

HSBC Perspectives

Shaping your investment portfolio



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HSBC

Opening up a world of opportunity

Q2 / 2024

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Opening up a world of opportunity

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Favourable macro and structural drivers support the outlook for equities and bonds

As we enter the second quarter, we see a brighter outlook with the Fed rate cuts just around the corner and markets being quite realistic about the timing and pace of those cuts. Moreover, fears of a global recession have faded and US earnings growth has consistently been surprising on the upside.

What does this mean for investors?

Bond investors were delighted to see the strong rally in late 2023 as rates peaked, and the rally should resume in expectation of falling rates in the coming months. At this juncture, with bond yields still elevated, we see a good opportunity to lock in current yields by extending bond duration. Tight credit spreads and market uncertainties around economic growth and geopolitical risks mean that our preference for quality bonds stays firmly in place.

The most significant change we made during Q1 is our more positive view on equities. This is backed by improved earnings and margins thanks to falling costs and expected rate cuts, which encourages more corporates and households to spend and invest. In the US, we expect to see solid earnings growth exceeding 10% in 2024, well above its long-term average of 7%, while earning growth in Asia ex-Japan is expected to be double that of the US.

As China's stimulus measures will take some time to boost actual economic performance, we stick with our geographical diversification in the region, capturing the rise of 'AI' in Asia. AI in this context isn't artificial intelligence but refers to ASEAN and India, due to their strong fundamentals and domestic drivers. We're also positive on South Korea on growing demand for memory chips globally, and we've recently upgraded Japan thanks to its corporate reforms and the end of its deflationary period. These opportunities led us to raise our global equity allocation to overweight in Q1 by adding in particular to US and Japanese equities.

Our optimism for equities also lies in the rising structural trends that have reshaped the world in which we live. The use of generative AI (artificial intelligence), robots and innovative technologies promises to be a game changer to all aspects of life, boosting not only technology but also healthcare, communications and other industries that benefit from increased productivity and new product development. Both the US and Asia

enjoy strong consumption power supported by wage growth and accumulated savings, and lower interest rates will help fuel the momentum further. The trends of nearshoring of industry and North America's re-industrialisation are also accretive to job creation and manufacturing in the US.

Sustainable investing is closely connected with all of these themes. After two years of rising interest rates, the return to policy easing should unlock more spending from companies and governments on the path to a low-emission world. Renewable energy and biodiversity will be top priorities.

Finding the right balance between exploiting opportunities and focusing on quality

In conclusion, we see a number of positive drivers for investors, but our complex world also demands careful attention to risks, including a busy election calendar. While everyone's eyes will be on the US election in November, historical data seem to be in favour of US equities during an election year. As usual, our four investment themes aim to find the right balance between risks and opportunities, with a focus on quality holding the key.

In this issue, we've also included three insightful articles that delve into the need for a higher level of diversification, the booming AI-related opportunities and the importance of building financial resilience to protect our Quality of Life.

We hope you find our publication worth reading and wish you a successful investment journey.



Willem Sels
Global Chief Investment Officer,
HSBC Global Private Banking and Wealth

Key data to watch

We expect economic growth in the West to bottom in Q1, followed by a mild acceleration

	GDP		Inflation	
	2023f	2024f	2023f	2024f
World	2.7	2.4	6.4	6.1
US	2.4	1.7	4.1	3.4
Eurozone	0.5	0.5	5.4	2.6
UK	0.1	0.6	7.3	2.2
Japan	1.9	0.8	3.3	2.6
Mainland China	5.2	4.9	0.2	0.5
India	7.7	6.0	5.3	4.6

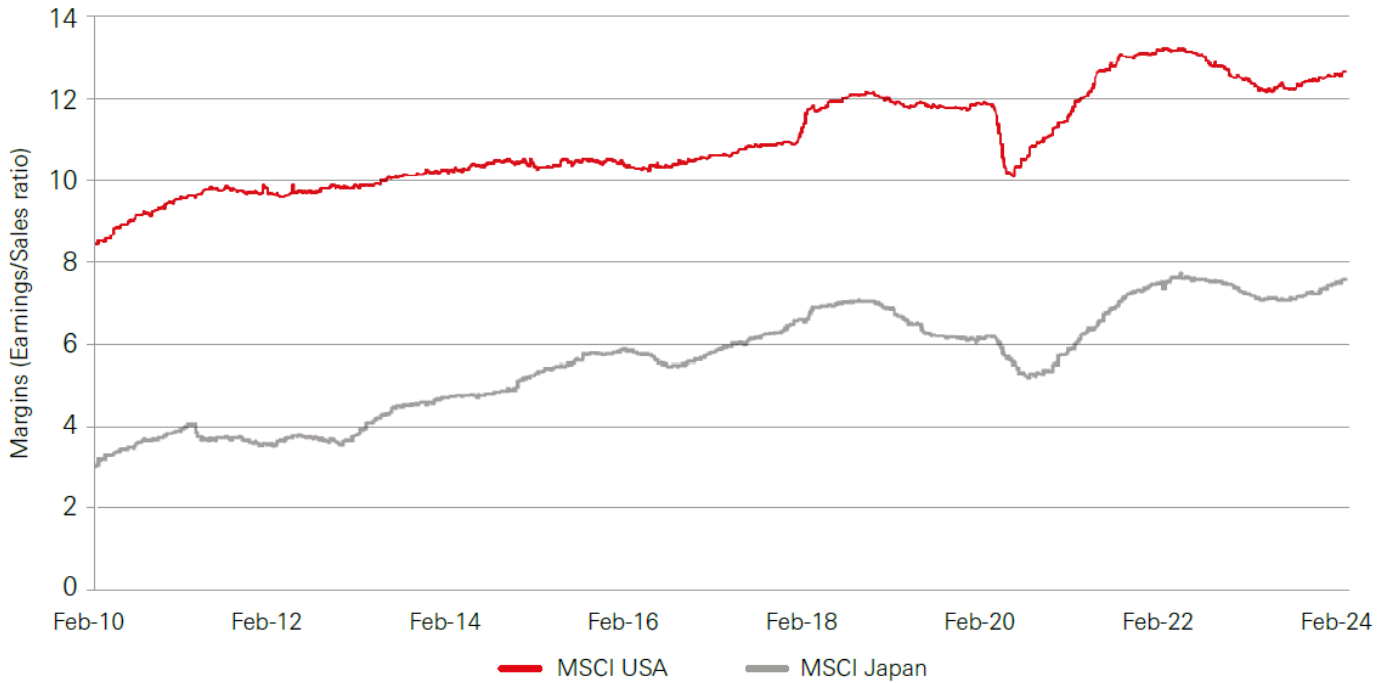
Source: HSBC Global Research as at 8 March 2024. Estimates and forecasts are subject to change. India inflation forecasts are fiscal year.

Yields of investment grade bonds look more attractive than high yield. We continue to focus on global investment grade and government bonds.



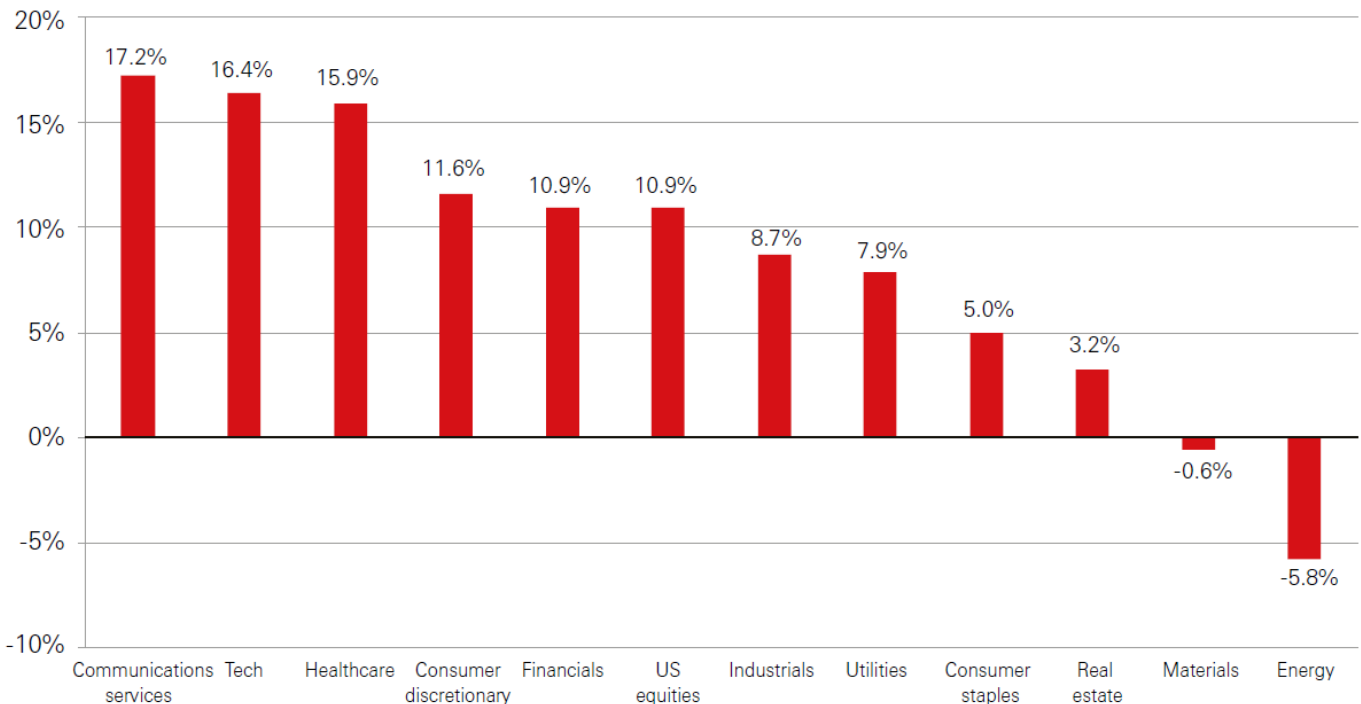
Source: Bloomberg, HSBC Global Private Banking as at 1a March 2024. Past performance is not a reliable indicator of future performance.

Earnings momentum is healthy, with growing margins in the US and Japan as productivity gains offset cost pressures.



Source: LSEG, HSBC Global Private Banking as at 20 February 2024. Past performance is not a reliable indicator of future performance.

US company earnings are expected to rise almost 11% in 2024, boosted by big tech earnings surprises.



Source: FactSet, HSBC Global Private Banking as at 20 February 2024. Past performance is not a reliable indicator of future performance.

Four investment themes to help shape your portfolio

1. Lock in current yields for longer ahead of rate cuts

Bonds tend to do well after rates peak as investors seek to get ahead of the coming wave of central bank easing, which helps explain the strong rally in late 2023. As we're approaching the first rate cut, with the Fed and the European Central Bank expected to move in June and the Bank of England soon after, bond prices should rise further. Locking in still attractive yields before it's too late is the right thing to do. This can be achieved by putting cash to work in bonds and extending bond duration.

No matter where we sit in the interest rate cycle, bonds play a key role in any portfolio because they provide diversification and predictable income streams. Within the bond market, we focus on quality as global growth is lower than usual and geopolitical risks remain elevated. While Treasury yields remain high, credit spreads haven't widened sufficiently to compensate for even a small pickup in defaults. This makes it hard to justify taking on extra risk, supporting our preference for investment grade over high yield bonds.

Indian local currency bonds are another bright spot due to their low correlation with other bonds and attractive yields. India's bond market allows investors to tap into the country's strong growth momentum and is enjoying strong inflows following the inclusion of Indian bonds in EM bond indices.

- We overweight longer duration (7-10 years) developed market government bonds including US Treasuries, while maintaining a medium duration preference (5-7 years) for investment grade bonds, preferably in US dollars.
- In Asia, we prefer selected banks, Indonesian quasi-sovereign bonds, Macau gaming and Chinese IT, media and telecom. Indian local currency bonds remain attractive for diversification and yield enhancement.

2. Increase equity exposure to growth leaders to boost returns

We've become more positive on equities thanks to stronger-than-expected economic growth, strong corporate earnings growth and a favourable rate outlook. In the West, the US is the most resilient and has the strongest earnings power. Rate cuts should improve margins, which are growing steadily. US equities tend to do well not only before the first rate cut, but they have also outperformed in 15 of the past 20 presidential election years.

Asia sees divergent growth, with India and ASEAN (particularly Indonesia) leading the pack. Supply chain diversification, young demographics and strong investment flows are shared drivers for the two countries. India is also backed by its digital transformation and services exports; Indonesia benefits from rapid urbanisation and investments flowing into the EV sector. South Korea is also poised to gain from the digital transformation and a recovery in global demand for memory chips.

The latest addition to the list is Japan, where we see the reflation trend, corporate governance reforms (including higher dividend distributions) and the AI investment boom translating into structural opportunities. Monetary policy normalisation will also strengthen the yen, adding to returns for foreign investors.

- We overweight US equities and diversify our Asian exposure into India, Indonesia, South Korea and Japan.
- We prefer large-cap companies with leading brands, strong cash flows and manageable debt.

3. Ride on cyclical and structural trends to diversify sector exposure

In the US, strong labour markets, real wage growth and falling inflation should support healthy consumer spending, which accounts for 70% of GDP.

Structurally, US leadership in technology and the wide application of generative AI and automation are opening up huge opportunities across industries. Companies at the forefront of the AI development are delivering strong earnings growth, albeit at higher valuations. Healthcare innovation is another growth driver through AI and the use of robots, as well as new product development. Both the nearshoring of industry and the North American re-industrialisation are boosting manufacturing and job creation.

The consumption story is also playing well in Asia, supported by accelerating private wealth and strong domestic spending power. Many internet leaders also benefitting from their large consumer retail operations. Asia's leadership position in e-commerce and semiconductor manufacturing helps sustain the growth momentum.

Although we remain defensive in Europe amid sluggish economic growth, new pharmaceutical products continue to lift sales expectations there.

- We maintain a cyclical tilt in the US, extending our favourites beyond technology to consumer discretionary, industrials, communications, financials and healthcare.
- We remain overweight on Asian technology, consumer discretionary and staples, communications and utilities. In Europe, we prefer technology, financials, energy and healthcare.

4. Tap into sustainable growth through clean energy and biodiversity

According to the United Nations (UN), 2023 was the hottest year on record, with extreme weather events on the rise. COP28 confirmed how far the world is falling short of climate change goals. Yet amid the gloom, investments into a sustainable and more equitable world continue to grow, supported by government policies and better regulatory frameworks.

Global greenhouse gas emissions need to fall by 43% by 2030 to get the goals of the Paris Agreement back on track and keep the world on a path to net zero by 2050. Renewable energy is positively prioritised as investments in low-carbon energy topped USD1 trillion in 2023. Rate cuts should also lower capital costs, encouraging companies to raise spending on alternative energy solutions such as solar, wind, biofuels and hydrogen as well as innovative technologies to increase productivity and reduce their carbon footprints.

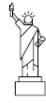
Biodiversity and the circular economy are also coming into sharper focus with the recognition that the rapid loss of species poses a systemic threat to the global economy. Increased regulation, the expansion and funding of the UN's global biodiversity framework, and growing investor attention are driving companies to adapt their operations to mitigate their impact on nature. Companies that preserve biodiversity offer investors the potential to access growth, provide relative outperformance and support long-term change.

- We see structural investment opportunities focused on sustainable energy such as renewables, hydrogen, storage and carbon capture.
- Global agreements on biodiversity will have a meaningful impact in the food, pharmaceuticals and cosmetics industries.

Regional market outlook

Where should you invest your money?

United States



US stocks remain our main overweight in the West as we believe the country benefits from cyclical and structural resilience. A strong labour market and falling inflation benefit the consumer, while re-onshoring is positive for industrials and the US technology sector is world-leading. We're not too concerned about high valuations because US companies are generating strong earnings and are able to expand their margins thanks to falling costs and their strong market position.

The presidential elections may create some volatility after the summer, but for now, we focus on the market's strong fundamentals as the election is very difficult to call. We continue to like technology but also diversify into other sectors such as consumer discretionary, communication services, healthcare, industrials and financials as we see opportunities across the market.

Eurozone and UK



Countries in the Eurozone and UK have either just gone through a mild recession or barely escaped one. The mild positive is that growth may have bottomed and we could see a very gradual economic pickup from here. That said, fiscal challenges in Europe, protests and strikes, energy dependence and tail risks related to geopolitical conflicts on Europe's doorstep present risks to stock markets.

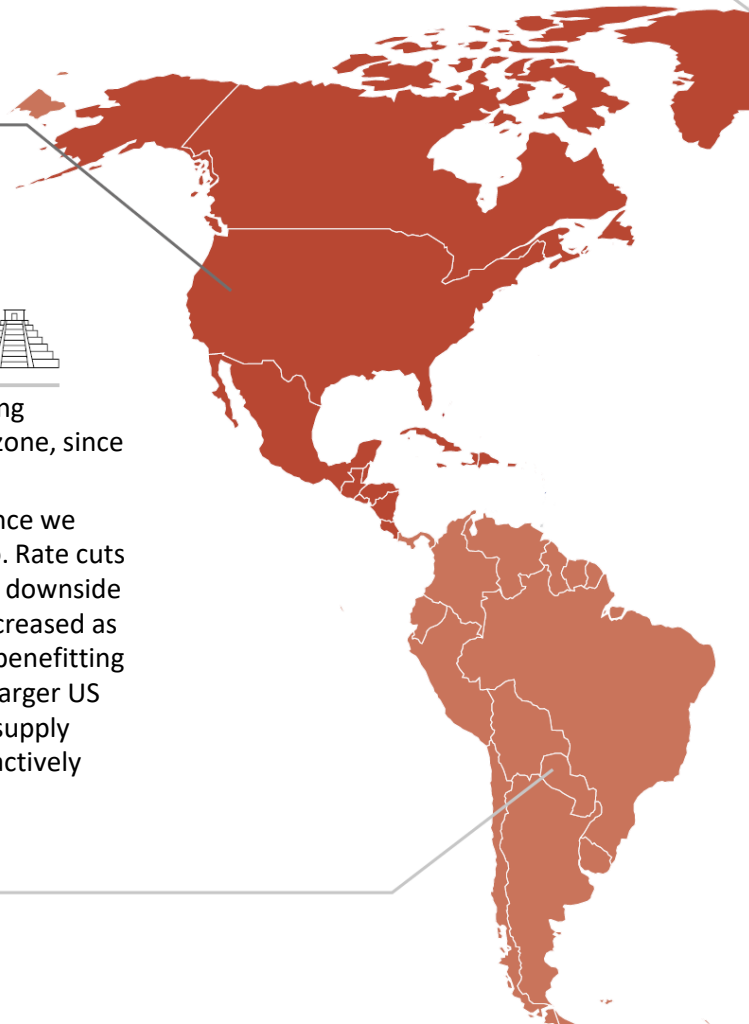
In spite of low valuations, we maintain our neutral view on the UK and our underweight view on the Eurozone until we see improved cyclical momentum. We expect the European Central Bank to cut rates in June (like the Fed) and the Bank of England to follow in Q3.

EM EMEA and EM Latin America



We maintain an underweight on European emerging markets, in line with the underweight on the Eurozone, since many of them suffer from the same issues.

Latin America has more favourable drivers and hence we overweight the region, including Brazil and Mexico. Rate cuts in Brazil are already helping market sentiment and downside risks to Brazil's commodity-heavy exports have decreased as China takes steps to boost its economy. Mexico is benefitting considerably from trade with the US and is now a larger US trading partner than China. Changes to the global supply chains benefit Mexico as many US companies are actively nearshoring their production.



Asia (ex-Japan)



China’s economic growth continues to face headwinds stemming from the property market. Government support measures should help reduce the downside for the economy and the stock market, but investors will want to see stronger growth before stocks can rally sustainably. In the meantime, we continue to diversify our Asia exposure into India, Indonesia and South Korea.

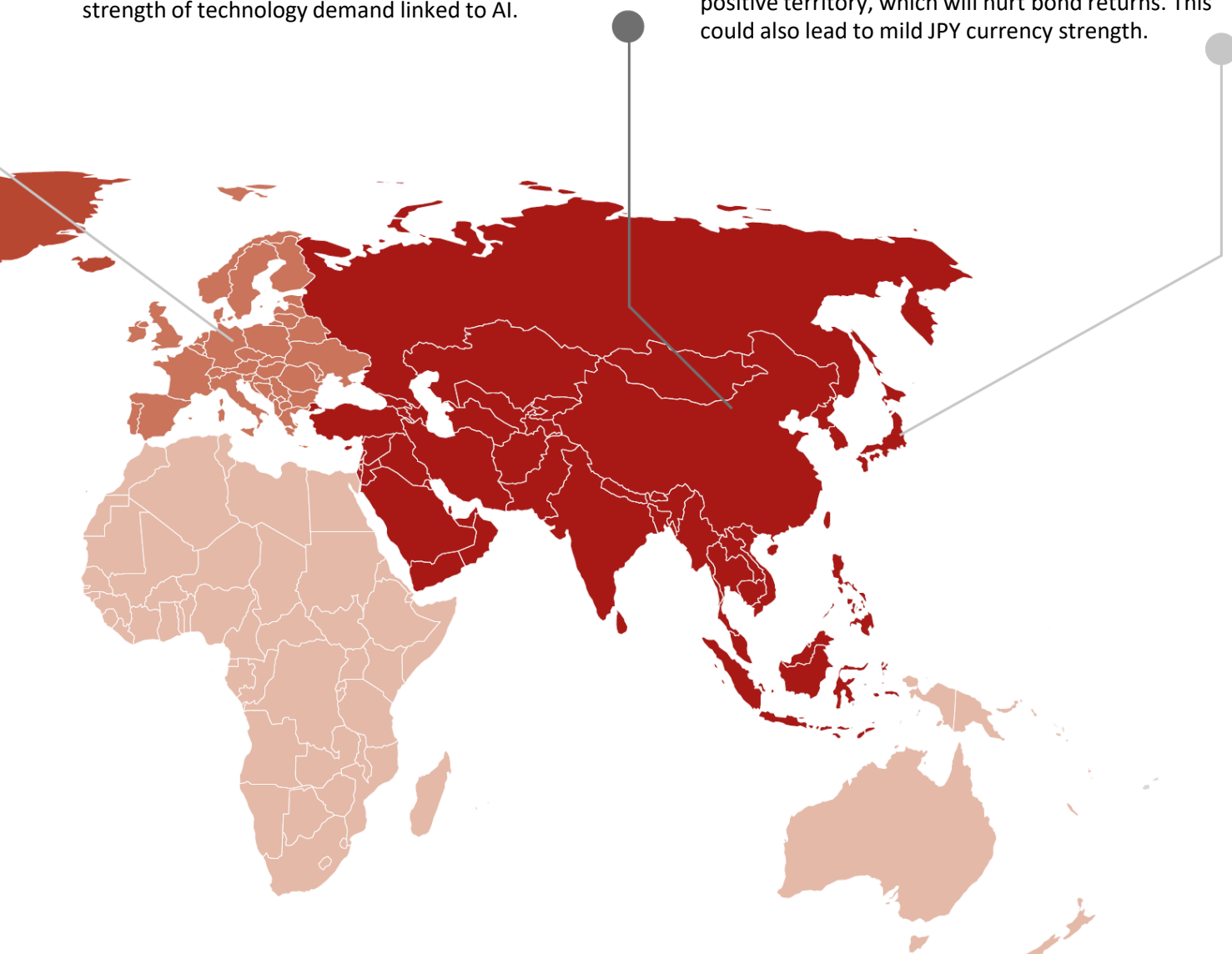
Positive demographics, digitalisation and changes to the global supply chain are helping India and support the current high valuations, in our view. Following the elections in February, Indonesia should see renewed economic activity and is benefitting from the net zero transition. South Korea is well placed to tap into the strength of technology demand linked to AI.

Japan



We’re positive on Japanese stocks since a weak yen and rising inflation are helping companies generate strong earnings. But the tailwind is more structural than that: companies have been urged by the stock exchange to improve corporate governance, which is already leading to higher dividend payouts.

Rising wages are lifting consumer spending and creating a mindset that Japan has finally left its deflationary period, which is a clear positive for stocks. For bond markets, higher inflation means that the central bank will soon raise rates to zero or even positive territory, which will hurt bond returns. This could also lead to mild JPY currency strength.



Note:

The above comments reflects a 6-month view (relatively short-term) on asset classes for a tactical asset allocation. For a full listing of HSBC’s house view on asset classes and sectors, please refer to our Investment Monthly issued at the beginning of each month.

Diversification 3.0

The “out-of-the-box” thinking

Key takeaways:

- Diversification is crucial for managing volatility and expanding the opportunity set. However, using stocks and government bonds may no longer be sufficient due to increased correlations.
- Better diversification can be achieved by allocating to additional income-generating asset classes and strategies.
- Some multi-asset funds offer a cost-effective option as their allocations can help generate alternative sources of income that retail investors may find hard to access by themselves



Stanko Milojević
Head of Asset Allocation,
HSBC Global Private Banking and Wealth

Our investment process is firmly committed to diversification. This is usually seen as a necessary step to help manage volatility, but we also see diversification as a way to broaden the opportunity set. Both objectives point to the need to move from “lazy” diversification using just stocks and government bonds to an active search for diversification including sub-asset classes within fixed income and equities.

The challenge

During most of the period following the 2000 dot-com crash, government bonds have been the go-to asset for portfolio diversification. The correlation between the S&P 500 and a diversified basket of US Treasuries averaged -0.3 during this period. This easily achieved diversification led to a historically exceptional outcome for simple stock-bond portfolios in the 20-year period.

Looking at a longer historical sample, as seen in Chart 1, the correlation between stocks and bonds has been mostly positive. While many investors may anchor their expectations to the period between 2000

Chart 1: Historical stock-bond correlation



Source: Bloomberg, University of Lausanne, HSBC Global Private Banking as at February 2024. The red line represents a 3-year rolling correlation between the monthly returns of US stocks and US Treasuries.

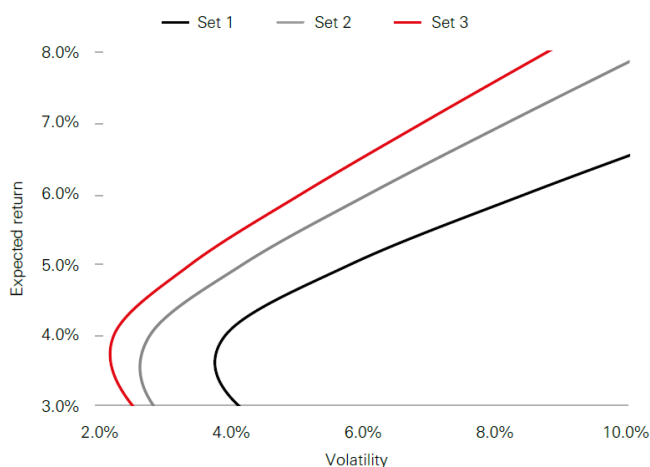
and 2020 simply because they’ve experienced it first-hand, the data show that this was an outlier. Importantly, the correlation has significantly increased in the post-COVID world. Relying only on government bonds to achieve diversification thus no longer seems sufficient, and we need to look for opportunities elsewhere.

High inflation and a big focus on central banks’ actions are to blame for the pickup in correlation, in our view. And although inflation is down from its peak, it may well remain higher than in the past decade. We believe that we’re now back in the regime where the correlation remains mostly positive for the foreseeable future.

The solution

How can investors diversify their portfolios when stocks and bonds are moving in tandem? The simple answer is to look for additional sources of returns that aren’t as tightly correlated. We broaden the opportunity set in Chart 2, which represents the mean-variance frontiers, based on our latest capital market assumptions. We start with investment grade credit, but we need to actively seek additional diversification opportunities, and first examine the benefit of adding other income-generating asset classes and strategies. Indeed, we can observe that better portfolios (Set 2) can be built by expanding the universe to include high yield, emerging market debt, securitized bonds and catastrophe bonds as well as covered call strategies. Where appropriate and available to

Chart 2: Unconstrained efficient frontiers for various sets of asset classes



Source: HSBC Asset Management, HSBC Global Private Banking as at February 2024. The projections are based on our latest expected returns with a 10-year horizon. Set 1 includes developed and emerging market equities, investment grade credit and global government bonds. Set 2 includes Set 1 plus global high yield, hard and local currency emerging market debt, catastrophe bonds and covered call strategies. Set 3 includes Set 2 plus private equity, private credit, direct real estate, Infrastructure and hedge funds.

investors, we like to consider these strategies as a means of reducing risk and/or increasing the expected portfolio return over the long term. In our view, they bring differentiated sources of return to the portfolio without sacrificing liquidity.

We note that we could make a similar observation for equities: while equities overall are more highly correlated with bonds than usual, the correlation between different equity sectors, and the correlation between different geographical equity markets is relatively close to the historical average. So, diversifying within the subparts of global stock markets is important.

Some multi-asset funds offer exposure to these alternative sources of income. While high yield and emerging market debt are more commonly seen in the retail space, it may be worth providing an explanation of securitised bonds, catastrophe bonds and covered call strategies.

Securitized bonds are an asset class which consists of bonds or instruments that comprise cash-generating assets such as residential and commercial mortgage loans, auto loans and credit card loans. They normally offer a yield premium over traditional bonds and their yields usually follow the moves in interest rates. Catastrophe bonds or insurance-linked securities (ILS) are structured to transfer insurance risks that are typically related to natural disasters to capital markets participants in return for higher levels of income. Covered call strategies aim to generate additional income by selling call options on a stock holding. All of these investment instruments are closely managed by professional managers.

Coming back to the multi-asset approach and Chart 2, even more diversification can be achieved by introducing less-liquid allocations across private markets and hedge funds (Set 3). Key private market allocations include private equity and credit, real estate and infrastructure. However, they’re intended more for institutional or private banking customers.

Conclusion

As we return to the “old normal” regime of positive correlation between defensive fixed income and equities, portfolio diversification requires a more nuanced approach and some “out-of-the-box” thinking. Some multi-asset funds can be a cost-effective option to gain exposure to a wide range of investments that retail customers may find hard to access on an individual basis.

AI-related opportunities

Go well beyond the usual suspects



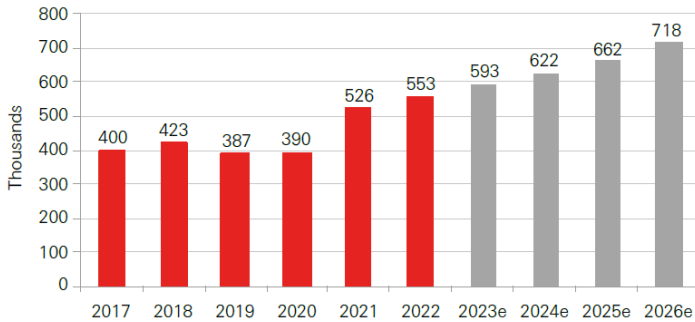
Kevin Lyne-Smith
Global Head of Equities,
HSBC Global Private Banking and Wealth

Key takeaways:

- The integration of generative AI and robotics is experiencing rapid growth, with more use cases than ever before. More intelligent, automated products and services can take on a broader array of tasks.
- Many industries – from food production to healthcare – are using automation to avoid tedious and labour-intensive manual inspections. This will boost productivity and services while also improving consistency and quality.
- Advances in AI, automation and semiconductor technology will generate innovation and earnings growth across sectors, expanding opportunities beyond tech-related stocks.

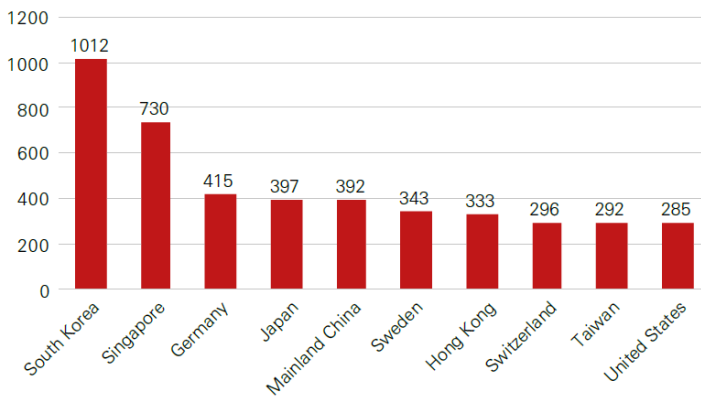
Robotics, the linchpin of an automated future, is experiencing an unprecedented upswing. With the number of industrial robots in operation reaching 3.5 million units in 2022 and an estimated value of USD15.7billion, the automation landscape is ripe for exploration and expansion. This is particularly pronounced in Asia, which saw 381,000 installations of industrial robots in 2021, up from 89,000 a decade before.

Global annual installations of industrial robots



Source: World Robotics 2023 report, IFR, September 2023.

Robots installed per 1,000 employees



Source: International Federation of Robotics, March 2024.

So far, the focus of AI has been on the enablers – principally in the chip industry and the cloud; you could think of this as the infrastructure around AI. But there will also be huge growth in software, which will provide the solutions to use AI in real life applications. Smart users of AI will enhance their productivity and their innovation, with rapid gains in areas like sales administration, marketing, operations, coding and research.

There are applications and nuances across sectors. For example, in healthcare, the application of AI and robotics can revolutionise monitoring, tracking, data and image analysis, and sample testing. And as the financial sector gravitates towards online consumption, AI can streamline processes such as identity verification and applications for insurance, bank accounts and credit cards. Moreover, the deployment of large-language-model AI software in online

chat functions can enhance customer service experiences while concurrently reducing corporate costs.

At a time when labour markets are tight and high wage growth is putting pressure on costs, efficiency gains will be welcomed by companies. But we don't think of AI as a job killer. New jobs will be created as a new industry kicks off. And for most people, AI can be seen as a "copilot" which doesn't replace them but makes them more efficient.

The agricultural industry, especially in developed markets, is witnessing a sea of change with the advent of AI-driven automation. From GPS-controlled tractors and harvesters to sophisticated soil and crop management using drones and AI, the face of modern agriculture is changing swiftly. More than 60% of companies in agriculture and F&B plan to use AI by 2025.

AI and automation can play a pivotal role in helping farmers adapt to changing climate conditions as they rethink the farming methods to minimise the impact on the environment and biodiversity.

Many farmers are embracing new technologies including drought- and pest-resistant seeds, micro-irrigation that reduces water usage, and methane-reducing feedstock. AI is helping traditional farms at all stages of the agricultural process, from initial livestock or crop selection, monitoring and husbandry to treatments – and much more. Sensors, tags and cameras all facilitate optimisation of the processes and raise productivity. These same technologies are also being applied in vertical farms in cities to grow high-value crops for restaurants and consumers in warehouses or disused underground spaces.

Incorporating sensors, cameras, batteries and antennas into a wider array of products and locations is an area opening new avenues for growth. This development significantly augments the data flow into AI programmes, thereby enhancing their efficiency and effectiveness.

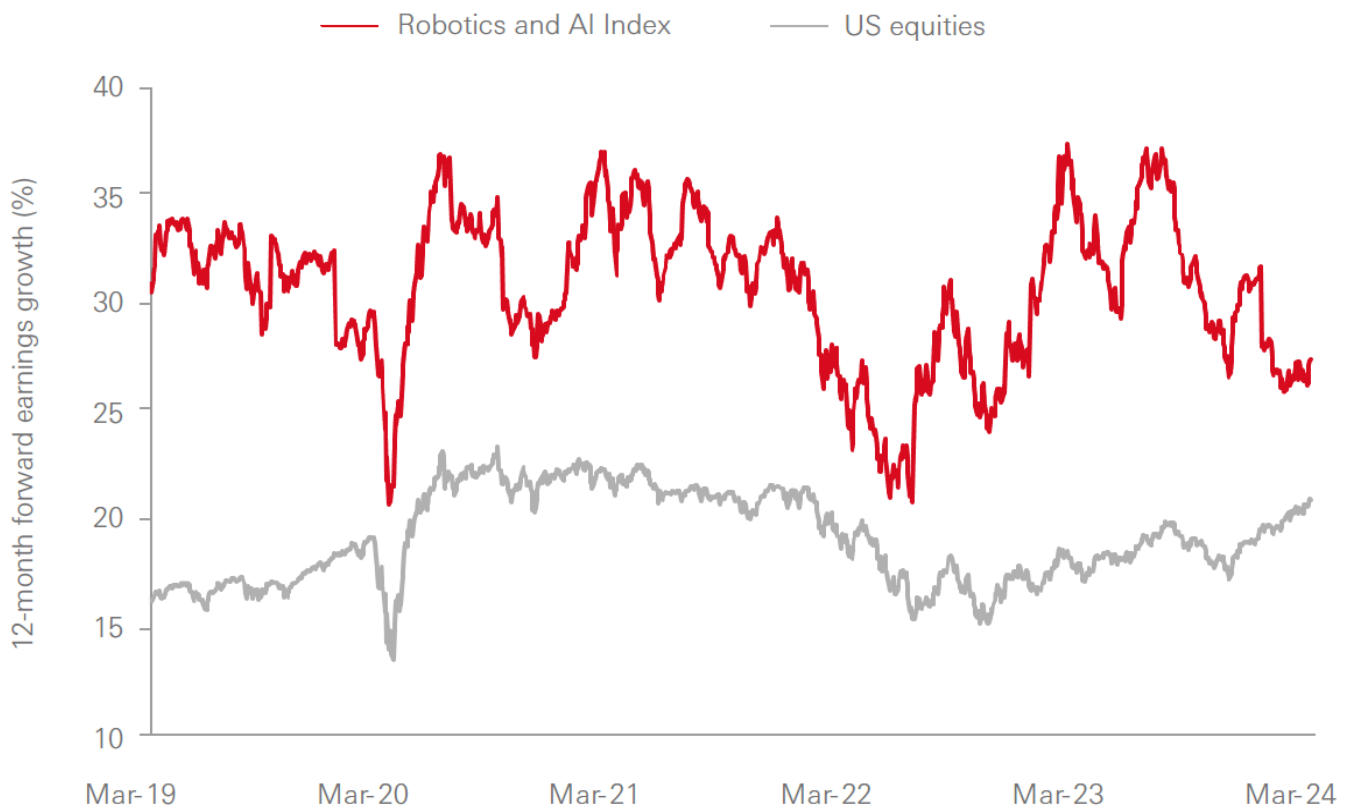
Miniaturisation has been a theme in the tech sector since the 1970s as the semiconductor industry crammed more and more onto its silicon chips. As products and services have digitalised, their physical dimensions have shrunk, sometimes to nothing. Miniaturisation and digitalisation of products has facilitated greater integration of technologies, which enables AI to fully exploit its potential. AI programmes can use smartphones, sensors, cameras, microphones, speakers, positioning data and internet connection to fully interact with the users and their situations.

The intertwining of AI with other technological advancements has broadened the scope and applicability of automated products and services. Simultaneously, the pressure of labour shortages and escalating costs is spurring a renewed wave of investment in robotic automation, rendering potential investment returns increasingly attractive. The growth of 5G, cable and networks of low-earth-orbit satellites has expanded data capacity dramatically while reducing latency, setting the stage for an AI- and robotics-led industrial revolution.

As these new applications are embraced, the workforce will need to adapt as new jobs are created and existing roles evolve. The infrastructure will also need to be built out to deal with the rapid acceleration of data use. This includes data centres, for example, which continue to be a major growth area in our view.

The potential for businesses to improve productivity and enhance products and services is clear. But the gains for consumers are evident too, as services can be offered efficiently 24/7 and product quality continually improved. The opportunity now lies in broadening the use cases for these technologies in order to reduce cost to serve and increase efficiency. And for investors, this means that when thinking about AI, we need to think beyond the usual suspects.

Earnings growth in robotics and AI has been consistently above that of US equities and this should continue



Source: Bloomberg, HSBC Global Private Banking as at 4 March 2024. Past performance is not a reliable indicator of future performance.



Building financial resilience

Protecting your loved one's Quality of Life



Jenny Wang

Global & Asia Head of Personal and Premier Wealth Solutions
HSBC Wealth and Personal Banking

Key takeaways:

- Amid the competing and diverse demands life throws at us, it's vital to stay focused on ensuring the financial security of loved ones and protecting them from unexpected events.
- There is a close link between financial security and Quality of Life. Improving your financial resilience makes you much more likely to experience better mental and physical well-being.
- It's important to regularly review and adjust your investment and financial protection plans, employing strategies to mitigate the impact of life's uncertainties.

With all the unexpected changes life can bring, safeguarding the financial stability of your loved ones takes centre stage. The HSBC Quality of Life Report unpacked the vital connection linking mental and physical wellness with financial fitness. This shows how taking steps to enhance your financial resilience can ultimately nurture a brighter future and a better Quality of Life for all your loved ones. By exploring the creation of a safety net for life's uncertainties, we can prioritise family financial security and protect those we cherish.

Putting family financial security first

As we navigate shifting family dynamics and societal changes, it comes as no surprise that 47% of respondents in our report continue to rank “supporting family financially” as one of their top priority. This sentiment echoes across generations as most people share common objectives in long-term financial planning. They aim to prepare for unexpected events such as illness or accidents, provide for their family in the event of their passing, transfer wealth to their children, and safeguard the interests of their spouse or partner.

The cornerstone of a better Quality of Life

The report highlights a critical finding: the close relationship between physical and mental wellness and financial fitness. Financially fit individuals are four times more likely to exhibit higher states of mental well-being, and twice as likely to excel in physical wellness.

These insights underscore the profound impact that financial stability and protection can have on our overall peace of mind, benefitting not only ourselves but also our loved ones. Ensuring your family’s financial security is a key means of improving their quality of life. Taking early action and investing in proper protective measures lays the groundwork for future prosperity and shields against unforeseen events.

Protecting yourself and those you love

So, what can we do to improve our level of protection and financial resilience? Here are four strategies for managing life’s risks:

Risk avoidance – choosing not to ski to avoid a skiing injury may be effective, but could ruin your winter getaway. Some risks in life – such as falling ill – just cannot be avoided, while the cost of avoiding others may outweigh the potential benefits.

Risk reduction – taking steps to minimise the likelihood or impact of a risk can significantly contribute to protection. For example, wearing a helmet while cycling reduces the risk of severe injuries.

Risk transfer – shifting financial risk to another party through insurance or contracts can provide a safety net, for example by buying protection against a trip being cancelled.

Risk retention – accepting and budgeting for risks by building an emergency cash buffer or fund to cover unforeseen costs such as car repairs or minor medical treatments.

None of the above can eliminate uncertainty from your life, but they enable you to better withstand the negative impact of critical events. Choosing the appropriate strategy is vital, but it’s equally important to regularly review and adjust your financial and protection plan according to your evolving circumstances. This proactive approach safeguards against unpredictable events.

Here are four practical steps to better protect yourself and your family:

Identify your priorities – gain a deep understanding of what truly matters for your future and prioritise accordingly.

Assess your finances – review your income, expenses, assets and liabilities to assess your financial stability and identify any gaps that need attention.

Plan for the whole family – create inclusive plans that address the unique needs of each family member, whether it’s children’s education or preparations for retirement.

Talk about the future – engage in meaningful conversations with your loved ones and consult with a financial planning specialist who can give you insights into what matters most for your family. This collaborative approach helps you better prepare for the unexpected.

It’s never too early to safeguard your family’s future. A robust protection plan helps instil confidence in yourself and your loved ones, providing the peace of mind that allows you to explore new opportunities and pursue dreams together. By achieving financial resilience, you empower your family to thrive and enjoy a better quality of life.

Glossary

Alternative investments: a broad term referring to investments other than traditional cash and bonds. These may include real estate, hedge funds, private equities and commodities investments, among other things. Some of these investments may offer diversification benefits within a portfolio.

Asset class: a group of securities that show similar characteristics, behave similarly in the marketplace and are subject to the same laws and regulations. The main asset classes are equities, fixed income and commodities.

Asset allocation: the allocation of funds held on behalf of an investor to various categories of assets such as equities, bonds and others, based on their investment objectives.

Company fundamentals: the intrinsic value of a company as analysed by looking at its revenue, expenses, assets, liabilities and other financial aspects.

Diversification: often referred to as “not putting all your eggs in one basket”, diversification means investing in a variety of different markets, products and securities to spread the risk of loss.

Fiscal policy: the use of government spending and tax policies to influence macroeconomic conditions such as aggregate demand, employment, inflation and economic growth.

Investment strategy: the internal guidelines that a fund follows in investing the money received from its investors.

Inflation: the rise in the general price levels of goods and services in an economy over a period of time.

Monetary policy: the process by which the authorities of a country control the supply of money. This often involves targeting a rate of interest for the purpose of promoting economic growth and stability.

Quantitative easing (QE): also known as large-scale asset purchases. A monetary policy whereby a central bank buys government securities or other financial assets from the market to increase the money supply and encourage lending and investment.

Strategic asset allocation: a practice of maintaining a mix of asset classes which should meet an investor’s risk and return objectives over a long-term horizon and is not intended to take advantage of short-term market opportunities.

Tactical asset allocation: an active management strategy that deviates from the long-term strategic asset allocation in order to capitalise on economic or market conditions that may offer near-term opportunities.

Tapering: the reduction of the interest rate at which a central bank accumulates new assets on its balance sheet under a policy of QE.

Volatility: a term for the fluctuation in the price of financial instruments over time.

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