

5 January 2009

HALBIS SEES OPPORTUNITIES FOR FUNDAMENTAL INVESTING IN ASIA DESPITE DIFFICULT ENVIRONMENT

Halbis Capital Management, the active fundamental investment specialist of HSBC Global Asset Management, believes that despite continued market volatility and slowing economic growth in the first half of 2009, there are good opportunities in Asia for investors who focus on quality stocks at the right price.

Global markets experienced extreme volatility in 2008, driven by a sharp shift in sentiment that led asset prices to diverge from fundamentals. The crisis has reinforced some of Halbis's central views about investing. First, managing risk is as important as managing returns, because wealth-destroying market events happen much more often than people realise. Second, investors should be true to their time horizon, which for most equity investors means aiming for consistent returns over the long term and not being swayed by short-term volatility. Third, investors must understand the characteristics of individual stocks assessed in the context of valuations, rather than looking just at country and sector allocations.

Ayaz Ebrahim, Chief Executive Officer, Asia-Pacific at Halbis, said: "Our outlook for 2009 is shaped by the characteristics that will help lead to outperformance over the appropriate time horizon and at the right price. We continue to favour quality companies with strong balance sheets, resilient earnings and stable cash flows. These are the companies better placed to cope with the downturn and tight access to credit, while continuing to invest in their businesses."

more

Halbis sees opportunities for fundamental investing in Asia despite difficult environment/2

Assessing the macroeconomic environment is important in order to understand its impact on the drivers of companies and markets. In this respect, Halbis expects volatility to persist over the first half of 2009. While Asia's growth will probably continue to slow well into the year, it is supported by stronger economic fundamentals, lower levels of leverage and healthier current account balances than other regions. However, Asia is not immune to movements in global markets, particularly during periods of high volatility.

Halbis expects China to continue to apply its considerable spending power and policy flexibility to stimulate domestic consumption and investment. This should have a positive ripple effect across the region. Fixed asset investment triggered by the stimulus programme should offset slowing manufacturing growth and sluggish property sales. Halbis expects China's GDP growth for 2009 to come in at around 8 per cent.

In India, despite slowing growth at around 7 per cent over the next couple of years, valuations are extremely attractive. Easing inflation, an expected positive outcome in the upcoming general elections, and monetary and fiscal policy measures on the domestic front should help the market recover.

Hong Kong remains vulnerable to deteriorating global growth due to the large contribution from exports and financial services to its economy. However, valuations for certain sectors are at a record low, which should limit the downside to share prices. With corporate profitability under pressure, quality stocks in sectors such as consumer staples and utilities will be best placed to weather the storm.

Countries and territories with a strong reliance on export-driven sectors, such as Taiwan and Korea, will find the downturn more difficult to cope with. However, these markets have been sold heavily and pockets of value are emerging.

more

Halbis sees opportunities for fundamental investing in Asia despite difficult environment/3

Markets in Thailand and Malaysia are still overshadowed by political issues, but are also less exposed to the global cycle, which could help them in the current environment.

Mr Ebrahim added: “There are good opportunities in Asia for investors in this difficult global context. We continue to favour a bottom-up approach to investing, finding the stocks best placed to deliver returns through the business cycle and over the longer term. Historically, stock level performance has constituted the largest component of market returns, ahead of country and sector allocation, and this is where our research-led investment approach adds value.”

ends/more

Media enquiries:

Lucia Ku **+852 2284 1263** **lucia.s.m.ku@hsbc.com.hk**

Notes to editors:

HSBC Global Asset Management

HSBC Global Asset Management comprises four specialist investment businesses: Halbis, Sinopia, Multimanager and Liquidity. HSBC Global Asset Management acts as the global representative of its specialist investment businesses and manages assets totalling US\$350 billion at the end of September 2008. As one of the world's leading emerging markets asset management businesses, through its network of offices in over 20 countries around the world, HSBC Global Asset Management has strong relationships with corporates, institutions and financial intermediaries of all sizes and types.

Halbis Capital Management

Halbis is an active investment manager focused on delivering sustainable value-added performance in selected areas of the global market. It specialises only in areas where it is or will be highly competitive, namely European equities, value-added fixed income, Asian and Emerging Markets equities, and some alternative strategies. Halbis manages assets of US\$ 68.4 billion as at end September 2008.

The Hongkong and Shanghai Banking Corporation

The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which, with more than 9,500 offices in 85 countries and territories and assets of US\$2,547 billion at 30 June 2008, is one of the world's largest banking and financial services organisations.

ends/all