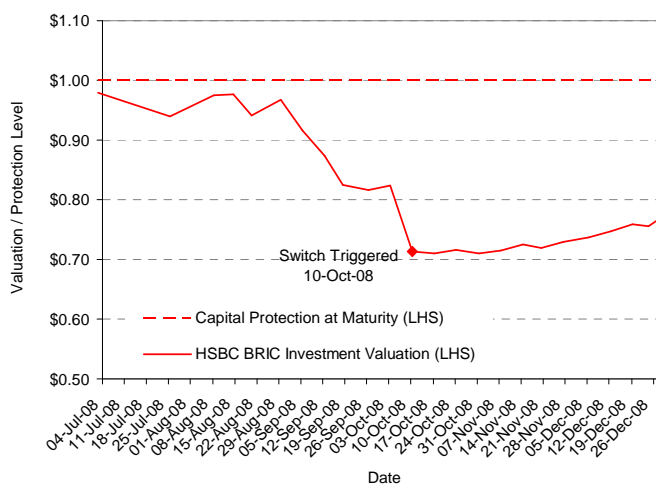


HSBC 100+ Series BRIC Investment

December 2008 report

Overview of the HSBC 100+ Series BRIC Investment Performance

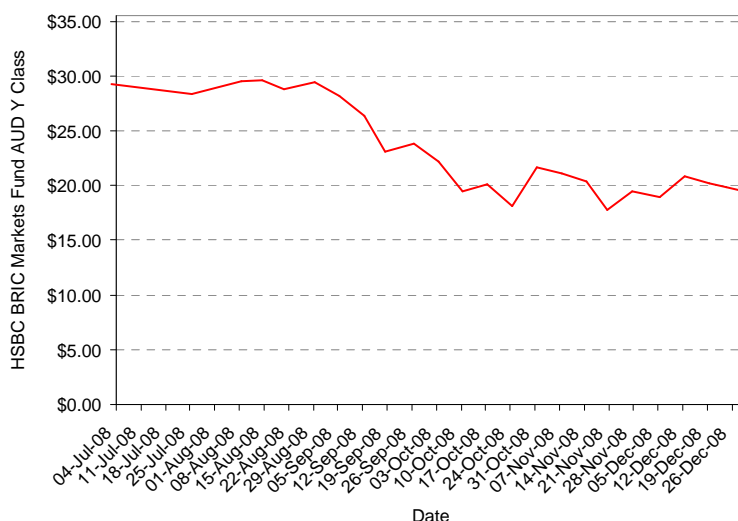
Since the commencement of the HSBC 100+ Series BRIC investment the financial markets turmoil has escalated adversely affecting the investment's value. The underlying HSBC BRIC Markets Fund fell about 33.4% percent over the three months from 2 July to 10 October 2008. During this period, so that 100% of your initial invested capital remains protected at maturity, the notional allocation to the underlying Fund has gradually decreased in favour of allocation to the cash asset. The switch event was triggered on 10 October 2008. The switch mechanism is designed to ensure that while your investment remains 100% capital protected at maturity, it will also continue to provide you with some exposure to the HSBC BRIC Markets Fund so if markets recover, you potentially benefit from the future growth of the Fund. (see page 22 of the PDS for more information).



After the switch event your investment return is now linked to an average option. The chart above shows the valuation of the HSBC 100+ Series BRIC Investment over the past six monthsⁱ.

Underlying HSBC BRIC Markets Fund AUD Y Class

Fund performanceⁱⁱ



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Top ten company holdingsⁱⁱⁱ

Stock	Weight	Industry Sector
China Mobile (HK) Ltd	7.88%	Mobile Telecommunications
Gazprom	5.73%	Oil & Gas Producers
Reliance Industries Ltd	4.53%	Chemicals
Petroleo Brasileiro SA	3.25%	Oil & Gas Producers
Infosys Technologies Ltd	3.01%	Software & Computer Services
Industrial and Commercial Bank	2.99%	Banks
Petroleo Brasileiro SA	2.83%	Oil & Gas Producers
Lukoil Oil Co	2.75%	Oil & Gas Producers
Companhia Vale do Rio Doce SA	2.55%	Industrial Metals
China Life Insurance Co Ltd	2.51%	Life Insurance
	38.03%	

What is the outlook for the BRIC countries?

Emerging markets equities ended the year in positive territories from their lows in October 2008, but as the global economic environment continues to deteriorate with growing uncertainties over earnings, it is unlikely to see this rally continuing in the following months. With all main cyclical indicators down in December, the global economy is still suffering from the financial crisis and the ensuing credit crunch in US and Europe. In emerging markets the deleveraging and fall in commodity prices is adding pressures on markets.

However, on a positive note, policy actions should now come through in all major economies, credit spreads continued to fall and the force selling we saw over the past few months seem to have stopped. With the lower GDP revisions, the impact from the recessions and the slowdowns reported in 3Q08 and 4Q08 by the major and regional economies, the potential for further negative surprises has weakened.

Brazil was the worst performer in the region with MSCI Brazil dropping by-57.6% over the year largely on the back of the weakness in the currency, drop in commodities prices, and global risk aversion. In the short term, any further cuts in interest rates should also help the market. However, the medium term scenario remains uncertain.

Russia poor performance was largely driven by weakening economic data both within the country and globally. The Russian economy is dependent on export sales of hydrocarbons and other resources such as steel and base metals, which in turn are dependent on global economic growth. Therefore conditions which are supportive of sustained recovery in the global economy are a necessary precondition for a sustained recovery in Russian markets.

India raised by 9.6% in December. The local markets staged a year end rally as the government unveiled a stimulus package and promised further measures. The easing inflation trends (last data point indicates WPI at 6.61% for December 13th) have also helped in enabling the RBI to loosen monetary policy with the focus now based on protecting growth, rather than containing inflation.

Chinese shares rallied in December with the MSCI China up 10.5% in response to the new measures implemented by the Chinese government to support economic growth. However weak economic data and the deteriorating global economic environment should eventually lead the government to introduce additional policies aimed at stimulating domestic consumption over the coming months. The potential rise in unemployment amid slowing global demand this year is likely to weigh in on market sentiment.

Disclaimer

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ⁱ As at 29 Dec 2008

ⁱⁱ As at 29 Dec 2008

ⁱⁱⁱ As at 28 Nov 2008



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