the recession in developed markets could place emerging market equities at risk. Emerging markets bonds, likewise, posted the highest outflow as their economies were hard hit by the credit crunch. European bonds saw the strongest inflow in the last quarter, partly due to the easing bias of both the European Central Bank and the Bank of England. US bonds and US equities posted inflows as well, aided by policies geared towards economic recovery and government stimulus.

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## **HSBC Fund Managers Survey Results/5**

### **Notes to editors:**

#### **Footnotes:**

**1:** Twelve fund managers took part in the survey conducted during January and February 2009. They are: AllianceBernstein, Allianz Global Investors, Baring Asset Management, Deutsche Asset Management, Fidelity Investment Management, Franklin Templeton Investments, HSBC Global Asset Management, INVESCO Asset Management, Investec Asset Management, JF Asset Management, Schroders Investment Management and Société Générale.

**2:** Net fund flows are derived by subtracting market growth from funds under management (FUM) growth during 4Q08.

**3:** According to the Investment Company Institute, total global FUM at the end of the third quarter of 2008 was US\$21.66 trillion.

#### **More details of the survey**

Please see the attached report *HSBC Fund Managers Survey: Tracking Global Money Flows* for more information. The survey was conducted during January and February 2009.

#### **1. HSBC Holdings plc**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 9,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,527 billion at 31 December 2008, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

#### **2. The Hongkong and Shanghai Banking Corporation Limited in Japan**

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. It established its first branch in Japan in Yokohama in 1866, making it the oldest bank operating in Japan today. It has branch offices in Tokyo and Osaka, providing commercial banking, private banking and personal wealth management services.

#### **3. HSBC Premier**

Launched in 2000 and with international services starting in May 2007, HSBC Premier is the first truly global personal wealth management service offering individually tailored financial solutions for the growing number of mass affluent individuals. Globally, HSBC Premier serves over 2.6 million customers through 300 international Premier Centres in 42 countries and territories. In Japan, HSBC Premier launched in January 2008 targeting individuals with liquid financial assets exceeding JPY10 million. HSBC Premier operates seven branches in the Tokyo Metropolitan (Akasaka, Ginza, Hiroo, Ikebukuro, Marunouchi, Yokohama) and Kansai (Kobe) areas.

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