

# HSBC 100+ Series BRIC Investment

December 2009 report

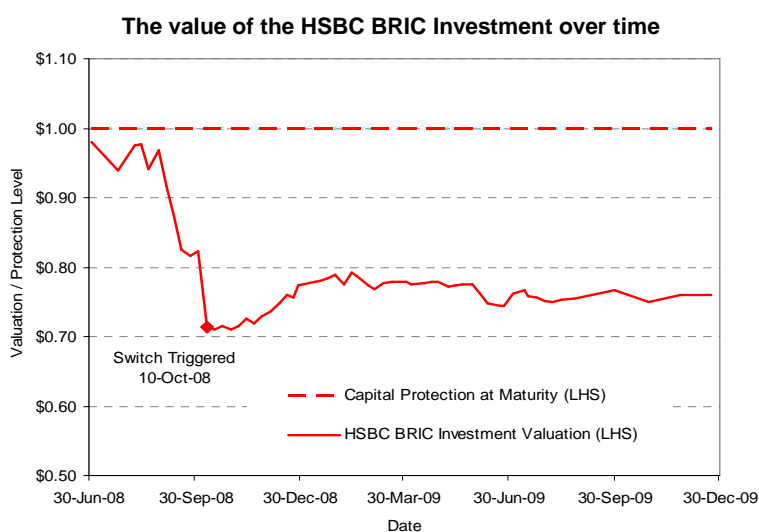
## Overview of the HSBC 100+ Series BRIC Investment Performance

In October 2008 the BRIC Investment experienced a switch event. The switch event ensured that your investment remains 100% capital protected at maturity, while continuing to provide you with potential to gain exposure to the HSBC BRIC Markets Fund. The value of the Investment is now a sum of two components: the value of the capital protection and the value of the average option.

Between June 2009 and December 2009 the value of the HSBC BRIC Investment has moved sideways.

The current value of the capital protection depends on the prevailing AUD interest rates to the maturity date and the time to maturity. Though interest rates have increased this has been offset by the gain due to reduced time to maturity, with a marginal increase in the value of the capital protection.

The other component of the BRIC Investment is the value of the average option. The average option will have a positive value at maturity if the average of HSBC BRIC Markets Fund over the entire investment term is more than double the average value of the fund until the switch event in Oct 2008. The average option payout will improve as the HSBC BRIC Markets Fund increases in value and if the volatility increases. Over the past six months the HSBC BRIC Markets Fund has increased by 18% but the volatility has decreased which meant that the average option value has fallen.

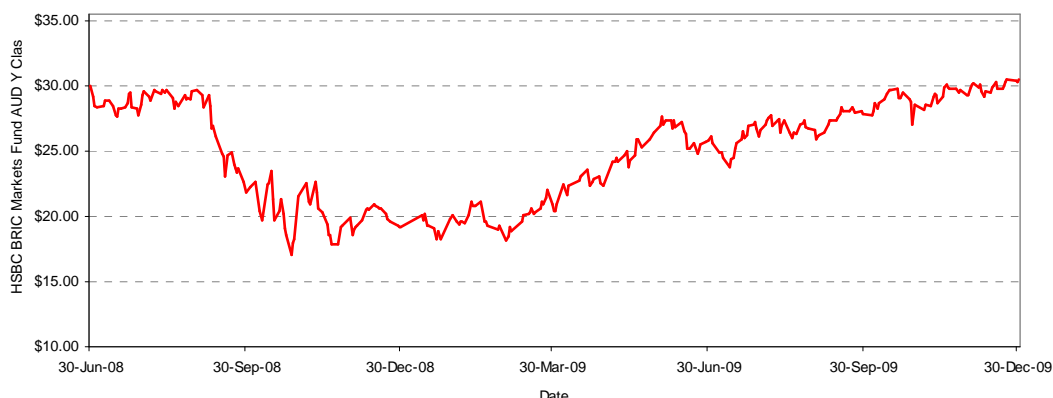


Overall the value of the HSBC BRIC Investment has changed from 0.744924 at June 2009 to 0.760121 at December 2009.

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## Underlying HSBC BRIC Markets Fund AUD Y Class

### Fund performance



### What is the outlook for the BRIC countries?

**Brazil** We maintain our positive view on Brazil equities. Economic conditions continue to improve with most sectors now strongly contributing. This should continue to be a driver for the market. The government forecasts the GDP for 2010 to be in the range of 7 -8%, whilst it also plans to generate 2 million jobs as domestic demand increases. The main risk to the Brazilian market is the flip side of the strong economic activity; inflation.

**Russia** Provided that the global economy continues to strengthen the outlook for Russian equities remains favourable. The scene has been set for improvement in the economy aided by continued strength in oil and other commodity process. The Russian equity market trades at a discount to other emerging markets and there is scope for this to narrow if conditions remain supportive.

**India** The strong performance of the Indian market during 2009 has resulted in high than average valuation making us cautious in the near term. The relatively light political calendar during the coming year should present the government with a good opportunity to push through initiatives. We expect interest rates rise and the fiscal stimulus to be reversed in the February budget. Both these imply that the Indian economy recovery is underway and is more genuine than other economies with big ongoing stimulus and low interest rate support.

**China** We expect strong GDP growth into 2010 and a continuation of favourable government measures to encourage domestic consumption and investment. There is no change in the official message of supporting strong economic growth, although more policy fine tuning will be introduced over the following months. Structural reforms are likely to focus on addressing economic imbalances by promoting consumption, a low-carbon economy, urbanisation and health care. With the global economic environment stabilising, we expect the Renminbi to gradually appreciate this year which will make investment into China even more attractive. Given that the Chinese currency is not convertible, we believe the pace of appreciation in 2010 will not be more than 5%. We remain positive on China as we believe strong market liquidity, favourable economic growth outlook and the continuation of stimulative policies will be positive for the China equity market.

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