



Diversification amidst uncertain market outlook Video Transcript

Duration: 4'30"

Segment Title	Audio	Visual
	<p>Hello everyone. After almost 2 years of pandemic life, the global economy has entered an expansion phase of the economic cycle, and we have noticed that the pace of recovery is different across regions. In this episode, I shall share more on HSBC Asset Management's views on the global macro economy and various asset classes, so that MPF members can have a clearer picture of the global market.</p>	
Global Macro Economy	<p>The global macro economy is being impacted by different factors, including economic growth, inflation risk and monetary policy.</p> <p>Different regions are growing at a different pace.</p>	
	<p>We have entered expansion phase of the economy cycle in second half of 2021.</p> <p>As Figure 1 shows, there are two scenarios:</p> <ol style="list-style-type: none"> 1. Some economies are in the 	

	<p>expansion phase, including China and USs</p> <p>2. Some economies are catching up, including Japan and Europe. We believe market laggards are likely to outperform in the coming quarters</p> <p>Inflation volatility shall continue in the near-term. The upside risks are more apparent but medium-term inflation is likely to remain contained.</p> <p>On monetary policy front, the US Federal Reserve signaled that conditions for asset purchase reductions may soon be in place. However, monetary policy should still remain relatively accommodative and on the fiscal front, there should still be room to counter downside risks.</p> <p>Based on the uncertainties mentioned, we would suggest considering diversification of investments to lower the overall portfolio risks.</p>	
<p>Asset Class</p>	<p>Riskier asset classes, for instance, equity, remain favorable over the medium to long term but we need to be prudent in our asset allocation due to market uncertainties.</p> <ul style="list-style-type: none"> ○ For US equities, exposure to quality names, mega-cap tech and the digital economy remains beneficial but valuations are 	

	<p>relatively high which implies some caution.</p> <ul style="list-style-type: none"> ○ European equities can benefit amid successful vaccine rollout and potential value outperformance. However, strong year-to-date performance implies some caution. ○ Mainland China's relatively hawkish policy environment and regulatory uncertainties are headwinds to market performance and shall bring some volatility in the near term. <p>As shown in figure 2, over the past 5 years, we have observed that no single asset class has consistently outperformed others. With the uncertainty ahead, diversification across different regional equities and fixed income is key to balancing risks and capturing opportunities. How investors should construct their retirement investment portfolios?</p>	
MPF Platform	<ul style="list-style-type: none"> ● We believe investors should construct their retirement investment portfolios according to their own risk tolerance levels and review their portfolio allocation on a regular basis. ● The comprehensive MPF platform provides members with sufficient fund choices for effective portfolio diversification. 	

	<p>In terms of equity fund options, apart from a global equity fund, there are also regional equity funds covering the U.S., Europe, Asia Pacific, China and Hong Kong markets. The funds adopt different investment strategies, including active and index-tracking options available for members' choice.</p> <ul style="list-style-type: none"> • Members may also consider investing into mixed asset funds that match their own risk tolerance levels. The MPF platform offers globally diversified mixed asset funds with different equity / bond mix to cater for members' diverse investment needs. Each mixed asset fund has a different long-term strategic asset allocation and investment professionals would adjust the allocation tactically, including overweight and underweight, according to market outlook views to capture opportunities and potential return. 	
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	<p>fund switching via simple steps. This way, you can reallocate your investment portfolio anytime, anywhere.</p>	
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