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FUND MANAGERS BULLISH ON ASIA-PACIFIC EX-JAPAN EQUITIES IN 3Q09, SAYS HSBC SURVEY

****Majority of fund managers also optimistic about emerging markets and
Greater China equities in 3Q09****

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

Nine out of 10 fund managers polled in HSBC's quarterly Fund Managers Survey are holding a positive view on Asia-Pacific ex-Japan equities in the third quarter of 2009, up from 45 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. Seventy-five per cent of fund managers remain bullish about Greater China equities this quarter (vs 75% in 2Q09), while nearly three-quarters (73%) of fund managers hold a positive view towards emerging markets equities, up from 27 per cent in 2Q09.

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).

Charles Genocchio, Head of Global Investments for HSBC Bank Australia, said: "We see improving market performance, combined with some 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."

The quarterly HSBC survey analysed 13 of the world's leading fund management houses¹ by their funds under management (FUM), their asset allocation views and their global money flows. The net money flow² 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 FUM³.

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.

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HSBC Bank Australia Limited

ABN 48 006 434 162

Head Office:

Level 32, 580 George Street, Sydney NSW 2000

Web: www.hsbc.com.au

News Release

Fund managers bullish on Asia-Pacific ex-Japan equities in 3Q09, says HSBC survey/2

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.

Genocchio said: "In 2Q09, investors appeared to gain more confidence as evidenced by increased inflows and a return to equity funds with a bias towards Asia-Pacific ex-Japan, emerging markets 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.

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Media enquiries to:

**Kate Epworth on +61 2 9006 5682 /
+61 418 700 172 /**

kateepworth@hsbc.com.au

**Daniel Pigott on +61 2 9006 5396 /
+61 422 908 994 /**

danielpigott@hsbc.com.au

Notes to editors

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