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## GLOBAL FUND MANAGERS FAVOUR EMERGING MARKETS ASSETS, SAYS HSBC SURVEY

*\*\*\*Overweight view on Asia-Pacific and emerging markets in 4Q 2010\*\*\**

The majority of global fund managers polled in the latest HSBC Fund Managers' Survey are taking an overweight view on assets in fast-growing regions such as the emerging markets overall and Asia-Pacific ex-Japan in the last quarter of 2010.

Overweight views on the following asset classes were recorded for fund managers' asset allocation strategy for 4Q10:

- 75% of fund managers overweight on Asia-Pacific ex Japan equities, up from 44% in 3Q10;
- 75% on emerging markets equities, up from 67% in 3Q10;
- 67% on Greater China equities, up from 50% in 3Q10;
- 60% on Asian bonds, up from 57% in 3Q10;
- 83% on Global Emerging Markets/High Yield bonds, up from 63% in 3Q10

Half of fund managers continue to hold an overweight view on equities while over half (57%) are underweight on cash (vs 38% in 3Q10). No fund manager is overweight on bonds for 4Q10 (vs 13% in 3Q10).

4Q 2010 asset allocation strategy	Underweight	Neutral	Overweight
<b>Equities</b>	0% (0%)	50% (50%)	50% (50%)
<b>Bonds</b>	14% (0%)	86% (88%)	0% (13%)
<b>Cash</b>	57% (38%)	29% (50%)	14% (13%)

Note: Figures in brackets indicate results from 3Q10.

HSBC's quarterly Fund Managers' Survey analysed 13 of the world's leading fund management houses<sup>1</sup> on the basis of funds under management (FUM), asset allocation views and global money flows. The net money flow<sup>2</sup> estimates are derived from movements in FUM versus index movements in the equivalent class. At the end of 3Q10, polled fund managers reported aggregated FUM of US\$3.89 trillion representing approximately 16.52 per cent of the estimated total global FUM<sup>3</sup>.

Geoffrey Pidgeon, Head of Global Investments for HSBC Bank Australia Limited, said: "HSBC's Fund Manager survey shows improved confidence in the overall economic outlook as fund managers decreased their appetite for cash. Despite continued market uncertainty and volatility, appetite for equities remains strong yet selective towards regions of higher growth. We expect that the focus on the stronger economies of Asia like Greater China and the emerging markets will continue through to the beginning of 2011 as growth in developed markets remains lacklustre.

## Global fund managers favour emerging markets assets, says HSBC survey /2

“In 2011, the potential for yields in fixed income investments will be supported by benign inflation in the developed world and a prolonged low interest environment. Within bonds, corporate debt, even with tighter credit spreads, are likely to be preferred over government bonds,” Pidgeon said.

### 3Q10 global asset flows

Funds under management rose by US\$345.2 billion at the end of 3Q10, up 9.75 per cent from 2Q10 as all funds recorded an increase in FUM. Equity funds led the increase, rising US\$156.1 billion while bond funds were up by US\$107.7 billion.

Net fund flows, which are derived by subtracting market growth from FUM growth across various asset classes during 3Q10 were:

#### Net flows as percentage of FUM for selected sectors

Asset class	End 3Q10	End 2Q10
Asia-Pacific ex Japan equities	+5.2%	+2.5%
Emerging markets equities	+1.9%	-2.2%
Greater China equities	-1.0%	-4.8%
Japan equities	-1.3%	-1.2%
North America equities	-2.9%	+0.8%
Europe including UK equities	-3.8%	-2.5%
Global equities	-3.9%	-3.1%
High yield/emerging markets bonds	+10.9%	+6.8%
Global bonds	+9.4%	+14.8%
US bonds	+2.8%	-3.9%
Europe including UK bonds	-4.3%	-3.6%

Net inflows to high yield/emerging markets bonds reached US\$10.68 billion at the end of 3Q10, double the net flows of US\$5.3 billion last quarter. Asia-Pacific ex-Japan equities posted US\$3.3 billion net inflows, nearly tripling 2Q10's US\$1.4 billion flows. Emerging markets equities net inflows were at US\$1.9 billion, recovering from net outflows of US\$2 billion from 2Q10.

Mr Pidgeon said: “In a prolonged low-interest environment, corporate bonds and emerging market bonds were relatively attractive to income investors while equities in Asia-Pacific ex-Japan continued to present growth opportunities. The outflows from Greater China equities most evident last quarter have now slowed as the recent interest rate hike by the People's Bank of China cleared a long overhang of uncertainty.”

### 3Q10 HSBC Fund Flow Tracker

The HSBC Fund Flow Tracker, which represents cumulative dollar value of money flows since 3Q06 showed that equity funds registered a mild outflow despite the sharp rebound in global equity markets in 3Q10 as investor interest shifted to emerging markets. At the end of 3Q10 cumulative net outflows of US\$64.4 billion were posted compared to outflows of US\$56.1 billion in the previous quarter.

- Cumulative net inflows to Asia-Pacific ex Japan and Emerging Markets equities remained strong at US\$13.9 billion and US\$28.8 billion, respectively
- North American equities registered outflows of US\$1.8 billion compared to the inflows of US\$4.8 billion in the previous quarter
- Cumulative net inflows of Greater China equities decreased slightly to US\$7.2 billion in 3Q10 (vs US\$7.4bn in 2Q10)

Over the same period, bond funds continued to post record cumulative inflows of US\$255.3 billion, up 10 per cent from previous quarter in a low-interest and high liquidity environment.

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#### **Notes to editors**

##### **Footnotes**

<sup>1</sup> The 13 participating fund managers in the survey are: AllianceBernstein, Allianz Global Investors, Baring Asset Management, BlackRock, Fidelity Investment Management, Franklin Templeton Investments, HSBC Global Asset Management, Invesco Asset Management, Investec Asset Management, J.P. Morgan Asset Management, Prudential Asset Management, Schroders Investment Management and Société Générale.

<sup>2</sup> Net fund flows are derived by subtracting market growth from funds under management (FUM) growth during 3Q10.

<sup>3</sup> According to the Investment Company Institute, total global FUM at the end of the second quarter of 2010 was US\$21.44 trillion.

##### **More details of the survey**

Please see the attached report *HSBC Fund Managers Survey: Tracking Global Money Flows* for more information. The survey was conducted in October and November 2010.

##### **HSBC Bank Australia**

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