HSBC

16 September 2009

73% OF FUND MANAGERS POSITIVE ON EMERGING MARKET EQUITIES IN 3Q09, SAYS HSBC SURVEY

****Majority of fund managers also optimistic about Asia-Pacific ex-Japan and Greater China equities in 3Q09****

****Net inflows in equity funds in 2Q09 return to 2007 levels****

Nearly three-quarters (73%) of fund managers polled in HSBC's quarterly Fund Managers Survey are holding a positive view towards emerging markets equities, up from 27 per cent in 2Q09.

Overall, fund managers in the survey are more optimistic about equities as an investment class, with 50 per cent of fund managers overweight in the third quarter of the year from 30 per cent in 2Q09. 91 per cent of fund managers hold a positive view on Asia-Pacific ex-Japan equities in the third quarter of 2009 (vs 45% in 2Q09), while seventy-five per cent of fund managers remain bullish about Greater China equities this quarter (vs 75% in 2Q09).On the other hand, 64% of fund managers remain bearish (vs 70% in 2Q09) toward Japanese equities.

Fund managers' views on bonds shifted to neutral (70%) in 3Q09, compared to 20 per cent in 2Q09. Only 30 per cent of fund managers, down from 70 per cent last quarter, are bullish on bonds.

The views are the least positive on cash, with a significant shift of fund managers (57% vs 25% in 2Q09) to an underweight view. No fund manager held an overweight view (vs 25% in 2Q09).

Godfrey Swain, Managing Director and Head of Personal Financial Services in Japan, commented, "We see that improving market performance, combined with growing signs of economic recovery especially in Asia-Pacific and emerging markets, are buoying investor sentiment for equities as people actively seek growth opportunities. Investors remain positive about Greater China equities, given the stellar performance of the stock market and positive signs of economic development in the region over the past few months."

more

News Release

The quarterly HSBC survey analysed 13 of the world's leading fund management houses[1] by their funds under management (FUM), their asset allocation views and their global money flows. The net money flow[2] estimates are derived from movements in FUM versus index movements in the equivalent class. At the end of the second quarter of 2009, the fund houses covered in the survey reported aggregated FUM of US$3.1 trillion, representing about 15.2 per cent of the estimated total global FUM[3].

The survey shows that at the end of the second quarter of 2009, FUM increased by US$315 billion, up 11.4 per cent from 1Q09. Equity funds, which decreased by US$85 billion in the previous quarter, posted an increase of US$206 billion in 2Q09, contributing the most to the overall FUM growth in 2Q09. All other funds, except for money market funds, saw an increase in 2Q09.

Below are the net fund flows derived by subtracting market growth from FUM growth during the first quarter of 2009 in various asset classes:

Net flows as percentage of FUM for selected sectors

Asset class	**End 2Q09**	**End 1Q09**
Emerging markets equities	+15.5%	-1.6%
Asia-Pacific ex-Japan equities	+11.2%	-0.7%
Greater China equities	+7.0%	+5.2%
Japan equities	-10.5%	-4.8%
North American equities	-4.3%	-0.1%
European (including UK) equities	-4.3%	+1.2%
Global bonds	+9.8%	-5.5%
High-yield/emerging markets bonds	+8.5%	-5.4%
US bonds	-1.8%	+1.7%

Emerging markets equities, Asia-Pacific ex-Japan equities and Greater China equities posted inflows in 2Q09, showing renewed confidence in the region's recovery and growth prospects. Investors' risk appetite for developed markets declined, resulting in outflows in North American and European (including UK) equities.

Mr Swain said "In 2Q09, investors appeared to gain more confidence as evidenced by increased inflows and a return to equity funds with a bias towards emerging markets, Asia-Pacific ex-Japan, and Greater China. However, in the context of uncertain long-term growth prospects in the global economy and volatile equity markets, investors continued to preserve capital by keeping a portion of their assets in bonds invested in a diversified portfolio."

The HSBC Fund Flow Tracker, which represents cumulative dollar value of money flows covering the past 12 quarters, showed that within the equity funds sector, net inflows were recorded from 1Q09 to 2Q09. The 2Q09 net inflow volume returned to the highs of 1Q07 and 4Q07.

ends/more

Footnotes:

1: The 13 participating fund managers in the survey are: AllianceBernstein, Allianz Global Investors, Baring Asset Management, BlackRock, Fidelity Investment Management, Franklin Templeton Investments, HSBC Global Asset Management, Invesco Asset Management, Investec Asset Management, J.P. Morgan Asset Management, Prudential 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 2Q09.

3: According to the Investment Company Institute, total global FUM at the end of the first quarter of 2009 was US$18.15 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 July and August 2009.

Notes to editors:

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 8,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US$2,422 billion at 30 June 2009, 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.

ends/all

HSBC Fund Managers Survey: Tracking Global Money Flows

16 September 2009

HSBC
The world's local bank

Survey objectives

- **To identify global liquidity flows.**
- **To understand the dynamics of allocation mix globally.**
- **To obtain fund managers' views on the market.**
- **To obtain first-hand information instead of relying on time-lagged, third-party fund flow data.**
- **To help customers understand the current investment environment from a global perspective.**

HSBC
The world's local bank

Survey methodology

- **HSBC's partner fund managers, accounting for about 15.2 per cent of global funds under management (FUM)[1], participated in this quarterly survey: AllianceBernstein, Allianz Global Investors, Baring Asset Management, BlackRock, Fidelity Investment Management, Franklin Templeton Investments, HSBC Global Asset Management, Invesco Asset Management, Investec Asset Management, J.P. Morgan Asset Management, Prudential Asset Management, Schroders Investment Management and Société Générale.**
- **The survey analysed participating fund firms' FUM breakdowns at the end of 1Q09 and 2Q09[2].**
- **The survey also collected fund managers' views for 3Q09, covering a number of asset classes and markets.**

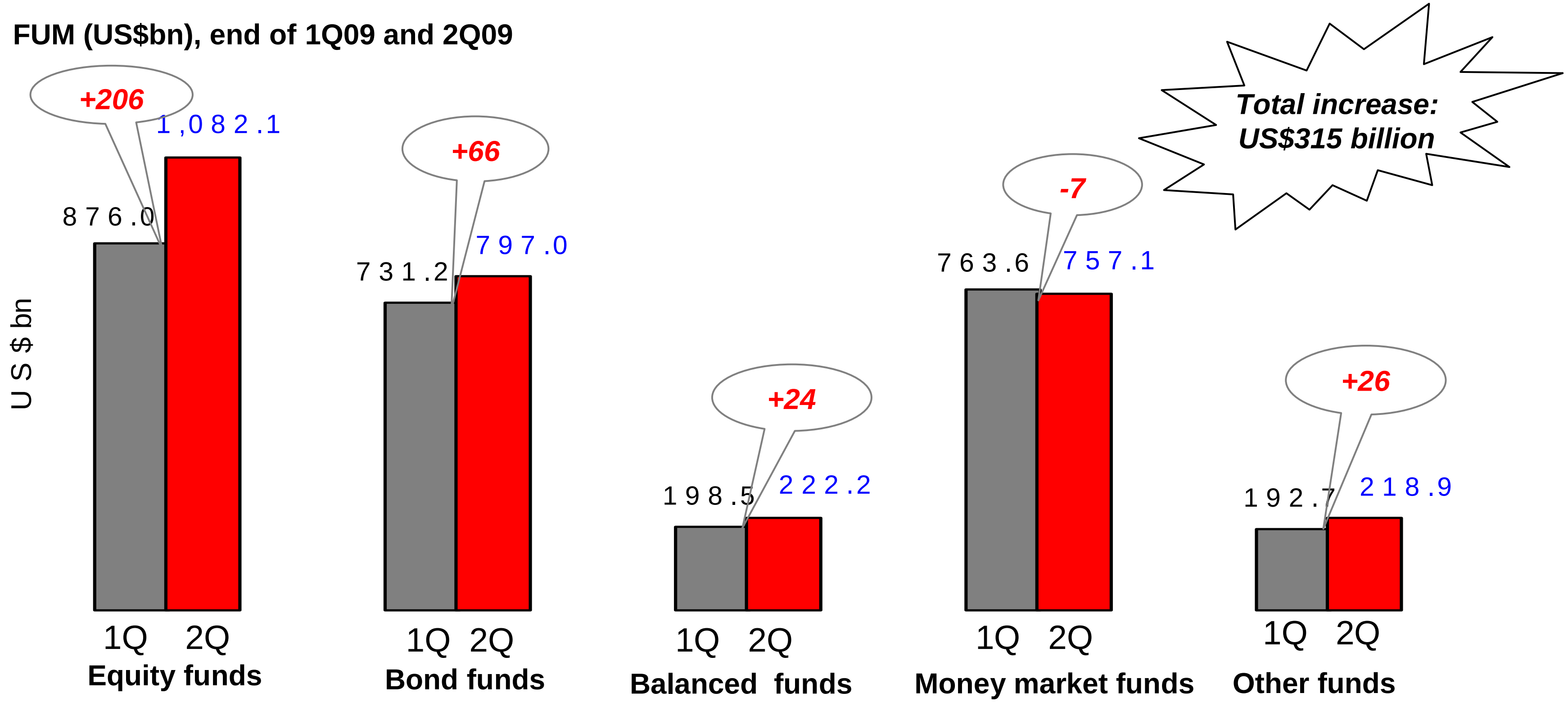
1. Total global FUM at the end of 1Q09 was US$18.15 trillion (Investment Company Institute).
2. 2Q09 data are as of 30 June 2009.

HSBC
The world's local bank

Funds under management (FUM) in 2Q09

- **Aggregated FUM of managers in the survey reached US$3.1 trillion at the end of 2Q09. Survey estimates FUM recorded an increase of US$315 billion between 1Q09 and 2Q09, up 11.4 per cent.**

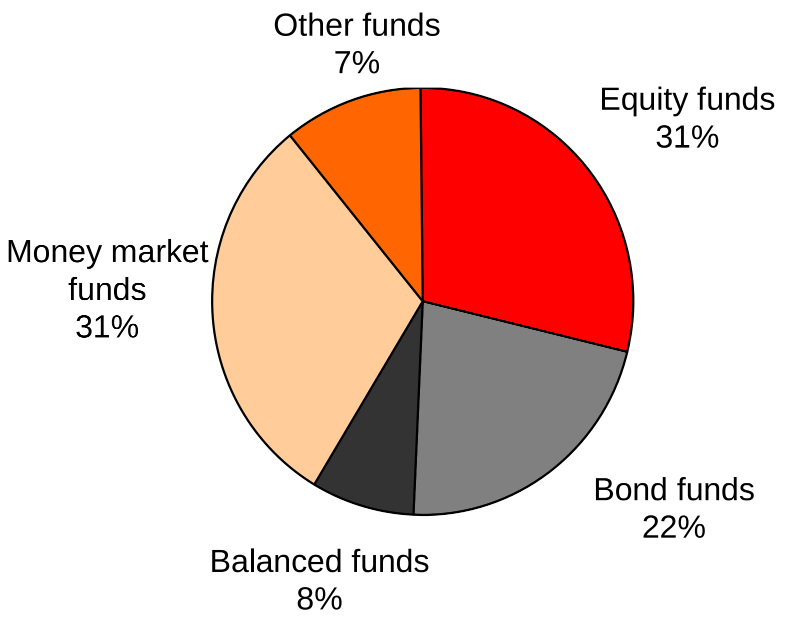
FUM (US$bn), end of 1Q09 and 2Q09



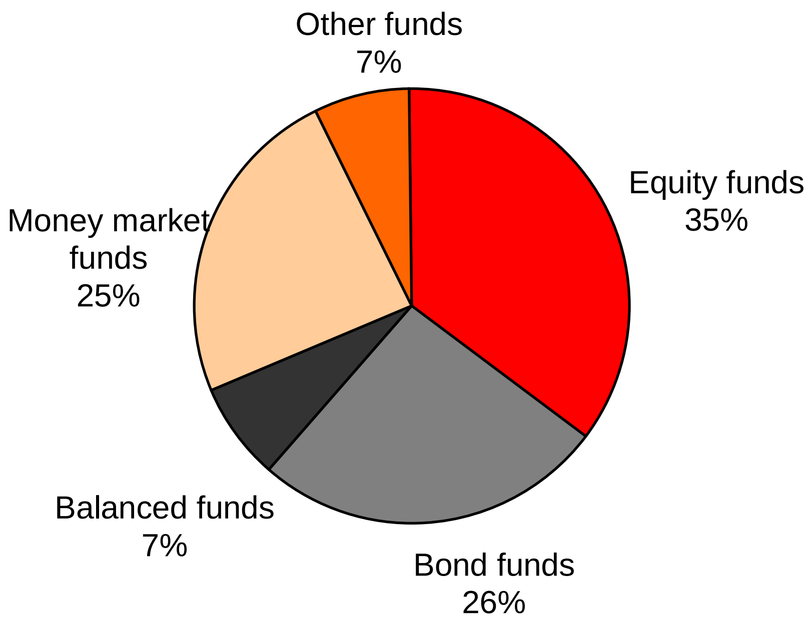
HSBC
The world's local bank

Breakdown of FUM

FUM breakdown by asset type in 1Q09



FUM breakdown by asset type in 2Q09

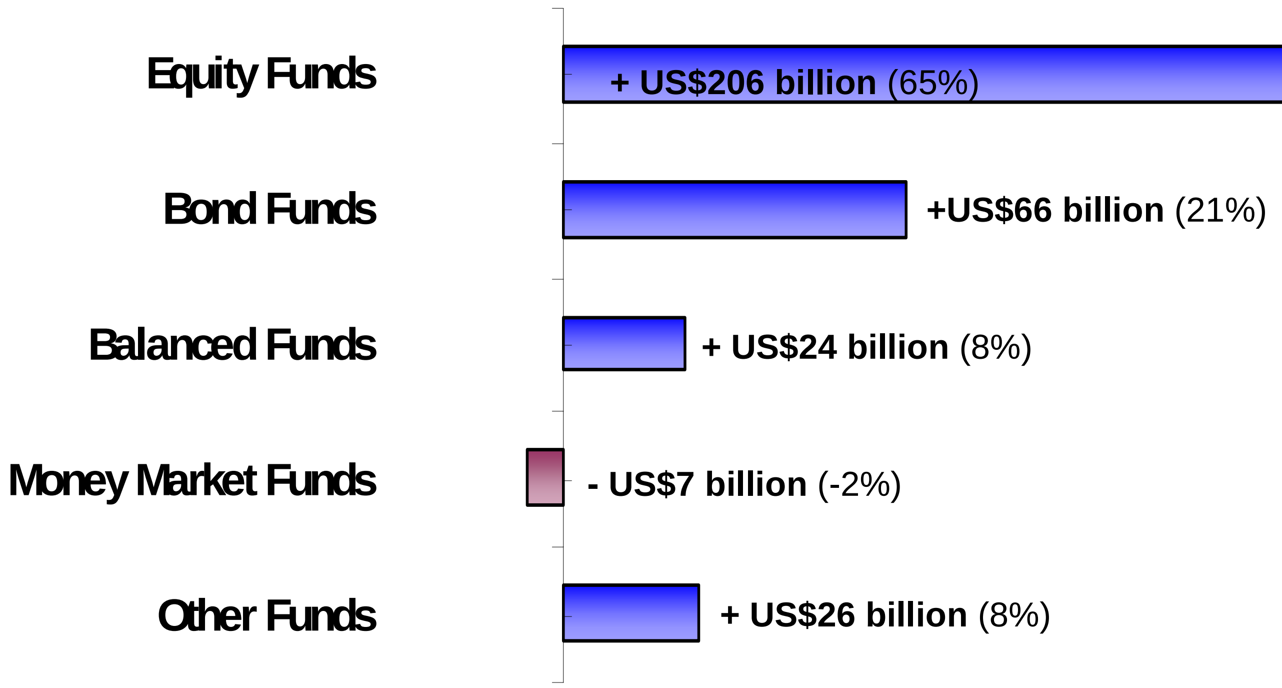


Note: Figures may not add up to exactly 100 per cent due to rounding.

HSBC
The world's local bank

Estimate of contribution to FUM change by asset class

- **Equity funds contributed the most to the FUM increase during 2Q09.**

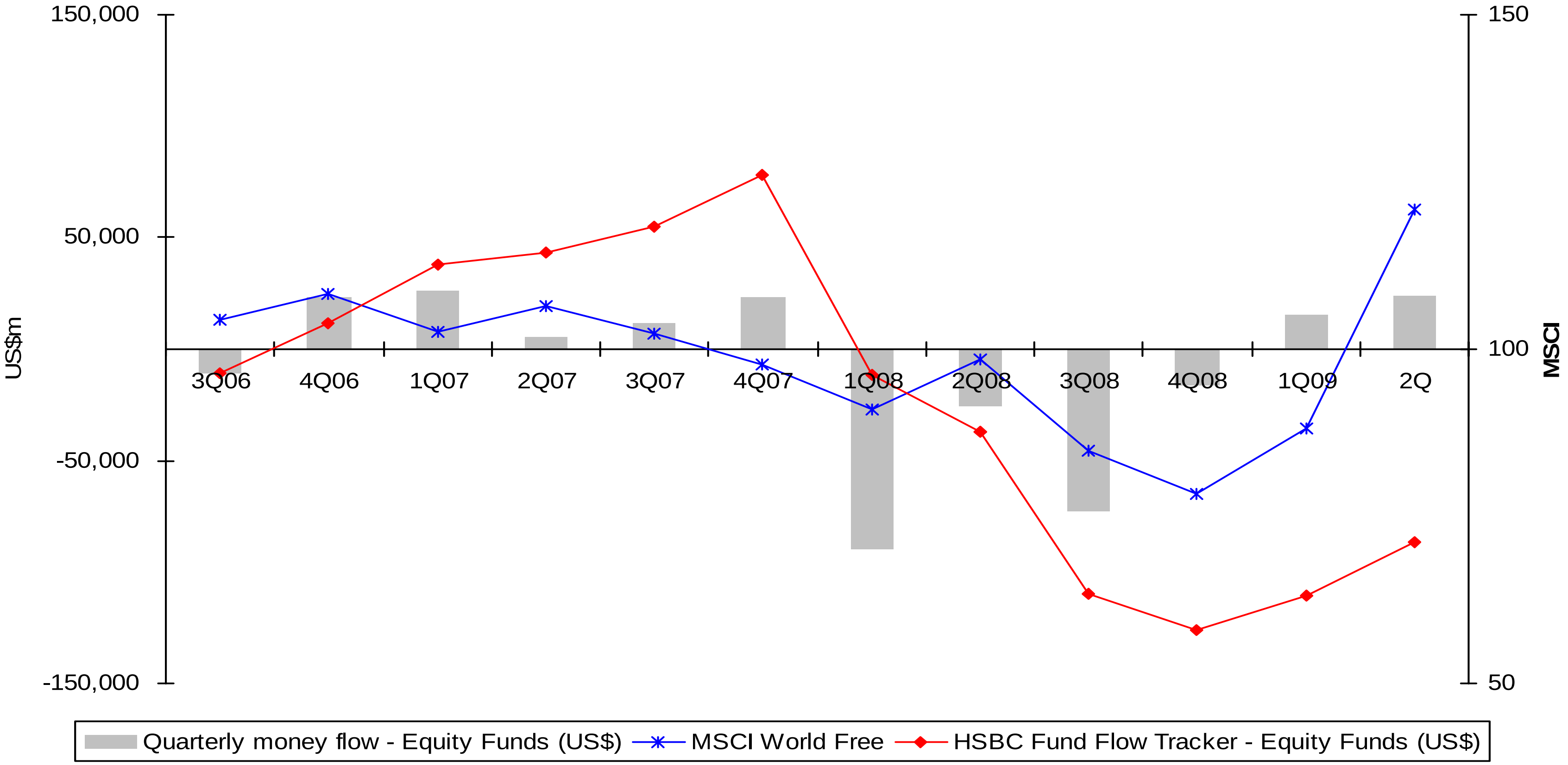


Note: Figures may not add up to exactly 100 per cent due to rounding.

HSBC
The world's local bank

HSBC Fund Flow Tracker: Equity Funds

- **With improved investor sentiment and some signs of economic recovery, equity funds saw continued net inflows.**

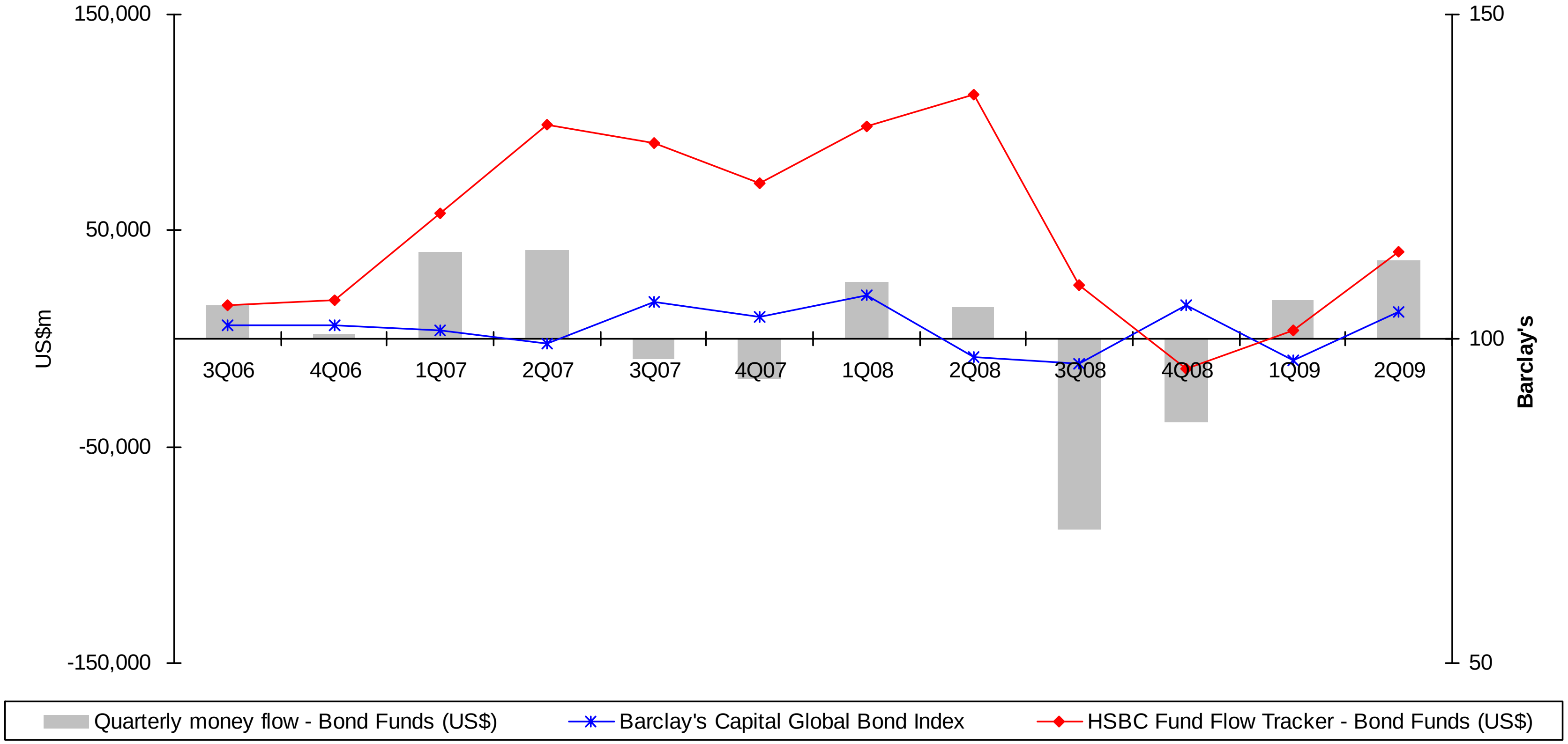


Note: The HSBC Fund Flow Tracker represents cumulative dollar value of money flows by quarter as reported in the HSBC Fund Managers Survey.

HSBC
The world's local bank

HSBC Fund Flow Tracker: Bond Funds

- **Bond funds saw inflows as investors continued to seek safe havens in challenging times.**



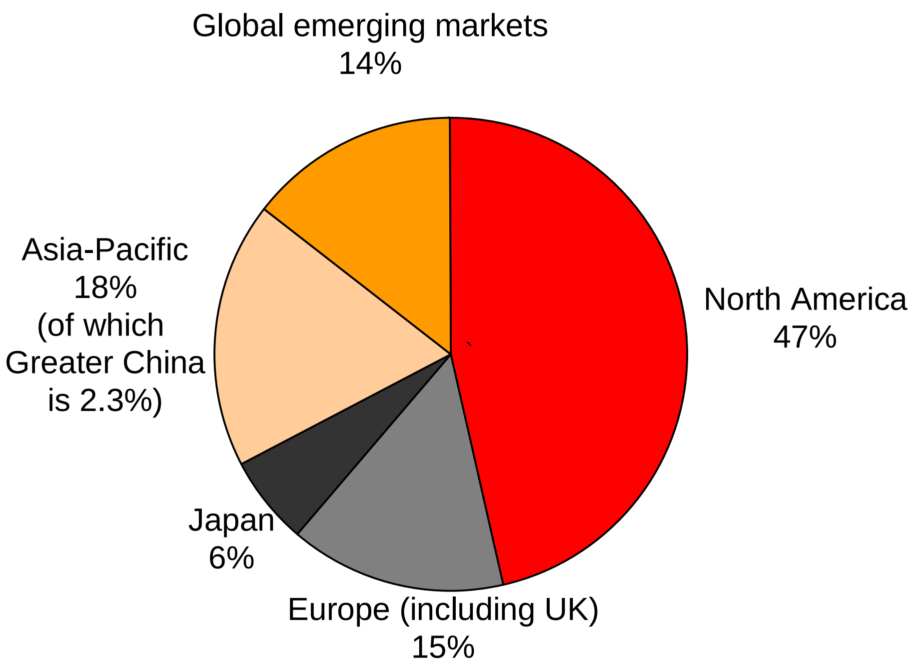
Note: The HSBC Fund Flow Tracker represents cumulative dollar value of money flows by quarter as reported in the HSBC Fund Managers Survey.

HSBC
The world's local bank

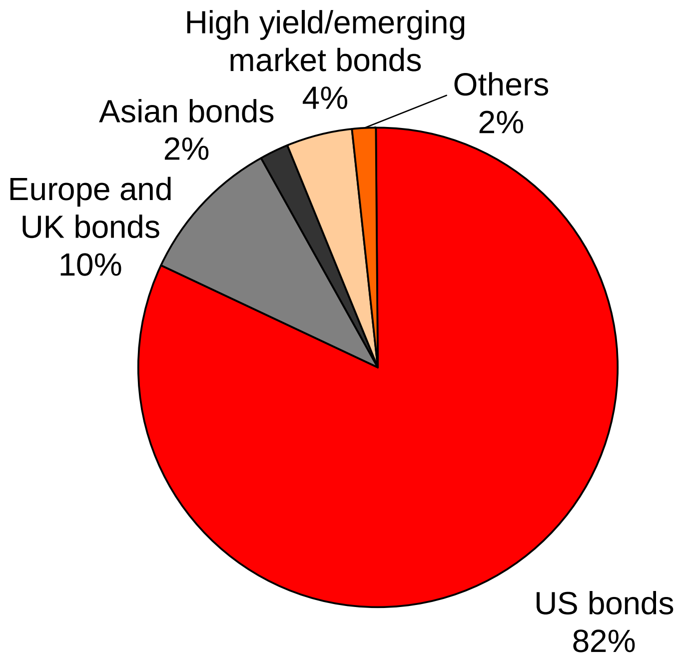
Breakdown of funds by geography

- **US is still the dominating region in equity/bond investments in 2Q09, followed by Asia-Pacific.**

Regional equity funds



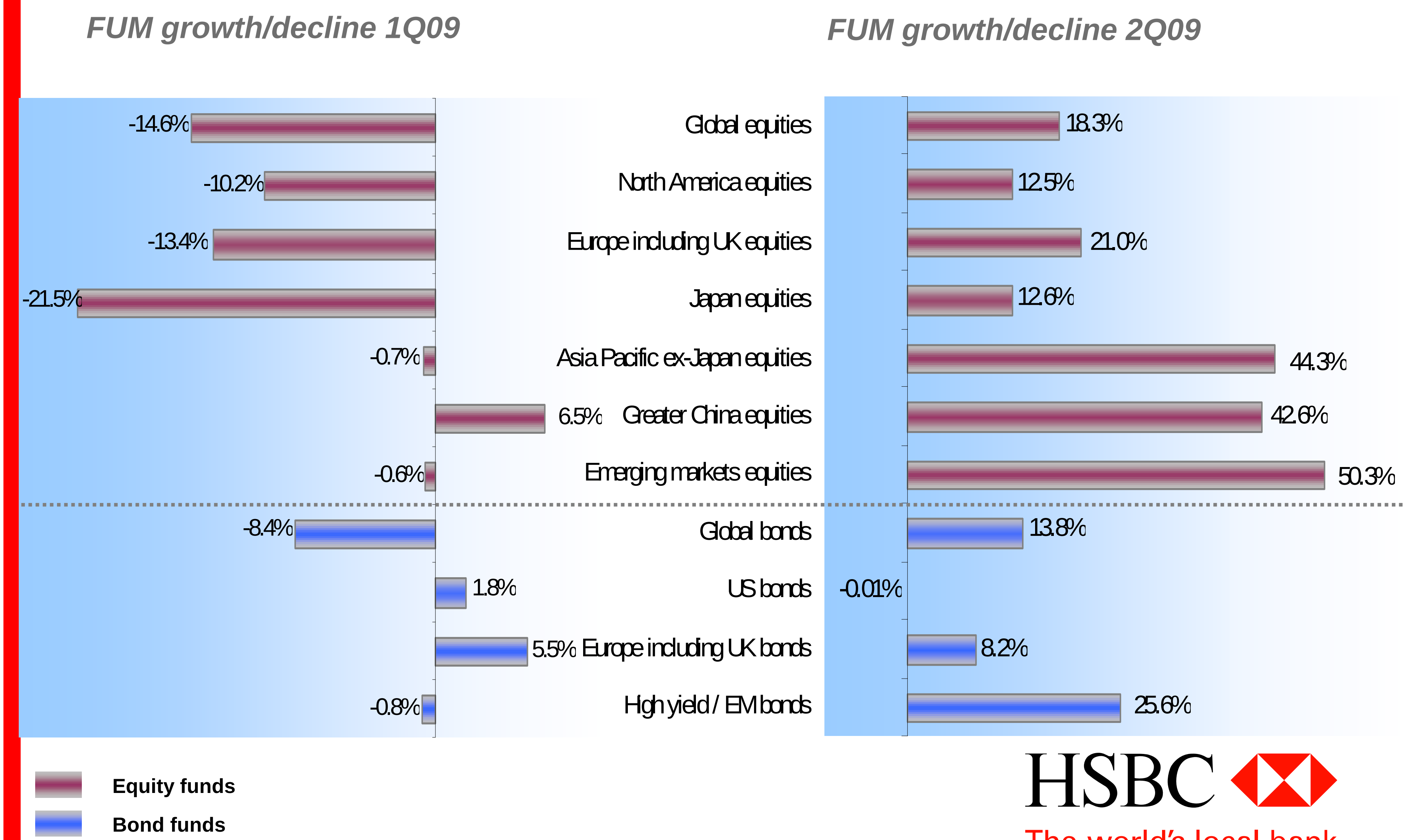
Regional bond funds



Note: Figures may not add up to exactly 100 per cent due to rounding.

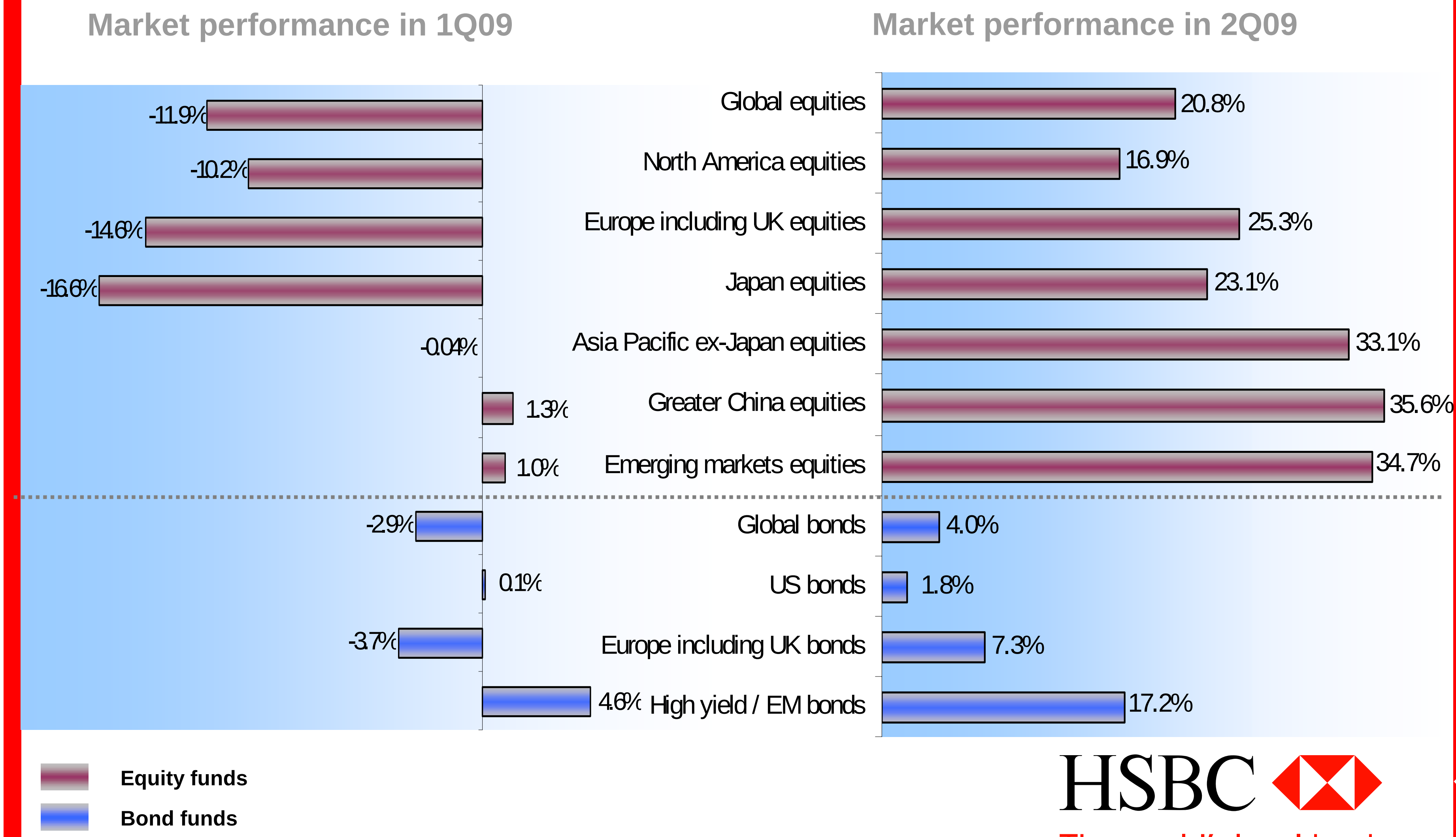
HSBC
The world's local bank

Change in FUM



HSBC
The world's local bank

Market performance in 1Q09 and 2Q09



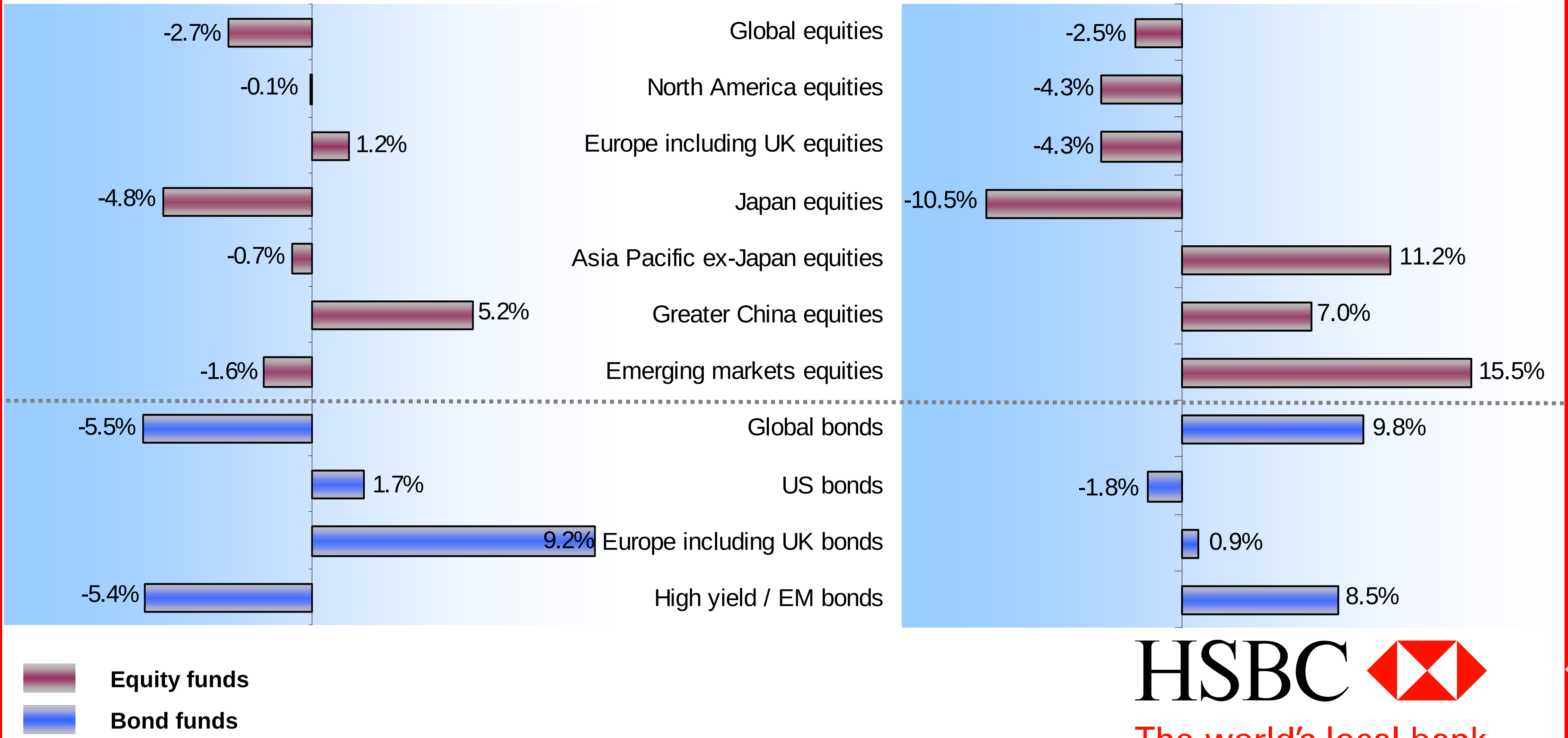
Source: Bloomberg and Morningstar.

HSBC
The world's local bank

Where did the money go?

- **Among equity groups, developed markets equity funds saw outflows while developing market equity funds saw inflows.**
- **With continued economic uncertainty, bond funds recorded inflows (except US bonds).**

Estimate of net fund flow in 1Q09 | *Estimate of net fund flow in 2Q09*



HSBC The world's local bank

Source: HSBC Survey. Net fund flow is derived by subtracting market change from FUM change during the period.

3Q09 asset allocation strategies by class

- **With improved investment sentiment and green shoots of economic recovery, more fund managers are optimistic towards equities.**
- **With risk appetite coming back gradually, more fund managers turned neutral towards bonds. Notably, no fund mangers are holding an overweight position towards cash.**

Asset class allocation strategy	Underweight	Neutral	Overweight
Equities	20% (40%)	30% (30%)	**50%** (30%)
Bonds	**0%** (10%)	70% (20%)	**30%** (70%)
Cash	57% (25%)	43% (50%)	**0%** (25%)

Notes:

- ***Figures in brackets indicate survey results from the previous quarter (2Q09).***
- ***Overweight: Refers to an investment position that is larger than the generally accepted benchmark. It implies that one is more optimistic or bullish on the outlook of that position.***
- ***Underweight: Refers to an investment position that is smaller than the generally accepted benchmark. It implies that one is more pessimistic or bearish on the outlook of that position.***
- ***Neutral: Refers to an investment position that is equal to the generally accepted benchmark. It implies that one has no biased view on the outlook of that position.***
- ***Figures may not add up to exactly 100 per cent due to rounding.***

HSBC
The world's local bank

3Q09 Asset allocation strategies by geography

- **On the equity front, more fund managers favour Asia Pacific ex-Japan and emerging markets given their relatively faster recovery and growth prospects.**
- **On fixed income, fund managers generally remain neutral while they are less positive towards European bonds as the easing cycle by the ECB may come to an end.**

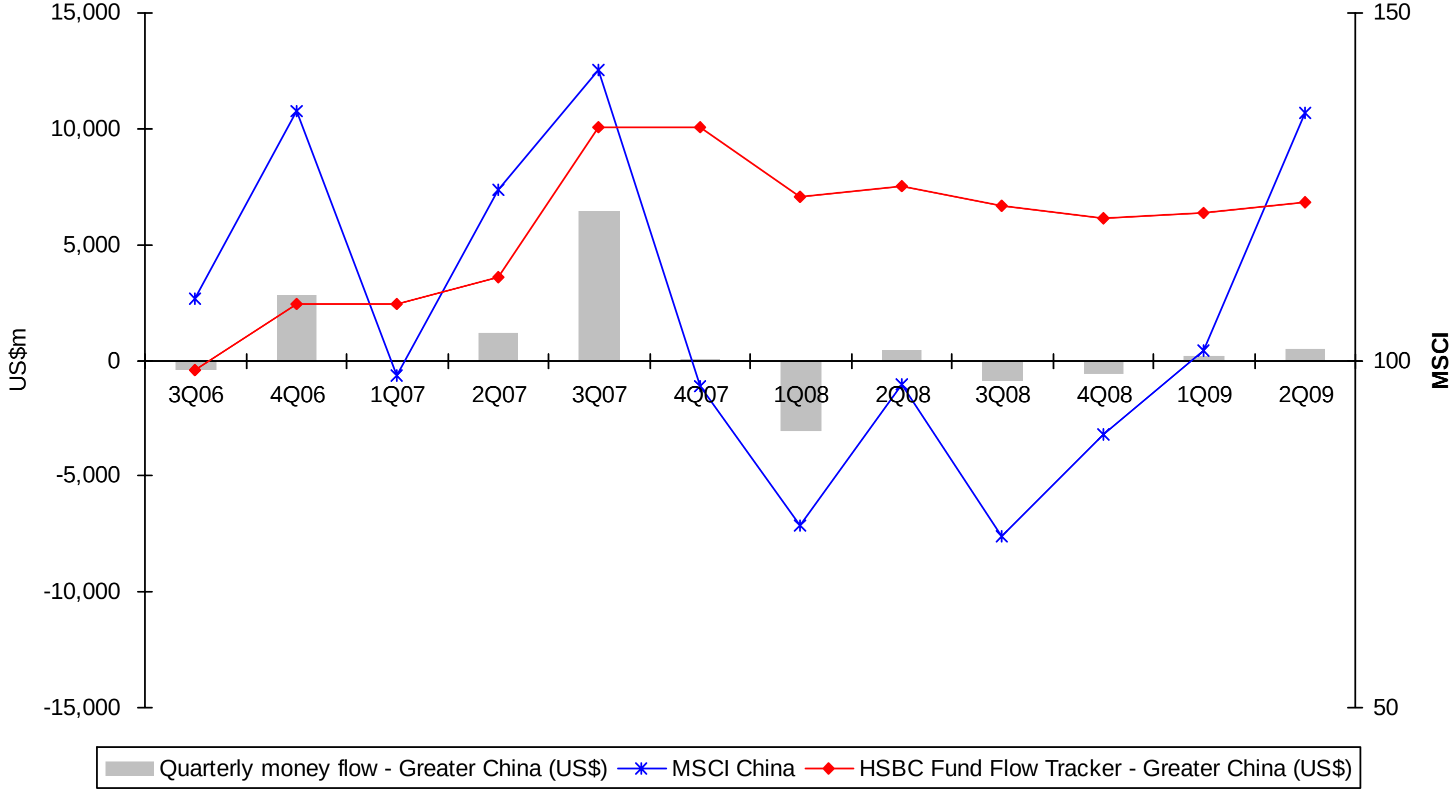
Regional Allocation Strategy	Underweight		Neutral		Overweight	
	3Q09	2Q09	3Q09	2Q09	3Q09	2Q09
Equities						
North America	36%	27%	45%	45%	18%	27%
Europe (incl UK)	55%	36%	36%	36%	9%	27%
Japan	64%	70%	27%	20%	9%	10%
Asia Pacific ex Japan	0%	27%	9%	27%	91%	45%
Emerging Markets	9%	36%	18%	36%	73%	27%
Greater China	0%	0%	25%	25%	75%	75%
Bonds						
US Dollar	11%	11%	44%	44%	44%	44%
European	13%	0%	50%	44%	38%	56%
Global Emerging Markets/High Yield	14%	22%	43%	33%	43%	44%
Asian Bond	25%	25%	25%	38%	50%	38%

Note: Figures may not add up to exactly 100 per cent due to rounding.

HSBC
The world's local bank

HSBC Fund Flow Tracker: Greater China Equity Funds

- **Stable fund flows support the positive view of fund managers.**

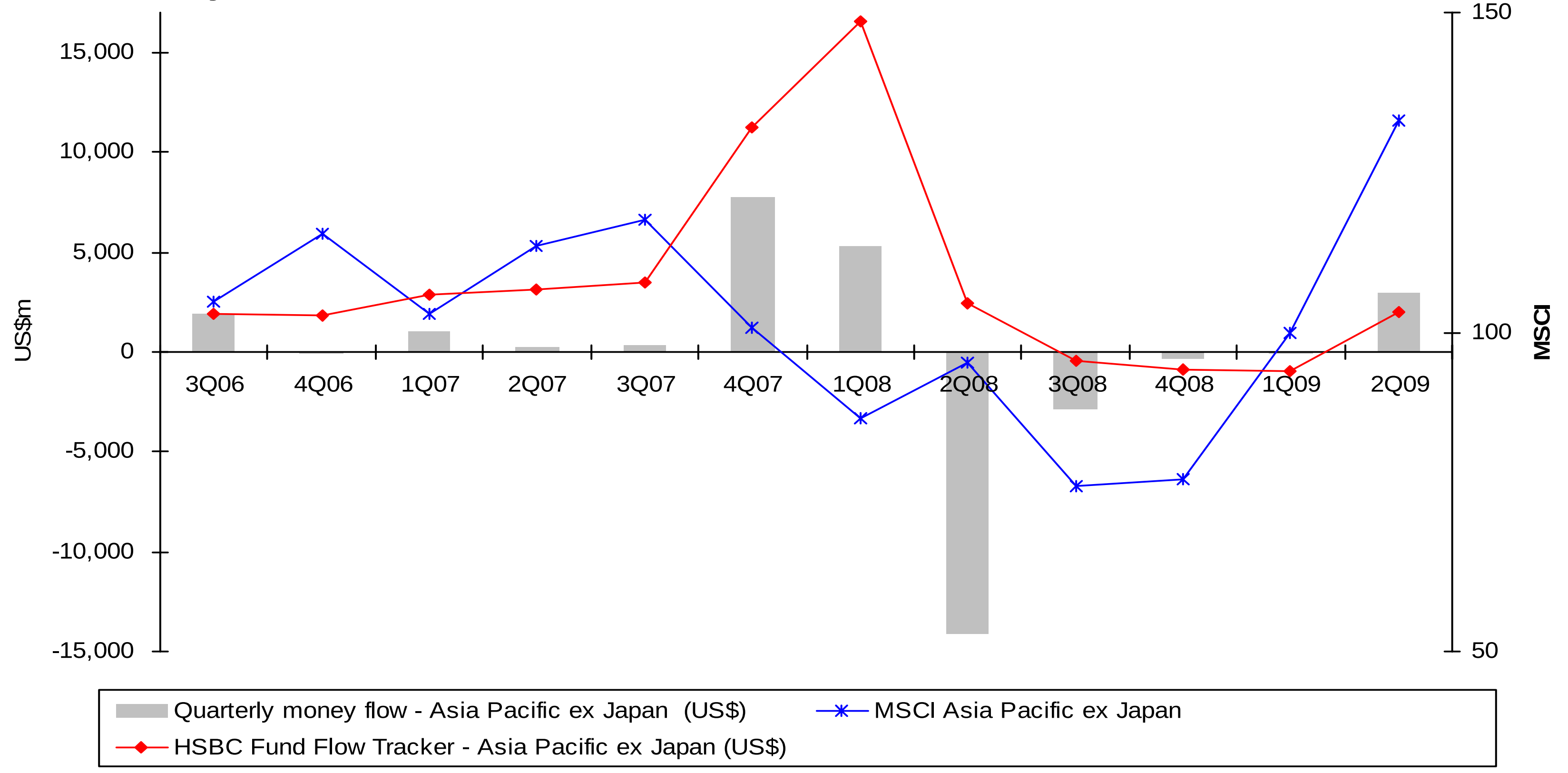


Note: The HSBC Fund Flow Tracker represents cumulative dollar value of money flows by quarter as reported in the HSBC Fund Managers Survey.

HSBC
The world's local bank

HSBC Fund Flow Tracker: Asia-Pacific ex-Japan Equity Funds

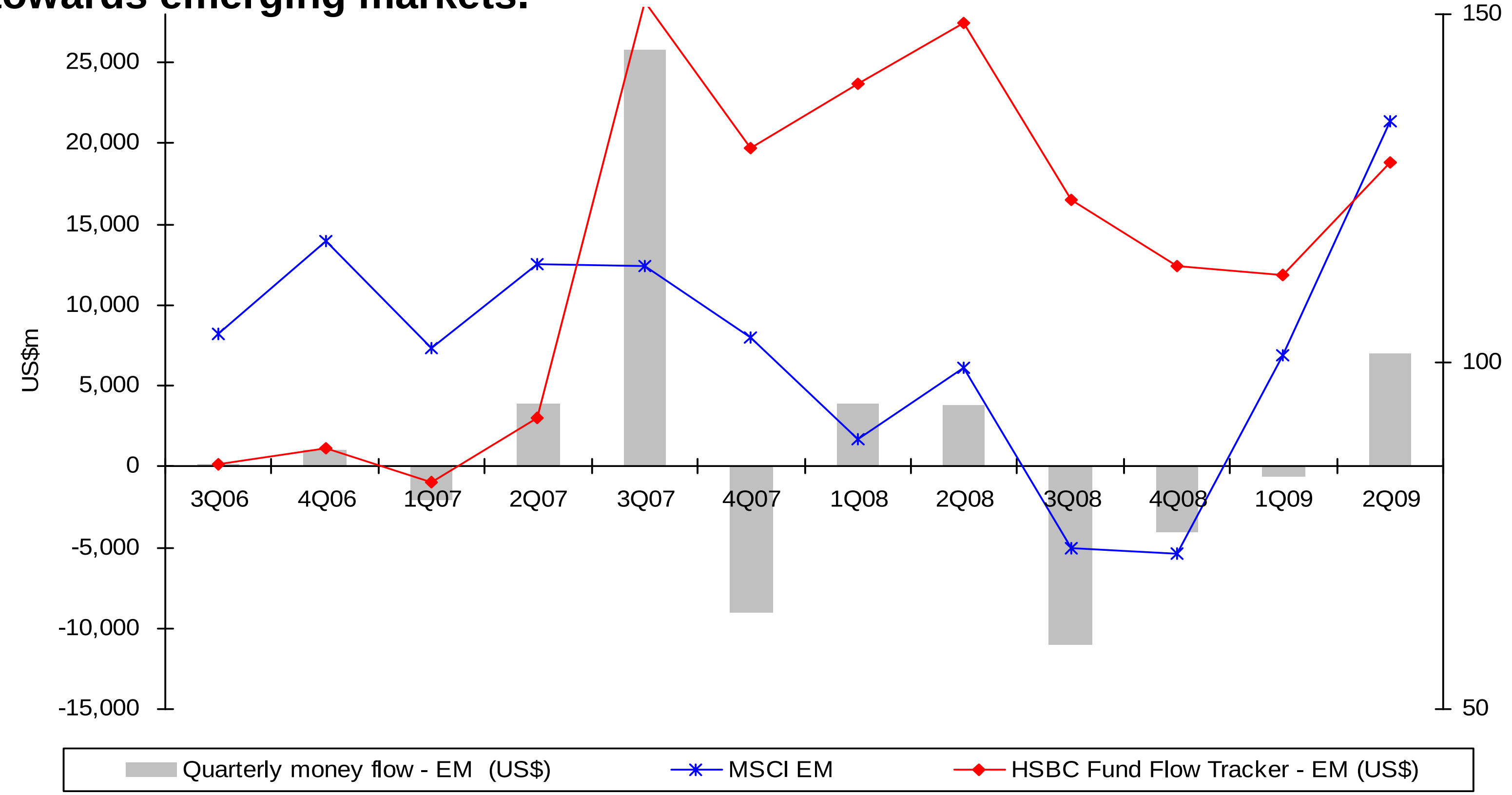
- **Asia Pacific ex-Japan equity funds attract inflows as Asian economies remain relatively resilient.**



HSBC
The world's local bank

HSBC Fund Flow Tracker: Emerging Markets Equity Funds

- **Substantial fund inflows are consistent with the bullish view of fund managers towards emerging markets.**



HSBC
The world's local bank

Survey Highlights

Fund flows from 1Q09 to 2Q09

- **Emerging markets equity funds, Asia-Pacific ex-Japan equity funds and Greater China equity funds posted net inflows in 2Q09 showing a renewed confidence in the region's recovery and growth prospects.**
- **Net outflows were recorded for North American and European (incl. UK) equity funds.**
- **Net inflows into global bonds and high-yield/emerging markets bonds and net outflows from US bonds.**

Fund managers' views for 3Q09

- **Half of fund managers hold an overweight view on equities. Seven in 10 are neutral towards bonds and no fund managers are overweight towards cash.**
- **Within equities, 9 in 10 fund managers are positive about Asia-Pacific ex-Japan equities; 7 in 10 hold an overweight view on emerging markets and Greater China equities.**

HSBC
The world's local bank

Disclaimer

The information obtained in the survey has been provided by third parties and the Bank has not independently verified such information. The Bank makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy or completeness of the information. The information or opinion expressed herein does not constitute an offer to sell and should not be construed to be a recommendation to buy or sell any securities, currencies, commodities or financial instruments referred to above. The Bank shall not be held liable for damages arising out of any person's reliance upon this information or for opinion or conclusion which the reader may draw from the information.

Source of information

All graphs are derived from HSBC Fund Managers' Survey except for the graph on market growth (slide 11), which was sourced from Bloomberg and Morningstar.

HSBC
The world's local bank