Why buy the HSBC GIF Chinese Equity Fund?

- **An experienced fund manager.** Richard Wong is an investment director in the Asia ex Japan equity team and has over 20 years worth of investment experience. His team presently manages in excess of US$3.9bn in dedicated Chinese equities and is focused to generating superior returns in a high growth and inefficient market place.

- **Experienced team that benefits from HSBC’s resources.** A team of 10 investment professionals work specifically on Chinese Equities strategies with an average investment experience of over 11 years. The team has access to the additional wider HSBC Asian and global emerging markets expertise and knowledge. HSBC’s local footprint allows direct access to research, on the ground in all markets.

- **Highly rated and strong track record.** The HSBC GIF Chinese Equity Fund is A rated by Standard & Poor’s. The Fund has been managed by Richard Wong since 1997 and HSBC Global Asset Management has more Emerging Markets fund ratings than any other fund manager.

- **HSBC is a leader in emerging markets.** HSBC Global Asset Management is a leader in emerging markets investing, with over 200 emerging markets investment professionals based in 18 local offices.

- **Disciplined and repeatable investment process.** Together with the strong research culture, the investment professionals conduct detailed, in-depth research to find the most attractive stock opportunities in the region. We have an experienced team of investment managers and analysts based in Hong Kong and Singapore covering the region. The Chinese Equity team leverage off our broad regional experience.

**Why invest in Chinese Equities now?**

- **Chinese stocks are cheap but earnings keep growing.** The average Chinese stock trades at market prices which are below their book value which means that these stocks remain undervalued. Yet the fundamentals remain rock solid.

- **The Chinese economy is NOT in a recession.** Sure, it’s slowing down, but China is still on track for a solid 6-7% expansion based on analysts’ estimates. And 8% if you believe the government statistics. Regardless of who ends up being right, compared to the contraction in the United States, such a high rate of growth is impressive.

- **Massive foreign reserves.** The last time Chinese stocks were this cheap was during the Asian financial crisis. Back then, most Asian countries were running huge deficits. But this time the roles are reversed. As of December 2008, China boasted of having $1.95 trillion in foreign reserves. If necessary, the government can deploy these surpluses to keep economic growth.

- **The Chinese consumer is just getting started.** The country’s burgeoning middle class, now the size of the entire United States, is just getting started. As we know from our own experience and prosperity -70% of GDP in the United States is attributed to consumer spending - the consumer is an engine of economic growth. In other words; the global recessionary headwinds are no match for the Chinese consumer. The Chinese save an amazing 35% of every dollar they bring in. This provides yet another cushion against any slowdowns but also an enormous opportunity for future growth.

**The fund at a glance**

- The experienced investment team has been together for over a decade and leverages local market resources knowledge and insights.

- The fund aims to capture rapid growth in Chinese equities by investing within a rigorously applied risk management framework.

- Disciplined and repeatable investment process, with the strong research culture, in-depth research to find the most attractive stock opportunities in the region.

- HSBC Global Asset Management has a recognised expertise in emerging markets with highly rated local, regional and global products.

- As part of a broader portfolio, Chinese equities have the potential to enhance returns and provide diversification for investors. China complements developed and Western economies and also has individual strengths.

About Halbis Capital Management (UK) Limited (‘Halbis’)

Halbis is an active investment manager focused on delivering sustainable value-added performance in selected areas of the global market. It specialises in areas where it is or will be highly competitive, namely fixed income, European, Asian and Emerging Markets equities, and some alternative strategies.

For further information, please visit: www.halbis.com
Introducing the team and the investment strategy

- This growth-oriented fund is investing in companies with significant operations in mainland China. The fund will invest predominantly in large, liquid stocks across a range of market capitalizations.
- The Chinese equity approach is to invest for “Quality” and “Growth”. The investment process focuses on fundamental bottom up stock research; we seek to identify appropriately quality companies in sectors that we believe will be long term beneficiaries of long term China growth.
- Dedicated risk management. We understand that clients want us to achieve their investment objectives in the most consistent manner possible. To achieve this, understanding that managing risk is as important as returns, hence we emphasise our ability to manage, monitor and control risk as something that sets us apart from our competition.
- The team’s investment convictions are rooted in the shared belief of “quality” investing that delivers superior growth at a reasonable price. To do this successfully, we believe in fundamental proprietary research, hence our commitment to developing our research team both along sector and country lines.

Portfolio composition

- Financials
- Oil & Gas
- Industrials
- Basic Materials
- Telecommunications
- Consumer Goods
- Technology
- Utilities
- Cash

Source: HSBC Global Asset Management. Data as at 29 May 2009

What are the risks when investing in Emerging Markets?

- Governance: Supervision, accounting, auditing, financial and other standards may not be equivalent to those in other countries
- Markets: Often more illiquid than OECD financial markets
- Volatility: Unexpected changes in economic growth as well as cyclical effects impact stock prices
- Prices: May be more volatile due to this and to factors such as exchange rate movements and illiquidity
- Products: May be affected by exchange controls, settlement disruption, tax, accounting and regulating law change including nationalisation or expropriation of assets or general political unrest or war

About the Manager

Investment Director, Equities, Halbis Capital Management (HK) Ltd. Richard Wong is an Investment Director, Equities, Halbis (HK) Ltd and has been working in the industry since 1990. Prior to joining Halbis in 1997, Richard was employed by Nikko Capital Management (HK) as Senior Portfolio Manager. Richard holds an MBA in Finance from New York University.