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ILP Sub-Funds available for Goal Protector Insurance Plan and other investment-linked plans

HSBC Insurance Asia Equity Fund (SGD)

Investment and Market Review

Regional equities, barring China, rounded off the year with robust gains in December, as the MSCI Asia ex Japan Index climbed 3.5% in USD terms. Investor sentiment was boosted as the Fed left interest rates unchanged for a third straight meeting and sent its clearest message yet that its aggressive hiking campaign has ended by forecasting a series of rate cuts in 2024. Several Asian economies could follow suit in lowering interest rates in the new year too.

China stocks posted a decline of 2.4% in December. Its massive gaming industry was dealt a blow by new proposals to curb the amount of time and money spent on video games, raising concerns that regulators were once again cracking down heavily on the sector. Meanwhile, China's economic recovery remains patchy as industrial production beat expectations, but retail sales fell short. The country's consumer price index contracted for the third month this year, dropping 0.5% year-on-year (YoY) in November as the world's second-largest economy grapples with worsening deflation. Authorities also relaxed homebuying restrictions in Beijing and Shanghai, extending efforts seen in major cities to aid the housing market. Hong Kong stocks fared better, gaining 5.3% over December.

South Korea stocks rose 6.6% as exports increased 7.8% YoY in November, driven by a rebound in semiconductor demand, boosting optimism for the country's economic outlook and global trade in 2024. The country's semiconductor industry registered the largest gains in years in both production and shipments—chip production soared 42% YoY in November, while shipments spiked 80%. Taiwan stocks also performed well, climbing 5.5%, as export orders grew for the first time in more than a year, but remained short of market expectations. The central bank also kept rates on hold, citing expectations of easing inflation.

In the ASEAN region, Singapore and Thailand were the best performing markets in December, with returns of 7.2% and 5.9% respectively. Meanwhile, the Philippines, Indonesia and Malaysia made respective gains of 4.4%, 4.2% and 1.6%. Singapore's key exports returned to growth for the first time in over a year, as non-oil domestic exports rose 1% YoY, largely due to favourable base effects. Thailand saw its consumer prices fell for a second straight month in November due to state subsidies for energy and lower food prices. In the Philippines, the central bank maintained its policy rate steady at 6.5%, saying that policy would have to stay "sufficiently tight" to bring inflation back to target. Indonesia likewise left its benchmark seven-day reverse repurchase rate at 6% unchanged to support the rupiah and keep inflation at bay, but indicated there was room for monetary easing in the second half of 2024. Malaysia's inflation rate continued to ease, slowing to 1.5% YoY in November from 1.8% in October.

For the month, Indian stocks jumped 8.1% as the Reserve Bank of India raised its GDP growth forecast to 7% from 6.5% for this fiscal year and decided to keep policy rate unchanged at 6.5% for the fifth consecutive time. India's retail inflation rose sharply to 5.55% in November on an annual basis. India's

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ruling Bharatiya Janata Party won three key state elections—unseating the opposition in two of them—strengthening Prime Minister Narendra Modi's bid for a third term in office.

Market Outlook and Investment Strategy

As we look to the year ahead, we must first look at some of the key characteristics of 2023—banking crises (in the US and Credit Suisse), fundamental changes in tech from generative AI, pro-growth policy in China and the potential peaking out of interest rates globally. The peaking of interest rates and potentially the US dollar could be a boon for broader markets, particularly in areas more sensitive to liquidity, countries with more room to ease rates domestically and areas where positive fundamental changes have been overlooked. In Asia, some of these countries are likely to be twin deficit economies where positive reform is also occurring, namely India and Indonesia. While areas more sensitive to liquidity conditions that have been pressured in recent years would include renewables and innovation across multiple segments including healthcare and in tech (outside of AI which had already done well on account of last year's earnings uplift to many in the hardware and infrastructure supply chain). We stress that we remain anchored to earnings and profitability and the delivery of sustainable returns in the statements above.

In China, pro-cyclical policy is clearly back but so far has failed to address the main issues holding back the domestic economy and markets, namely the property sector and consumer confidence. The release of rather stringent draft policy in the e-gaming sector in late December did little to quell concerns over China's investability. While likely mistimed, we would point to this being part of a broader effort to encourage offline activity and spending. Directed consumption remains the case as it always has in China. Looking more broadly, China is clearly going through another major economic transition—from one that reduces the role of property and services to one that promotes advanced manufacturing, tech, self-sufficiency and higher-end overseas growth. These are areas of focus for us in our stock selection.

While there are understandable concerns about China, we should not overlook the bright opportunities that other parts of Asia offer. We continue to highlight that some of the best sustainable return opportunities lie in both reformers (India and Indonesia) and globally competitive North Asia exporters in Taiwan and Korea. At the sector level, we would also highlight the healthcare industry where several positive factors are starting to fall into place, namely much more appealing valuations, lighter positioning, supportive policy and the second wave of biosimilar development. Asia is well placed to capture these opportunities.

Against this, we must be mindful of some of the risks and areas of potential negative fundamental change ahead. An already significant amount of rate cuts have been priced in by markets and without further economic weakness, these may be subject to change. China is yet to stabilise both its property market and economy convincingly although supportive policy action is increasing. We also have a very busy electoral calendar this year kicking off with Taiwan in January, then India, Indonesia and culminating in the US elections towards the end of the year. Geopolitical risk is here to stay, with both positive and negative implications for investors. Managing these risks will be key to delivering sustainable returns in Asian equities.

Source: iFAST Financial Pte Ltd

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HSBC Insurance Asia Focused Income Fund (SGD)

Investment and Market Review

The fund generated positive return over the 6-month period on the back of favorable performance across most major asset classes. Asian equities contributed positively to the performance amidst hopes that US interest rates may have peaked led to renewed investor appetite across the region. South Korea and Taiwan were among the top performing equity markets in Asia driven by excitement over AI. On the fixed income front, Asia investment grade bonds gained with markets discounting more aggressive rate cuts in 2024. Asian high yield bonds were down during the period as negative sentiment was built on the back of missed coupon payments from one of China's biggest property developers.

Market Outlook and Investment Strategy

Disinflation in the West should continue into 2024, despite some areas of 'stickier' inflation, while growth is slowing. Eastern economies face a more benign growth and inflation picture, with pockets of strength across Latin America and Asia, despite China's slower economic recovery. Growth in the US has remained surprisingly strong, as economic activity and labour markets have proven resilient. However, we anticipate a slowdown in 2024 as consumer savings dwindle and higher interest rates impact the real economy. The Fed has now likely reached the peak of its policy tightening cycle, and we expect rate cuts from Q2 2024. Growth in Europe has already started to slow, and we expect recession to take hold next year. Sluggish Eurozone economic data and softer-than-expected inflation prints limit the risk of further ECB policy tightening. Over the longer term, we believe there is a new economic regime taking shape in Western markets, with 2% set to become an inflation floor, rather than a ceiling. In addition, fiscal policy may play a more important role, leading to higher inflation and interest rates. In the East, inflation is less of a concern, and areas of supportive policy can help maintain growth. China's economy continues to face a challenging property market and weaker consumer confidence, but further monetary easing is possible, with more fiscal support required to sustain a recovery. In Japan we expect a gradual normalisation of the yield curve.

Source: HSBC Global Asset Management

HSBC Insurance Asian Bond Fund (SGD)

Investment and Market Review

Asian credit, represented by the JPM Asian Credit Index (JACI), returned 3.69% in November 2023. Of this, +0.52% was from carry, +2.15% was from duration and +1.01% was from credit. Asian credit staged a comeback this month due to lower UST yields, news of Chinese policy support and general positive sentiment.

The Federal Reserve kept rates unchanged in their November meeting and hinted that the central bank might be done raising rates for now. However, further hikes were not ruled out, though the market perceives a high hurdle due to concerns about the adverse effects of tightened financial conditions on economic activity.

Regulators in China have been reported to provide more support for the property sector, signaling the possibility of another round of easing measures. The government is reportedly planning to inject around

RMB 1 trillion in low-cost financing to revive the housing market, focusing on affordable housing, urban renewal, and public infrastructure. The government is also reportedly drafting a whitelist for 50 developers eligible for a range of financing support. While these measures signal the government's increasing efforts to stabilize the market, implementation efforts remain to be seen and confidence will take time to rebuild.

The upcoming December Politburo meeting and the Central Economic Work Conference in mid-December will provide more clarity regarding the policy stance for the next year.

In terms of manufacturing activity, China's official manufacturing Purchasing Managers' Index (PMI) slowed to 49.4, though mostly due to seasonal factors. The Caixin manufacturing PMI accelerated to a stronger than expected 50.7, up 1.2 points from October, highlighting a more optimistic story for the sector. In India, manufacturing PMI came in at 56.0 in November, rebounding off an 8-month low in October.

On the local market front, Bangko Sentral ng Pilipinas (BSP) decided to leave rates unchanged at 6.5%, in line with market consensus but tone remains hawkish. Similarly, Bank Indonesia (BI) and Bank of Thailand (BoT) also opted to leave rates unchanged at 6% and 2.5% respectively.

Asia has seen YTD supply amount to around US$104 billion, around 23% lower than the same period last year. December is likely to be a light month for supply based on historical trends, as issuers await the new year.

In November, the BGF Asian Tiger Bond Fund (A2 shareclass) returned 3.79% while its benchmark, the JACI, returned 3.69%. Gross of fees, the fund outperformed the benchmark by 0.66%. Active credit returns were positive. Our overweight in financials was the largest contributor to active credit returns. One of our positions in a defaulted Chinese property issuer outperformed given news that it satisfied restructuring conditions. Our positions in Macau gaming also did well, helped by strong results and several positive rating actions. Our overweight in Indian credit was another notable contributor led by positive news flow from a conglomerate name, along with our overweight in Indonesia HY.

On the other hand, security selection in Indonesia sovereigns and Philippines IG detracted from active credit performance.

Market Outlook and Investment Strategy

Added to convertible bonds across Hong Kong, China and Macau. Also added to BBB-rated China SOEs where we see potential tightening, China TMT across select names, and financials across selective laggards. Credit hedges were also added. Reduced Indonesia HY across select names and rotated from Indonesian sovereigns to quasi-sovereigns for valuation reasons.

Reduced selectively in Middle East and Korea IG. Also took some profit in the financials space and Macau gaming. On rates, we added some USD duration.

USD Duration: Flat

Hard Currency Credit:

The fund is positioned in an up-in-quality manner, with 75.0% in IG (including cash) as of end November and a BBB average rating.

APAC IG: This segment remains a resilient source of short-dated carry, has a strong presence of sovereign/quasi sovereign issuers, shorter duration than global IG counterparts and absorbable issuance pipeline. We are comfortable with Indonesia sovereigns and some renewable operators in the private utility space. Thai corporates and financials remain another source of active risk in the fund, although we avoid exposure to the credits linked to ongoing involvement in Myanmar. In Malaysia, we like select exposures in the quasi-sovereign space. In India IG, we like names with dominant market positions and strong balance sheets that we expect should weather through near-term inflation and macro headwinds.

China: As of end November, ATBF has a 27.5% allocation to China - a 9.2% underweight compared to its benchmark. We continue to find opportunities in China while being intentional in positioning to mitigate pitfalls. In China offshore state-owned enterprises (SOEs), fundamentals are stable overall, and technicals are strong due to limited supply and supportive onshore banks. While we are selectively positioned in some strategic SOEs, we have an underweight overall in the sector on the back of tight valuations. Within private-owned enterprises (POEs), we like the technology, media, and telecom sector due to improving credit trends though regulatory risks remain. In the property sector, measures have failed to turn around market sentiment or stimulate sales. As such, we have reduced risk in the sector and any remaining allocations are to stronger names that we believe would be survivors. On the LGFV front, while our short-term view is that there will not be a wave of defaults, we remain cautious and prefer staying mostly in IG quality credits and keeping duration short.

Non-China HY: In India HY, we like renewables, steel companies, infrastructure credits and select non-bank financing companies. There has been pickup in growth, improved access to domestic liquidity and stable credit profiles. In Indonesia HY, we like names in energy, renewables and real estate. We like select opportunities in Philippines, Hong Kong and smaller issuing countries on a name-by-name basis. For Frontier sovereigns such as Pakistan, Sri Lanka and Mongolia, we are selectively positioned with a focus on curve selection.

APAC Financials: Asian financials' profitability has been improving due to the higher rates environment. Asset quality has also improved. The buffers built up during the Covid period will help to cushion the expected deterioration in asset quality as economic growth slows and funding cost rises. Chinese asset management companies' systemic importance has been illustrated through Huarong's bailout led by Citic Group. Other Chinese financials such as leasing companies have been seeing improving business as China recovers from the pandemic. Korean financials still offer value vs Chinese and some SEA ones even after decent spread tightening. They have been more regular issuers in the market, giving us opportunities to take exposure. We are comfortable with the fundamentals of the Korean banking system and do not expect the stress in the housing market to exert too much negative impact. Other financial holdings in countries such as Hong Kong, Malaysia and Thailand are mostly in top banks with good fundamentals and/or parental/ government support that would help them weather through macro uncertainty.

Source: BlackRock (Luxembourg) S.A.

HSBC Insurance China Equity Fund (SGD)

Investment and Market Review

The fund registered a negative performance in 2023, and underperformed the target benchmark during the period. At the regional level, stock selection within China was the key detractor, while off-benchmark allocation to Australia was positive.

From a sector perspective, stock selection within technology and financials, coupled with underweight in financials, were notably weak. Meanwhile, selection in consumer discretionary, materials, real estate and industrials partially mitigated some underperformance.

At the individual stock level, household products retailer, Miniso Group, rallied during the period on the back of strong revenue and net profit growth due to success in IP products, and recovery in overseas market was favoured by investors given the weakness in China's domestic consumption market. Education service provider, New Oriental Education, was another key contributor in face of strong operational results for the summer peak season. The solid performance was underpinned by resilient demand and limited market supply after the 2021 regulatory change in the education industry. Elsewhere within consumer discretionary, our nil exposure to JD.com also added to relative returns as the company's embarkment to gain market share with big subsidy drive caused concerns over profitability, while consumption downgrade in China further weighed on share price performance.

Market Outlook and Investment Strategy

Conversely, heightened concerns over stubbornly high polysilicon price and over-capacity in the industry, as well as EU and US policies to localise the value chain saw our solar equipment name, Longi Green Energy, trading lower. Duty free shop operator, China Tourism Group, was another notable detractor following softer spending in Hainan, while the Government's clampdown on "Daigou" activities presented significant headwinds to the company's growth over the medium term. Within health care, Chinese pharmaceutical name, Wuxi Biologics, declined on geopolitics and regulatory policies in China, while unexpected downgrade in revenue growth and margin for 2023 due to biotech funding weakness, CMO project approval deferral, and 2022 high base from Covid contribution further depressed investor sentiment.

Source: Schroder Investment Management Limited

HSBC Insurance Chinese Equity Fund (SGD)

Investment and Market Review

The Chinese Equity Fund was down by 7.65% over the past 6 months as of 31 December 2023 (SGD terms), while its benchmark, MSCI China 10/14 Net Total Return Index dropped 8.05% (SGD terms) over the same period.

July Politburo meeting sent more dovish policy signals than market expected, notably the phrase "housing is for living in, not for speculation" was removed from the official statement. Similarly, the statement "to formulate and implement a basket of debt resolution plans" suggested lower tail risk associated with LGFVs. There was a short rally in July on likely policy relief. However, one of the largest POE developers, Country Garden, missed coupon payments totalling $22.5mn in August. Along with Zhongrong Trust's reported redemption stop, investors turned more cautious. Q4 economic data came in mixed and major

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consumer and internet names guided for lower-than-expected Q4 and 2024 forecasts citing greater competition and low confidence in a macro recovery.

Sector allocation effect was negative while security selection effect was positive during the period. The fund performance was mainly driven by favourable stock selection in Consumer Discretionary and Communication Services. However, our underweight positions and negative stock selection in Health Care dragged the performance. Our overweight in New Oriental Education & Technology was the largest contributor. Its FY2024 Q1 results strongly beat as the overseas study segment was experiencing rapid growth, fueled by a consolidation trend in the wake of the pandemic. On the other hand, our overweight to WuXi Biologics was the top detractor as the stock dropped after the company announced unexpected guidance cuts for 2023 and 2024 due to delayed CMO projects.

Market Outlook and Investment Strategy

Our estimate for China GDP growth is around 4.5% in 2024. The upside risk of the forecast comes from more policy stimulus and downside comes from further deterioration of the property market conditions. A lot of support comes from new economy sectors as reflected by resilient China export market share. The robust export is mainly driven by growth in new energy vehicles and parts, construction machineries, solar panels and lithium batteries sectors. China has built more competitive high-end manufacturing and green related industries which are expected to overtake properties as the major economic growth driver in the future. We think the shifting makeup of the economy may happen faster than expected and lead to renewed confidence of China's long-term growth sustainability.

The biggest challenge in 2024 remains to be the impact from property market which still contributes to about 25% GDP if taking into consideration of upstream and downstream industries related to properties. Intensified policy efforts would also help property investments at the margin, but not a major turnaround yet.

The de-rating of Chinese stocks looks very dramatic in a global context. While markets could stay volatile in the near term, the low valuation suggests growth concerns and geopolitical outlook are largely priced. We believe there are opportunities in stocks with sound valuation benefiting from favorable policy and some corporate reforms potentially.

Source: HSBC Global Asset Management

HSBC Insurance Emerging Markets Equity Fund (SGD)

Investment and Market Review

The fund generated a positive return in US dollar terms and performed broadly in line with the MSCI Emerging Markets Index over 2023, before fees. Positive country allocation was offset by negative stock selection.

Within country allocation, the overweights to Brazil, Greece and Poland were beneficial, as was the underweight to Thailand. The underweight to India and cash held in a rising market detracted.

Stock selection was negative, driven by China (underweight PDD Holdings, overweight JD.com). It also weighed on returns in India (overweight HDFC Bank and ICICI Bank) and Brazil (underweight Petrobras, overweight Gerdau). Conversely, stock selection was positive in a number of markets, including South Africa (overweight Gold Fields), Taiwan (overweight Accton Technology and Mediatek), South Korea (overweight Samsung Electronics and SK Hynix), UAE (overweight Emaar Properties) and Mexico (overweight FEMSA).

During the period we were able to exit some Russian holdings. As we have valued all remaining Russian positions at zero there was a positive impact.

Emerging markets (EM) delivered positive returns in US dollar terms over 2023 although these were behind those generated by developed markets (DM), by some margin. Growing confidence of a “soft landing” in the US, optimism about potential US interest rate cuts in 2024 and the onset of the EM monetary policy easing cycle underpinned EM performance over the year. However, China was again a major drag on broad EM returns, registering a double-digit decline.

Hungary, Greece and Poland were the top performers in the year. The anticipation of easing monetary policy supported returns in central Europe as inflation in the region eased during the first half of the year. Hungary was the first to cut its key interest rate in June 2023 from a peak of 18% in May to 10.75% in December 2023. Poland followed suit in September, and overall reduced interest rates by 100bps to 5.75%. Political factors also contributed to Greece and Poland’s outperformance. In Greece, the ruling New Democratic Party won a second term in office in May 2023, signalling a continuation of market-friendly policies. Later in the year, markets welcome Donald Tusk’s election as prime minister at the head of a pro-EU liberal coalition government, which ended the eight-year rule of the populist Law & Justice (PiS) party.

Mexico performed well. It enjoyed strong economic momentum driven by exports to the US and an acceleration in “near-shoring” investments. This, together with an orthodox central bank, helped the currency appreciate. The best stock performers in 2023 included companies exposed to manufacturing or domestic consumption. Peru also outperformed. The Czech Republic gained on strong performance from all three of its constituents.

Brazil was ahead of the benchmark. It started the year with fiscal policy uncertainty and concerns about the central bank’s independence, although these eased as the year progressed and the government deployed its fiscal policy responsibly and upheld the central bank’s autonomy. With a fiscal anchor in place, the central bank started easing monetary policy from very high levels, which has been beneficial for the economy. This, together with attractive valuations, underpinned the market’s strong performance.

Taiwan and Korea delivered good returns, helped by performance from the technology sector which benefited from investor optimism about artificial intelligence development. India was up too, with Colombia some way behind it. In the former market, economic growth has held up well and moderating inflation has meant monetary policy has remained loose, the combination of which has boosted sentiment. Later in the year, a strong showing by the ruling Bharatiya Janata party in key state elections was also supportive.

Some of the energy-related markets lagged, including Qatar, UAE and Kuwait, which was negative. Saudi Arabi was the exception, registering returns marginally in excess of the index. South Africa performed

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poorly as the ongoing electricity crisis continued to weigh on investor confidence, not least because it severely hinders the economy's ability to grow.

China was the poorest performer in an EM context. A convincing economic rebound failed to materialise in 2023; instead, the economy's anaemic recovery was accompanied by an ongoing crisis in the real estate industry and regulatory uncertainty, particularly regarding tech companies. Meanwhile, geopolitical tension between the US and China persisted throughout the year and included the imposition of various technology restrictions by both parties.

Market Outlook and Investment Strategy

The global economy was more resilient than many had anticipated in 2023, underpinned by the US economy. As a result, US monetary policy remained tighter for longer than had been expected 12-months ago. While the US economy remains healthy, there are signs of a moderation in activity, and with the eurozone likely in technical recession, a slowdown in global growth is anticipated this year. Against this backdrop, further disinflation should gradually follow, enabling the US Federal Reserve (Fed) and other major central banks to begin monetary policy easing.

A soft landing for the US economy and a combination of Fed policy easing and a weaker US dollar should be broadly supportive for EM. The key downside risks around this outlook are that markets have over-anticipated the scale of Fed easing, or that the degree of growth slowdown is underestimated. The scope for rate cuts varies by EM economy, with Latin America likely to lead, and Asia, where real rates are lower, lag. Upside surprises to inflation are risks to this outlook, notably with regards to the path of energy and food prices. Global geopolitics, especially the conflict in the Middle East, bears monitoring. The trade, notably the technology cycle, should continue to improve this year, which is also supportive of EM. The risk to this outlook is that DM demand mutes the rebound.

In China, the economy continues to face structural, as it transitions away from a growth model based on infrastructure and real estate, and cyclical challenges. GDP growth is projected to slow over the medium-term, albeit with cycles. That said, sequential, quarter-on-quarter growth should see a short-lived pick up in the first half of this year, driven by stronger manufacturing exports and as previous policy stimulus impacts. So far, the government has taken somewhat piecemeal measures to support the economy given ongoing deflationary concerns, which is a key risk given debt levels. The pace of policy has picked up but has not been sufficient to increase confidence and activity; measures in property for example are quickly fading. Geopolitics, particularly relations with the US, remains difficult. Improved communications between US and Chinese officials is positive, albeit this is against a backdrop of a declining trajectory in relations. Meanwhile, EU relations are a further area of concern as China increases exports in key areas.

EM valuations are reasonable, particularly in relation to DM. In absolute terms, the 12-month forward price-earnings and price-book ratios are broadly in line with the historical median (since 1995), while EM is cheap on a dividend yield measure. Earnings per share growth expectations for 2023 are negative, but a rebound of 18% is projected for 2024, and 15% in 2025, based on consensus forecasts. At the market level, EM valuations are generally attractive, with the notable exception of India and on some measures South Korea. EM yields and currencies in general are at attractive levels. The valuation gap to DM has also widened over the past year, and the gap to the US is, excluding the pandemic, now wider than in the global financial crisis.

There are various risks to the outlook in 2024, notably stemming from geopolitics. US-China relations, Russia's invasion of Ukraine and the Middle East conflict all bear close monitoring. Higher energy prices pose upside risk to inflation and rates expectations, while risk aversion could drive safe haven demand for the US dollar. El Nino could also lead to deterioration in the inflation outlook. In addition, there are a series of key EM elections this year. The US presidential election in November will also be important to watch for EM, notably from a US dollar and a policy perspective. Strategic competition between the US and China is a bipartisan issue in Washington DC.

Source: Schroder Investment Management Limited

HSBC Insurance Ethical Global Equity Fund (SGD)

Investment and Market Review

Global equities collectively advanced in the fourth quarter to close out a generally strong 2023. In October, equities declined for the third consecutive month due to investor concerns about surging sovereign bond yields, worsening geopolitical uncertainty due to the Israel-Hamas war and the prospect of higher-for-longer interest rates. However, renewed optimism that major central banks, including the US Federal Reserve, might begin cutting policy rates sooner than previously expected drove bond yields lower and equities significantly higher in the final two months of the year. Moderating inflation, encouraging economic data, and softening but solid employment figures in several regions, particularly in the United States, reinvigorated expectations for an economic soft landing, further supporting risk appetite. Global manufacturing activity remained in

contraction during the quarter, while global services activity expanded in December at the fastest rate in five months. As measured by MSCI indices in US-dollar terms, developed market equities modestly outperformed a global index, while emerging market and frontier market equities lagged it. In terms of investment style, global growth stocks significantly outperformed global value stocks, which nonetheless posted strong gains for the quarter.

Market Outlook and Investment Strategy

As the new year begins, hopes of impending Fed rate cuts—with as many as six cuts currently priced in by the market, which is double the Fed's latest projection—and a US soft landing abound. If these macro drivers come through and translate to broad-based earnings growth, US equities may have further upside in 2024 despite their relatively high valuations; a lively Wall Street may in turn bode well for the global markets. However, we are cognisant of the likelihood that global economic growth will slow further in 2024, as projected by the United Nations recently. With geopolitical disruptions and mixed consumer sentiment also at play, we will not be surprised if corporate earnings and profit margin growth in 2024 proves weaker than widely expected. Importantly, even if central banks cut their policy rates, financing costs will not return to the low levels of yesteryears. This may be particularly challenging for companies with weaker fundamentals.

With that in mind, we wrapped up 2023 with a broadly constructive view on our portfolio positioning. While the fund's full-year performance lagged its benchmark, we note that this was due mainly to our underweight allocations to Microsoft and Tesla. These benchmark-related factors are not a reflection of

our stock selection and research expertise, in our view; indeed, our overall stock selection was a performance contributor in 2023.

Going forward, we will stay the course, maintaining a flexible stance as we navigate a potentially complex market landscape, ready to act on opportunities to add value and quality to the portfolio without sacrificing its risk/reward profile.

Our relatively cautious approach in the fourth quarter has left us with a cash holding of 5.1% of total net assets at the end of 2023. We are keen to deploy that on new or existing ideas that, in our analysis, are attractively valued relative to their long-term fundamentals and earnings power.

With our consistent focus on bottom-up fundamental research and valuation discipline, we believe we can identify such opportunities across the spectrum. For instance, despite the macroeconomic uncertainties, we are not averse to investing further in cyclicals, such as industrials, consumer discretionary and materials sectors, as long as they meet our stock selection and research criteria. Meanwhile, we have in the fourth quarter trimmed or exited several positions and rotated some of the capital to positions that, in our assessment, have better risk/reward profiles. This will remain another priority for us in 2024, as we stay committed to positioning the fund for greater resilience and long-term returns.

Source: Franklin Templeton

HSBC Insurance Ethical Global Sukuk Fund (SGD)

Investment and Market Review

In 3Q22, the Sukuk market declined, but outperformed most other global bond markets, as major central banks continued to increase policy rates sharply. The US Federal Reserve (Fed) seems intent on continuing to tighten financial conditions, against what we see as an ongoing slowdown. Policymakers remain convinced of a soft landing for the economy, but inflation may realistically only normalise in a downturn, with higher unemployment. In 4Q22 , the Sukuk market registered positive returns, amid signs that the cycle of monetary tightening by central banks was nearing an end. security selection in sovereigns, notably Pakistan, boosted returns. Security selection in corporate financials also enhanced returns.

In 1Q23, amid high levels of volatility in financial markets and banking sector turmoil in March, the Sukuk market registered positive returns, helped by signs of easing inflation and hopes that the cycle of monetary tightening by central banks was drawing to a close. Security selection in sovereigns, notably the Maldives, boosted returns. Global aggregate bonds posted negative returns in 2Q23, with fixed income markets remaining volatile. After addressing a bout of financial sector turmoil early in the quarter, central banks returned their focus to inflation, with both the US Federal Reserve (Fed) and European Central Bank raising rates further to help combat persistent levels of core inflation. Although the Fed paused in June, it intimated that two more 25-basis-point (bp) rate increases were likely by the end of this year. Currency effects weighed on returns, owing to an allocation to the Malaysian ringgit.

Market Outlook and Investment Strategy

After every sharp drawdown in fixed income, there have been strong recoveries. Faced with continued uncertainty and an abundance of risk, one may be tempted to time the market or wait for attractive entry

levels. We believe this may be a mistake. In our view, it would be more prudent to focus on asset allocation and consider an increase in higher-quality fixed income sectors, including GCC bonds or global Sukuk, that look poised to better defend portfolios and provide attractive levels of income.

Despite the recent normalisation in markets, we believe stress in financial sectors across the world, and specifically in the United States, suggests that we are exiting a rising rate environment and entering a peak rate environment, with important implications for our asset allocation and risk positioning. Our positioning, as a result, shows a preference for higher-quality credits that have financial buffers to manage slowing economic activity. This is not to say we are not taking any risk, as there are opportunities in Emerging Markets that reflect dire outcomes that we think may not materialise, or at least compensate us for the risks involved. On average, however, our portfolios do have higher credit quality than their historical average. Oil may be vulnerable to slowing demand, but we think OPEC+ (Organization of the Petroleum Exporting Countries and its allies, mainly Russia), through production cuts, should manage to keep oil prices around US$70 a barrel, a supportive level for Gulf Cooperation Council (GCC) sovereign credit profiles.

Source: Franklin Templeton

HSBC Insurance Europe Dynamic Equity Fund (SGD and USD)

Investment and Market Review

After a challenging 2022, European equities rallied in 2023. Sentiment oscillated over the year from recession worries at the start, driven by the collapse of Silicon Valley Bank and the forced Credit Suisse takeover by UBS to resilient growth over the summer, to higher for longer rates in the autumn, and ending the year focused on future rate cuts. A series of softer inflation prints led to growing excitement that central banks may cut interest rates sooner than previously expected.

The HCOB Eurozone Composite PMI (Purchasing Manager's Index) rose to 54.1 in March. This strong momentum was powered primarily by the services sector while the manufacturing sector continued to struggle. However, towards the end of the year PMIs fell at a steeper rate to 47.0. This latest reading marked the seventh consecutive monthly reduction in business activity across the bloc, with manufacturing output falling for a ninth consecutive month and services activity contracting at the third-steepest pace since the early 2021 lockdowns.

On a positive note, consumer confidence rebounded from the extremely low levels seen in late 2022 and is consistent with a possible pick-up in consumption over the coming months. Employment levels continued to edge higher, and unemployment remained at historic lows. Despite this, the eurozone entered into a technical recession as the data GDP in the bloc fell by 0.1% during the first quarter of 2023. However, it continued to grow through the rest of the year. Nevertheless, the European Central Bank (ECB) continued to deliver consecutive rate hikes throughout the year but kept rates on hold in December. The ECB also said it will accelerate the end of reinvestments under the Pandemic Emergency Purchase Programme (PEPP) bond-buying program.

On this inflationary backdrop, the European Central Bank (ECB) acknowledged ''signs of moderation'' as annual inflation in the Eurozone fell to 2.4% in November, its lowest reading in 16 months. Even though headline inflation saw notable decline over the quarters, it continued to remain over the target rate.

Crucially, with underground gas storage already at 90% capacity since August, a renewed energy crisis in Europe appears unlikely anytime soon. Moreover, manufacturers' input prices continued to fall throughout the quarter, leading to further price discounts in factory production.

Geopolitical tensions and concerns around crude oil demand resulted in higher price fluctuations over 2023. Nevertheless, oil prices lost over 10% for the year, reporting their first annual decline in two years. The euro strengthened towards the end of 2023, on expectations that the Federal Reserve will start cutting rates earlier than the ECB.

European equity markets made a fast start to the year in the first quarter, despite volatility in March. The fund lagged the benchmark modestly, however both fund and benchmark returned around 8%. Stock specifics drove returns on both sides of the ledger. An overweight position in UniCredit, an Italian banking group, contributed to relative returns in the first quarter and was the top contributor across the full calendar year. The bank continued strong operational performance throughout the year whilst announcing a share buyback plan of €3.4 bn and an increased dividend payout in the first quarter. On the negative side, an overweight position in NN Group, the Dutch insurance and asset management company, was a drag on performance throughout the first half of the year as the company's balance sheet proved to be weaker than expected in a rising rate environment. This culminated in disappointing financial results and a weaker than expected share buyback.

European equities returned positively in the second quarter. Against a backdrop of excitement around the Artificial Intelligence (AI) thematic and concerns around contagion in the banking sector following the UBS acquisition of Credit Suisse. UniCredit was once again a top performer alongside an overweight position in 3i Group, the private equity and venture capital company. 3i's investment in discount supermarket chain Action has been (and continues to be) a major success. It's currently one of the fastest growing retailers in the world and has driven outperformance throughout the year. On the negative side, an overweight position in Hexatronic, the fibre optic infrastructure provider detracted from relative returns. The stock gave back some previous performance after strong results earlier in the year. Investors grew concerned about the future demand environment. Hexatronic was the largest detractor across the full calendar year.

The third quarter was a negative quarter for European equity markets. Soaring oil prices meant an overweight position in TotalEnergies was positive for relative returns. On the negative side, an overweight position in MTU Aero Engines detracted. The stock fell as the company issued a statement about an expanded inspection of engines it manufactured with Pratt & Whitney. Early forecasts estimated a negative impact of -$1 billion on company profitability this year.

Equity markets finished the year strongly in the fourth quarter, with stock-level performance largely being determined by macroeconomic factors. Our overweight position in Barratt Developments, the UK-based home construction company, contributed to performance over the quarter. With cooling inflation, market expectations of rate cuts have risen, helping to steady the stock price. Moreover, investor confidence has been bolstered by positive moves in house prices, which have risen for three months in a row. On the negative side, an underweight position in ASML hurt. The stock gained as overall market sentiment got more optimistic about the possibility of sooner than expected Fed rate cuts in 2024, which would be supportive of tech stocks.

Market Outlook and Investment Strategy

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As we head into 2024, a combination of solid activity and falling inflation has seen the market narrative increasingly shift towards the prospects of a soft landing and earlier than expected rate cuts.

Looking forward however, we have a somewhat conservative outlook. Whilst inflation is moderating to more sustainable levels and we are cautiously optimistic for a balanced interest rate outlook, the risks to the global economy have certainly not disappeared. Economic indicators and uncertainty over profits offer reasons for conservatism; the dynamics of the post-Covid economy and the extraordinary surge in corporate profits are still complicated and make forecasting unusually difficult.

On top of these macro uncertainties, there are numerous political and geopolitical uncertainties that are hard to forecast at this stage. Wars are ongoing on multiple frontiers that have the potential to deliver further commodity price shocks through the global economy. Against this backdrop, growth still looks set to moderate in 2024. Cooling labour markets and tighter lending standards could limit growth in consumption, while the lagged effects of monetary tightening may challenge business spending.

European equities trade on an extreme discount to US equities, a discount that has grown following strong 2023 technology-led gains in the United States. This argument may not be new to prospective investors; however, the European equity market today can offer comparable levels of quality and growth potential. This valuation support is recognised by European CEOs, who are buying back more stock than ever before.

In sum, with still elevated uncertainty around the path for the economy in 2024, a diversified approach appears prudent. A softer landing for the economy is likely to benefit more cyclical regions such as Europe and emerging markets, while in the event of a deeper downturn, the more defensive characteristics of the UK market may come to the fore. Our highest conviction view across equity markets is a focus on higher quality stocks – those with robust balance sheets, proven management teams and a stronger ability to defend margins. Naturally, some of these will be found in the technology sector, but there are also good examples in more cyclical sectors such as industrials and financials, as well as more traditionally defensive sectors such as healthcare.

Source: J.P. Morgan Asset Management

HSBC Insurance Global Bond Fund (SGD)

Investment and Market Review

The global fixed income market was volatile in 2023, but ultimately ended the year positive. expectations for a "higher for longer" interest rate environment given persistent inflation triggered a sell off in the second and third quarters. However, the market rallied sharply in the fourth quarter, as inflation moderated, and the Fed "pivoted" by indicating an end to its monetary tightening campaign. Risk assets also rallied in hopes that the Fed would be able orchestrate a soft landing.

Given this backdrop, the portfolio had strong positive returns for the calendar year. The top contributor to the portfolio was exposure to select emerging market local currency sovereign bonds. The Fund's exposure to Brazil, Mexico, and Colombia contributed on the back of attractive valuation opportunities driven by high nominal yields and peaking inflation following aggressive and early rate-hiking cycles.

U.S. Corporate high yield also contributed, followed by investment-grade credit. These sectors benefited from high starting yields and the narrowing of spreads. Within US investment grade credit, financials in particular outperformed, followed by industrials. Within US high yield, the communications sector underperformed, but broadly, every other sector performed well. Prime MBS also contributed given the resiliency in the U.S. residential housing market. Finally, UK Gilts that were added later in the year were accretive to the portfolio, as were tactical allocations to German and Spanish government bonds.

On that detractor side, US Treasury duration detracted given the second and third quarter bond sell off. However, we believe the recent fourth quarter rally in duration is encouraging and a sign that the market has pivoted away from a higher for longer scenario. In addition, a lower inflation backdrop along with the likelihood that central banks have reached peak rates are all encouraging for duration. Finally, a short to Japanese sovereign duration also detracted as did exposure to the Japanese yen.

Market Outlook and Investment Strategy

The Fund made several portfolio changes throughout the year. Overall portfolio duration slightly decreased during the year, but importantly where we held duration evolved. US Treasury duration starting the year was primarily invested on the 30-year part of the curve, however, as US economic data came in stronger than expected throughout the year, we rolled down the curve and added 5- and 10-year US Treasury exposure.

After the strong fourth quarter rally, we took some profits on our US Treasury position, and to end the year we remain invested to the 10-year part of the US Treasury curve. In the US, we continue to favour the intermediate part of the curve, as this can perform well either in soft landing or recession scenarios. The fund also initiated exposure to UK Gilts, German bunds and Spanish government bonds in the fourth quarter. The growth slowdown remains more evident in the UK and Euro area, while at the same time these central banks have also indicated an end to their rate hiking cycles. We increased positions to EM local currency sovereign bonds early in the year, and began selectively trimming some of that exposure later on as it performed well. We also trimmed some of our US RMBS exposure for profit taking. Finally, we initiated and then sold a Japan sovereign duration short.

Our base case coming into 2023 was that inflation would decline and it has. With inflation lower and major developed market central banks about to embark on rate-cutting cycles, the macro environment is generally favourable for bonds. With that said, there are still uncertainties in the economy that should dominate headlines in 2024. We are entering the year with major global economies in varying growth trajectories, with the Eurozone in below trend growth, China still weak, and the US economy holding on for now but with various aspects at play that could impact a hard or soft landing.

We therefore feel it’s important to employ an active and nimble approach in the coming year, as investors navigate the macro backdrop. We currently hold an overweight to high quality developed market duration, primarily via US Treasury duration, followed by UK Gilts and some European duration (German bunds and Spanish government bonds). In the US, we continue to favor the intermediate part of the curve, as this can perform well either in soft landing or recession scenarios.

It is also important to remember that a number of fixed income sectors continue to have strong yields, and are out yielding the S&P 500 Index, making the case for bonds compelling. We therefore also currently hold select US corporate credits with meaningful yield cushion. We believe US credits are a good

place to be right now given that the Fed has reached peak rates and the starting yields remain compelling. With that said we are being selective in our credits and doing the bottom-up work, meaning we like companies with strong balance sheets and management teams. We see opportunities across fixed income sectors and through active, relative yield curve and cross-country positioning. Hard or soft landing, we believe the bonds we are invested should do well given a lower inflation backdrop, a central bank pivot, and higher starting yields. Finally, we believe that our portfolio represents a compelling opportunity, with a 7.3% YTM and an investment grade credit quality rating.

Source: Franklin Templeton

HSBC Insurance Global Emerging Markets Bond Fund (SGD and USD)

Investment and Market Review

December saw a continuation of the November rally as markets embraced the narrative that central banks would cut interest rates in 2024, and perhaps sooner and to a larger magnitude than previously expected. The Fed's quarterly dot plot showed the median expectation of FOMC members was 75bps of cuts in 2024 from 50bps previously, with all but three officials seeing at least 50bps of cuts. With a decline in headline inflation and a more dovish Fed, both stocks and bonds saw outsized returns, ending 2023 strongly. Inflation broadly trended lower across major developed economies. US headline inflation (CPI) came down to 3.1% YoY whilst core inflation remained at 4.0%. However, the PCE reading came in at 2.6% YoY, 0.2% below consensus. In the Euro Area, headline and core inflation also came down to 2.4% YoY and 3.6% YoY, respectively. The UK saw a significant downside surprise in inflation as headline and core inflation came in at 3.9% YoY and 5.1% YoY, respectively.

The PIMCO GIS Emerging Markets Bond Fund returned 5.10% (Inst. Acc. USD unhedged share class, net of fees) in December, outperforming the JP Morgan Emerging Markets Bond Index (EMBI) Global Composite Index by +29bps. Year-to-date, the Fund has returned 11.76% (Inst. Acc. USD unhedged share class, net of fees), outperforming the benchmark by +131bps.

Emerging markets posted positive returns in December, with risk sentiment surging over the month on the back of dovish comments from Fed chair Powell and the continuing fall in EM inflation. Given this backdrop, EM external sovereign debt returned 4.81% driven by a 20bps in tightening spreads and a ~46bps fall in the US 10-year yield.

Market Outlook and Investment Strategy

After a strong year for EM assets in 2023, we continue to remain constructive on the asset class. We expect that the worst of the EM downgrade cycle is behind us; however there is some risk of deterioration in small number of names. With the Fed signaling an end to their rate hiking cycle, the outlook for inflows into EM appears incrementally more encouraging than in the last 2 years.

Of the 20 countries in the GBI-EM GD index, 19 have seen headline inflation fall sequentially in H2'23. The early and aggressive policy tightening by EM central banks has paid off well, with EM inflation peaking before DM inflation and EM domestic demand proving resilient. This resilience of domestic demand has been attributed to private sector balance sheet strength in these EM economies, where leverage build up in the years before the pandemic was generally quite muted. Public sector debt, on the other hand, has

been gradually increasing over the past decade. With the exception of HY names lacking strong fiscal rules, balance sheet consolidation is ongoing in many core EMs, keeping debt dynamics on a stable path despite higher borrowing costs. The exception to these trends is China, where a slowdown in the economy and an already high level of corporate debt have limited the government's ability to offer sufficient fiscal support. On an encouraging note, 2024 growth expectations for China seem to have stabilized at a modest 4.5%.

On the political front, it is set to be a busy year in EM, with key elections due in Mexico, India, Indonesia, and South Africa. However, the DM election calendar is likely to have more at stake, with potentially polarizing votes due in the United Kingdom and United States this year.

Given this backdrop, we continue to see value in EM local bonds despite the strong rally in 2023, and see incremental room for select EM FX appreciation. Within hard currency assets, yield levels also screen as attractive. While spreads on IG rated sovereigns screen as tight, they are tight for the right reasons, backed by strong balance sheets and stable debt dynamics in spite of the rapid rise in US yields. High yield credits offer substantial spread pick-up, however more caution is required here. Our focus is on select names with multilateral support and positive reform momentum.

Source: PIMCO

HSBC Insurance Global Emerging Markets Equity Fund (SGD and USD)

<u>Investment and Market Review</u>

Following two very strong years for the fund in 2019 and 2020, the period since 2021 has been one of the most challenging in the strategy's close-to-thirty year history. At a top level, the underperformance of high quality, long duration growth businesses during this period has been an undeniable style headwind for this quality-growth fund. However, we fully acknowledge that it has not been the style environment alone, it has also been a difficult period for stock selection, particularly in China.

China (combining Hong Kong and the mainland) accounted for over 300 basis points of the underperformance in 2023. Nine of the top ten stock detractors for the year were in China or China-related. These were predominantly domestic names, for example Yum China (fast-food restaurant company), Foshan Haitian Flavouring (condiments producer), Wuliangye Yibin (baiju) and AIA (insurance). These companies simply haven't seen the earnings impulse given China's disappointing re-opening, with consumer confidence still very fragile. In e-commerce, the combination of not holding Pinduoduo and an overweight in JD.com cost 200 basis points alone. Pinduoduo has built an unparalleled consumer mindshare in the value-for-money attribute allowing them to benefit from more value-focused consumer spending. At the same time the company has benefited from exponential growth in its international ecommerce arm, Temu (popularly called the dollar store of online shopping). Meanwhile, JD.com doesn't have meaningful overseas exposure and has been negatively impacted by the increased competitive intensity in the e-commerce space.

India has also been a difficult market in this case because we have not participated in the ongoing mid-cap capital formation rally. So while our largest Indian investment, HDFC Bank, was a modest detractor, the real impact was driven by the market's performance being more concentrated in areas not owned in the portfolio. Notably, very richly valued domestically exposed sectors: utilities, industrials and materials.

We feel more comfortable with this given valuations and, in fact, the portfolio is now slightly underweight India for the first time in 10 years.

Stock selection in Latin America was bright spot for the portfolio. Mercadolibre in Argentina contributed strongly to returns. Company results showed a business which delivered margin improvement while gaining market share in e-commerce, with its two key markets: Brazil and Mexico, showing 20%+ growth. At the same time, concerns over the company's credit exposure to consumers seems to have been misplaced, with robust risk management limiting credit losses. Additionally, investments in financials across the region Nu Holdings (a digital banking platform) and Itau in Brazil and Banorte in Mexico supported returns.

An overweight exposure to Information Technology contributed to performance. Increasing confidence of a positive inflection point in the hardware demand cycle and AI demand continuing to accelerate aided holdings in Samsung Electronics, TSMC and Realtek Semiconductor.

We still strongly believe that our investment philosophy of compounding superior earnings growth over long periods by owning high-quality businesses remains effective, as does our portfolio design which leads to low turnover and costs, high and consistent levels of active money, and effective diversification.

Market Outlook and Investment Strategy

The inflation and interest rate narrative in developed markets remains higher for longer. In contrast, many EM central banks have relatively high policy rates, especially compared with domestic inflation. Consequently, EM central banks have ample capacity to cut rates assuming inflation remains on its current downward trajectory: Brazil, Chile, Hungary and Poland have started.

China's economic recovery continues to disappoint as consumer and business confidence remains weak in the face of high youth unemployment and weakness in the all-important property sector. The policy pendulum has swung pro-growth and pro-business and stimulus measures are wide ranging. However, the authorities are more focused on managing risks to growth rather than underwriting a broad-based recovery. Instead, we will need to wait for the cumulative effects to be felt as we move into 2024.

In contrast to China, prospects in other regions look to be more encouraging. Latin America, the GCC and South Asia have attractive domestic growth drivers, while North Asian technology companies look to be entering a new cycle with structural demand for AI, cloud adoption and EVs set to drive growth.

With China's weaker than expected reopening, EM earnings estimates for 2023 are now for a mid-teen decline followed by high teens growth in 2024/5.

2023 was a higher turnover year for the fund, albeit that turnover for the year was still only 25%. This was a reflection of a) changes to our internal estimates in China, which rearranged the ownership hierarchy, b) a higher rate environment raising the importance of up-front return (i.e. dividend yield), and c) re-arranging of the China position.

Allocation-wise the focus has been to neutralize China as much as possible. As discussed earlier, stock selection has been challenging in this market but we have reviewed assumptions and made adjustments where estimates appeared overly optimistic. In some instances, we have exited investments where conviction had diminished, for example Foshan Haitian Flavouring, Wuxi Biologics, Pharmaron Beijing and Dada Nexus.

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On a relative basis the weight of India in the fund is the lowest it has been in a long time. During the year we exited Reliance Industries given a low single digit expected return and trimmed positions in Britannia Industries, Kotak Mahindra, HDFC Life Insurance. Valuation-wise we believe this is the right way to be positioned in the market but structurally we acknowledge that India is delivering. In many ways, India is the opposite of China – investors should think of the portfolio as structurally long India but tactically short and conversely the fund will be structurally short China but currently is tactically more neutral.

WEG, a Brazilian company operating globally in electric engineering, power and automation technology, is a new position in the portfolio. A business which has shown innovation, pricing, competitiveness, and relevance. Having sold many years ago because of valuation, we are now coming back given the franchise quality.

Source: J.P. Morgan Asset Management

HSBC Insurance Global Equity Fund (SGD)

Investment and Market Review

During 2H:23, global equities were down 7.6%, as measured by the MSCI[1] World Index[2]. Global central banks—led by the US Federal Reserve—began to pause rate hikes, but equity markets continued to experience bouts of volatility as hawkish rhetoric indicated that rates would likely stay higher for longer to sustainably rein in inflation. Later in the period, stronger-than-expected third-quarter economic growth triggered a rapid rise in bond yields—especially the 10-year US Treasury note, which briefly crossed the 5% threshold for the first time in 16 years. Headwinds from higher Treasury yields, conflict in the Middle East and mixed third-quarter earnings weighed on investor sentiment globally and briefly sent all major indices into correction territory in October. Equity markets rallied sharply during November and December, as optimism rose that the US Federal Reserve would begin to cut interest rates in 2024—both earlier and more than previously anticipated. Although US mega-cap technology stocks drove returns through much of the year, the rally broadened considerably during the fourth quarter as soft-landing expectations in the US continued to be underpinned by cooling inflation and moderating economic growth. Within large-cap markets, both growth- and value-oriented stocks rose, but growth outperformed value, led by the technology sector and artificial intelligence (AI) optimism. Large-cap stocks narrowly outperformed small-cap stocks, although both rose in absolute terms.

Class A shares of the Global Equity Blend Portfolio increased in absolute terms but underperformed the Benchmark, the MSCI World, during 2H:23 and for the year, net of fees. During 2H:23, stock selection detracted from relative returns, while sector selection contributed. Stock selection within industrials detracted, while selection in energy contributed. An overweight to healthcare detracted, while an underweight to consumer staples contributed.

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[1] MSCI indices measure the performance of different stock types in geographic areas. They track the performance of the stocks included in the index and are used as the base for exchange-traded funds.

[2] An investor cannot invest directly in an index, and index results are not indicative of the performance for any specific investment, including an AB fund. Indices do not include sales charges or operating expenses associated with an investment in a mutual fund, which would reduce total returns.

Ping An Insurance detracted due to worries about the company's exposure to China's beleaguered securities and real estate markets.

Infrastructure engineering and construction company MasTec detracted. While reporting 2Q:23 results that were better than expectations, the company highlighted delays in awards of clean energy projects. Additionally, wireless telecom projects have slowed.

British sports betting and gaming company Entain detracted after the company announced cutting the top-line guidance from mid-teens to low double-digit growth as adverse sporting results impacted sports margins during September, as well as ongoing regulatory headwinds persisting longer than expected. However, Entain reiterated the Group EBITDA guidance and BetMGM guidance.

Fair Isaac Corporation (FICO), a predictive analytics company best known for its market-dominant FICO score, contributed following strong fourth-quarter results and solid 2024 guidance. The company highlighted continued opportunity for price hikes as well as a robust pipeline for software sales.

TopBuild, an installer and specialty distributor of insulation and building material, contributed amid rate tailwinds and management's cautious optimism that residential demand could hold up relatively well in 1H:24, supported by improving trends in single-family housing starts and a steady cadence of growth in multifamily units.

Cameco contributed as the uranium mining company continues to benefit from a forecasted global shortage. While reporting softer 2Q:23 results, management indicated continued strong growth in purchase commitments from customers that will be shipped over the next five years. Cameco believes these increased volumes will continue to expand with a strong contracting cycle now underway.

Market Outlook and Investment Strategy

Although macro risks and an uncertain economic outlook weighed on the broader equity market this year, generative AI galvanized investors around a technology paradigm shift. This prompted a powerful surge of the Magnificent Seven stocks—Alphabet Inc., Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla. By year-end, these stocks made up 28% of the S&P 500's market cap and accounted for 58% of the Index's return on 2023. The domination of these seven US mega-cap technology-driven stocks led the MSCI World Growth Index to outperform its value counterpart by a significant amount during the year.

We believe the current environment necessitates a balanced approach. Many investors have been underweight value, which has been out of favor for several years. However, value stocks have historically done well in softer- and harder-landing environments, making them important for a balanced allocation today. On the other hand, market narrowness will likely end in due course and our growth-focused names remain fundamentally strong and trade at relatively attractive valuations. We continue to believe that our blend of durable, undervalued and less macro-dependent companies that offer idiosyncratic return drivers provide a compelling path forward, differentiated from the concentrated mega-cap complex.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

HSBC Insurance Global Equity Volatility Focused Fund (SGD and USD)

Investment and Market Review

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Global equities traded sideways in H2'23 but managed to post positive performance overall. Equities took a dip in Q3, as investors grappled with the prospect of a higher for longer interest rate environment but managed to rebound strongly in Q4 as expectations of a pivot towards rate cuts strengthened. At a regional level, developed market equities outperformed emerging market equities. In line with the global picture, US equities struggled in Q3 but managed to finish on a strong note as inflation slowed which raised hopes of future rate cuts in 2024. After declining in Q3, Eurozone shares also rallied at the end of the period, supported by cooling inflation which boosted optimism about future rate cuts. Finally, equities in Emerging Markets underperformed their developed market counterparts, driven by mainland China equities which were negatively impacted by property market challenges and weaker than expected economic data.

Over the review period, the fund underperformed its market cap weighted index. Our exposure to Styles contributed to performance while our exposure to industries detracted from performance. Global alpha style performance was positive, driven by Value which dominated as interest rates remained elevated. Our exposures to Quality and Industry Momentum also contributed to performance while our exposures to Size and Low Risk detracted from performance. On an industry basis, our overweight allocations to Insurance, Commercial & Professional Services and Equity Real Estate Investment Trusts contributed to performance. Conversely, our underweight exposures to Financial Services, Software & Services and Banks weighed on performance.

Market Outlook and Investment Strategy

The HGIF Global Equity Volatility Focused Fund's investment strategy follows a proprietary systematic investment process which focuses on risk premia offered by exposure to factors such as Value, Quality, Momentum, Low Risk, and Size. The portfolio construction process seeks to maximize the Fund's risk-adjusted return while reducing volatility and drawdowns during periods of market turbulence.

Disinflation continues to trend lower in developed economies, but areas of 'sticky' inflation will persist. The golden path to a soft economic landing in the US is possible, but economic headwinds are strengthening. US economic activity has been resilient, but excess consumer savings are depleting, and labour markets show signs of weakness. Eurozone activity is in worse shape, while Asia is seeing lacklustre growth, especially in China. Our base case is that the US and European economies will see weaker growth in 2024 as higher interest rates bite. But there are areas of strength, especially in emerging markets, with India well-positioned to perform well. Given expectations of a weaker economy and heightened volatility, our preference is for defensive positioning.

We believe the fund continues to be well-positioned to weather the uncertainty and market turbulence we are likely to see in terms of geopolitical risks and macro uncertainty. This year developed and emerging markets have been relatively out of sync with emerging market valuations appearing more attractive. Therefore, we believe that a risk-aware and globally diversified approach across both developed and emerging markets that our Fund follows continues to be appropriate.

Source: HSBC Global Asset Management

HSBC Insurance Global High Income Bond Fund (SGD and USD)

Investment and Market Review

The strategy delivered positive absolute performance over the period gross of fees. Overall the fund saw positive contribution to return across all asset classes with Euro Credit the best performing segment followed by US and EMD while Securitized Credit lagged somewhat.

H2 ended with a risk asset rally which saw markets finish close to historical highs in a year that started off with volatility, weak sentiment, and negative returns. Following the banking crisis in March which saw risk assets sell off, markets seesawed somewhat as they focused on inflation concerns and debt ceiling anxiety. This gave way to more optimistic sentiment in the second half of the year as inflation concerns began to subside and the expectations for a soft-landing and potential rate cuts in 2024 became the dominant market narrative. As a result credit markets delivered positive total returns in the 2nd half of the year

The US treasury curve normalized somewhat in the second half of the year. The 2, 5, 10 and 30 year saw yields move by -0.65%, -0.31%, 0.04% and 0.17% respectively to finish December at 4.25%, 3.85%, 3.88% and 4.03%.

Market Outlook and Investment Strategy

Starting off 2024, investors seem firmly convinced of a soft economic landing scenario with current spread levels remaining optimistically tight. On the other hand, markets are also expecting a significant number of rate cuts in 2024, starting as soon as March. Our view is that the global economy could slow more meaningfully than what markets are pricing, and we think its likely to occur in the first half of 2024. As a result, over the longer term we still expect that spreads are more likely to move wider in 2024 as we move towards a slowdown with more moderate inflation. In the short term, while we don't see any specific catalyst that would send spreads meaningfully wider, we do recognize the increased uncertainty which could lead to some short-term volatility in both rates and credit spreads. We continue to have a defensive bias but remain tactical with our positioning, taking advantage of short-term opportunities as they arise.

In global cross-over portfolios, while we continue to see longer term credit spread risk, the immediate threat of a recession seems to have eased. We had reduced HY credit hedges, increasing portfolio beta into the year-end rally. We continue to maintain attractive carry by taking advantage of the flat yield curve. Regionally allocations have remained largely unchanged over the month, while the overweight to duration decreased slightly vs the investment universe. We continue to take advantage of new issuance in the primary market, when possible, predominantly in higher quality paper.

Source: HSBC Global Asset Management

HSBC Insurance Global Multi-Asset Fund (SGD)

Investment and Market Review

The period was a mixed one for markets, starting off under challenging conditions but with equities and high yield, in particular, generating strong returns.

It opened with the spectre of inflation looming over markets. Increased concerns over the economic implications of the Russia-Ukraine war, higher global inflation prints and increasing central bank hawkishness all weighed heavy on both equity and credit markets. October brought welcome relief across most equity markets–the US consumer continued to hold up relatively well, while European governments stepped up efforts to avoid an energy crisis over the winter. By November, the picture had improved

markedly with US inflation coming in far lower than expected giving investors hope that an end to interest rate rises may be in sight. Then, Chinese authorities announced they were relaxing their strict zero-covid rules to begin an economic reopening. Both equity and credit markets enjoyed an immediate bounce, before running out of steam by the end of the year as global growth concerns replaced global inflation concerns.

After a challenging 2022, the first half of 2023 was far more enjoyable for investors with both equity and bond markets surging. Large cap technology stocks were the stars, with the NASDAQ rallying over 30%, while the broader MSCI All Country World Index enjoyed a 14% gain. Emerging equity markets finished positively, albeit lagging their developed peers as reservations around China's reopening weighed. Credit markets shrugged off a slew of interest rate rises and finished firmly positive, led by the higher-yielding markets in the US and Europe. EM Local denominated debt also finished sharply higher.

All areas of the portfolio contributed positively to returns, with US high yield bonds the standout performer. European high yield and US investment grade also made material contributions, with positive security selection in both providing a further boost to returns. Yields are at some of their highest levels in over a decade helping to underpin portfolio returns and deliver on our income objective. In a positive environment for risk assets, equities also made a material contribution with those in the US standing out, driven by returns in the technology sector. Our position in Japanese equities, initiated in the middle of the period, provided a further boost as one of the best performing developed markets. Emerging Market Debt was also additive, led by allocations to local denominated debt paper in Latin America and Eastern Europe.

Market Outlook and Investment Strategy

Whilst our overall equity exposure remained stable, we shifted its composition from a broad global allocation, to an income focussed strategy in the US, and high-quality and very attractively valued companies in Japan and Europe. Within credit, after capitalising on the very appealing level of yields on offer in 2022, the team made material cuts to our high yield exposure early in 2023, mitigating the impact of the volatility in these markets, before adding back once yields became more attractive.

Later in the period, we began to add to alternative sources of income including insurance linked securities and securitised debt, where the high level of yield and diversification characteristics are well suited in the portfolio context. We also increased our exposure to local denominated EMD, through a very selective lens, favouring commodity-focused countries such as Brazil and South Africa, and Eastern Europe. Many emerging economies are further along in the rate hiking cycle, increasing the scope for rate cuts, with early singes of stabilising inflation further boosting the appeal of the asset class. Lastly, we have increased the portfolio's duration, from 2.2 years to 3.4 years.

Over the summer we have continued to see encouraging developments on US inflation. With no sign of an imminent recession, this has supported our expectations of a soft landing and increased the probability that rates in the US have reached a plateau.

Inflation should continue to fall gradually, which combined with the ongoing robustness of the US labour market, means real wages should start to rise, supporting consumption. We believe this relatively benign environment remains supportive of US high yield. Despite valuations, it is hard to ignore the 8% yield on offer, and we retain our positioning here.

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While the growth picture in Europe looks more challenging, it should start to turn more positive early next year, supporting our European credit exposure.

On the equity side we remain balanced, blending selective growth names in the US which come with full valuations, with some of the interesting cyclical areas offering attractive yields and pricing very little in terms of growth, including financials, energy, Japan and Europe.

We retain a cautious view on China. We believe, cumulatively, enough is being done to turn the corner although the nature of the announcements means the market take some time to register the impact. As a result we employ a more selective approach towards broader emerging markets, favouring exposure via local currency bond markets.

Source: Schroder Investment Management Limited

HSBC Insurance Global Sustainable Equity Portfolio Fund (SGD and USD)

Investment and Market Review

Recession fears dominated the early part of 2023 as the US Federal Reserve continued its steady path of rate increases. Instead, the economy proved resilient and surpassed bearish expectations. Concern about recession has been replaced by hope for “immaculate disinflation," a scenario where inflation slows without a meaningful impact on growth and employment.

The market’s narrow rally was fueled by a surprisingly strong economy, the artificial intelligence (AI) ambitions of Big Tech and, lately, the prospect of interest-rate cuts in 2024. Even the bond market has perked up after a historic downturn—one that briefly sent yields to 5%.

Global markets, as measured by the MSCI[3] All Country World Index[4] (ACWI), increased by 7.3% during the second half of 2023, bringing full-year returns to 22.2%, in US-dollar terms. During the fourth quarter, fear of higher-for-longer interest rates was replaced by the prospect of easing of financial conditions in what is widely viewed as a “Fed pivot” on the back of disinflation forces.

From a timing perspective, many of our themes have been overlooked this year given the dominance of the Magnificent Seven. Incredible benchmark concentration reinforces our view that benchmarks are inherently backward looking. In 2023, this concentration has had a negative impact on our relative performance, but we believe that, over the long term, our disciplined process will help us to uncover more attractive investment opportunities for investors. Our portfolios remain highly differentiated as compared to the benchmark with many of the mega-cap names absent from our holdings. Indeed, names that our portfolios actually hold have performed well compared with the rest of the market, arguing that the underlying fundamentals of the majority of our holdings remain strong.

[3] MSCI indices measure the performance of different stock types in geographic areas. They track the performance of the stocks included in the index and are used as the base for exchange-traded funds.

[4] An investor cannot invest directly in an index, and index results are not indicative of the performance for any specific investment, including an AB fund. Indices do not include sales charges or operating expenses associated with an investment in a mutual fund, which would reduce total returns.

Many of our Portfolio's companies have seen prices reset even as earnings expectations for the Portfolio as a whole have continued to grow nicely, in line with our expectations. While valuations at the index level have risen dramatically, the increase is distorted by the influence of a few key stocks. In contrast, our portfolios trade at very reasonable valuations and the premium compared with the market is at one of the lowest levels in the past decade.

For the second half of 2023, Class A shares of the AB Sustainable Global Thematic Portfolio increased in absolute terms but underperformed their Benchmark, the MSCI ACWI, which returned 7.3%, net of fees and in US-dollar terms. Both stock and sector selection detracted from overall relative returns during the period. Stock selection within industrials and utilities detracted the most, although this was partially offset by contributions from selection within financials and an overweigh to the technology sector.

BYD, an electric vehicle (EV) manufacturer from our Climate theme, detracted. Shares declined along with Chinese EV peers on recent pricing promotions into the end of the calendar year as the company looks to shed some inventory, which has been slightly above average. We remain optimistic on BYD's growth and profitability profile given its well-documented cost advantage and the increasing contribution from its premium brands and exports.

TOMRA, a provider of equipment for recycling collection, waste sorting and food sorting, from our Climate theme, detracted. The stock underperformed amid softer recycled materials prices and weaker-than-expected margins. TOMRA's pricing power has lagged cost inflation, putting near-term negative pressure on margins. The company was also hit by a cyberattack that has resulted in added costs and impaired customer billing, along with a delay in the rollout of Scotland's deposit recycling scheme. We view these issues as temporary and continue to believe that TOMRA should benefit from strong secular growth in recycling collection machines and food-sorting equipment.

Alcon, an eye-care product maker from our Health theme, detracted after the company reported mixed earnings results and trimmed the high end of its guidance, citing foreign exchange headwinds and weaker surgical segment results.

Intuit, a software company specializing in financial services, from our Empowerment theme, contributed. The company reported strong earnings results that displayed the strength of its platform—especially in its mission-critical small business offerings (including its QuickBooks accounting services), which empower and equip small businesses with the necessary financial tools and data to make decisions that help them thrive. Intuit has been investing in AI for the past decade, and the company is uniquely well positioned to accelerate growth in its core products via new generative features, as management highlighted at a recent investor day.

Fair Isaac Corporation (FICO), a predictive analytics company best known for its market-dominant FICO score, from our Empowerment theme, contributed as shares were buoyed by strong fourth-quarter results and solid 2024 guidance. The company highlighted continued opportunity for price hikes as well as a robust pipeline for software sales.

TopBuild, an installer and specialty distributor of insulation and building material products from our Empowerment theme, contributed. Shares traded higher amid rate tailwinds and management's cautious optimism that residential demand could hold up relatively well in 1H:24, supported by improving trends in single-family housing starts and a steady cadence of growth in multifamily units.

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Amid all the noise, our themes continue to move forward as broad shifts in the global economy run their course. Global challenges such as access to healthcare and infrastructure needs are not solved overnight. Entering the year with a more defensive mindset did not help; however, our core thematic exposures continue to offer robust growth potential.

We believe a portfolio with high-quality companies on the right side of change, trading at reasonable valuations, provides a strong combination for the current market environment. Resilient fundamentals and narrow leadership in the market have created a powerful setup for a group of companies that fit this profile.

Within information, communication and technologies, the latest earnings results from a number of leaders like NVIDIA, AMD and the cloud providers demonstrate that society's move toward intelligent digital economies is leading to increased demand for bigger networks, more powerful and energy efficient data centers, and new consumption models. We continue to expect the key AI enablers—companies that facilitate the training and running of AI models in an energy-efficient way—and the adopters that successfully integrate AI in their applications will enjoy strong tailwinds in the near term.

Within transportation, secular shifts in automotives continue—EV global sales rose more than 50% through September 2023 versus 63% growth in 2022. EV adoption continues to grow, but it will not be a straight line. Additionally, automotive original equipment manufacturer (OEM) stocks are still in a discovery phase, learning what features have the greatest appeal with consumers. As with our other themes, our focus on the enablers of vehicle electrification is driving an earnings tailwind despite OEM-specific challenges. Every EV rolling off the line contains significantly more electronic content, benefiting suppliers in this ecosystem. We're also seeing a standardization of charging standards in the US, which should encourage further adoption.

In our Health theme, there have been a few dynamics at play in 2023. A lot of the diagnostic and testing companies benefited from robust demand during the early days of COVID. Lead time to get products significantly increased, so customers ordered more to ensure supply. In 2023, we saw the reverse as lead times decreased. We are going through a period of inventory digestion (for life sciences and diagnostic tools particularly) along with macroeconomic weakness in China—a double whammy of sorts for suppliers into this ecosystem. The underlying growth rate of their customers (biopharmaceutical production) remains in the double digits. The market enthusiasm around weight loss has also drawn investor attention and buying activity, further depressing valuations for companies outside this group. We expect 2024 should see an improvement in inventory profiles and growth rates for suppliers of medical innovation products as well.

As Ben Graham said, "In the short run, the market is a voting machine but in the long run it is a weighing machine." Rather than chasing the market's chosen few, our focus continues to be on identifying powerful themes and the companies best positioned to capitalize on these opportunities. This approach has delivered strong results for our clients over time and we are highly confident in its ability to do so in the future.

Market Outlook and Investment Strategy

The US economy is slowly weakening. Unemployment is rising, although far more gradually than most had anticipated. That said, some lead indicators point to further deceleration in the first half of 2024, including

the drop in M2 money supply. Regardless of the level, it is virtually certain that the growth rate is declining. Financial conditions have certainly eased of late—a trend that has been noticed by the markets and is likely to continue as long as disinflation persists. The fact that it's an election year increases the chances of a supportive fiscal, and perhaps monetary, environment—though elevated perceived risks relating to the outcome could dampen equity valuations.

The strong equity market rally in 2023 has masked more muted returns for most stocks. The 10 largest stocks in the S&P 500[5] (largely big technology-oriented companies) accounted for an abnormally large share of its weight and year-to-date returns. The equal-weighted S&P 500 underperformed the cap-weighted S&P 500 by 12.4%, while the equal-weighted MSCI ACWI underperformed the cap-weighted MSCI ACWI by 13.3%.

Although some of the returns are justified by the superior profitability of these mega-cap technology stocks and the new growth avenues that AI has provided, the narrowness will likely end in due course, as it has in the past. Catalysts for a change in leadership are often difficult to predict, but a few logical ones include: a recovery in growth from sectors such as healthcare and communications that have been plagued with excess inventories; a recognition that the generative AI wave will benefit more than just the cloud providers as related earnings materialize; and weaker results, and/or multiple compression from historically elevated levels, in one of the individual market leaders that leads investors to question the whole group.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

HSBC Insurance India Equity Fund (SGD and USD)

Investment and Market Review

The S&P IFCI/India Gross Index gained 10.33% over the second half of 2023 (SGD term). In terms of sectors, Real Estate was the top performing one while Consumer Staples underperformed.

India was one of the few markets to outperform the region in the second half of year driven by continued economic and earnings resilience, while net foreign and domestic inflows continue to support the market. The ruling party's landslide victory in the December state elections gave the market a further boost towards year end as investors expect policy continuity from the ruling party.

The fund underperformed the benchmark on a 6-month basis. Positive stock selection effect in Industrials and Real Estate was the largest contributors to performance. On the other hand, unfavourable allocation effect in Materials and Financials was the largest detractor to strategy performance.

The largest stock contributor over the year was DLF Ltd while the largest stock detractor was Housing Development Finance Corporation (HDFC).

In terms of sector positioning, we are most overweight to financials and real estate and most underweight to Utilities and Communication Services as of December 2023.

[5] The S&P 500 is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States.

Market Outlook and Investment Strategy

As we look into 2024 market will be increasingly focusing on India parliamentary elections (May 2024) which historically has been an important driver for the markets given the potential impact on policy choices and progress on reforms. This will be an event risk for us to watch out for, although the ruling party BJP's wins in key state elections in December imply that BJP will be in a very strong position to win the National Election which could ensure policy continuity. We remain positive in the medium to long term structural growth story in India driven by themes such as favourable demographics and supply chain diversification. Despite valuation remains at relatively expensive levels, earnings sentiment in India has inflected, while rural demand recovery, strong exports and manufacturing growth could continue to drive recovery.

Source: HSBC Global Asset Management

HSBC Insurance Pacific Equity Fund (SGD and USD)

Investment and Market Review

Asian markets made gains in 2023 after the US Federal Reserve signalled potential rate cuts in 2024 and China rolled out economic support measures. After a bright start to the year, investor sentiment was weighed down by concerns about interest rate increases and a sluggish recovery in China. However, a gradual fall in inflationary pressures and the announcement of concerted policy action at China's July Politburo meeting subsequently improved the mood in Asian markets. South Korea and Taiwan led gains, owing to optimism over artificial intelligence and better prospects for the semiconductor sector. Indian equities also outperformed thanks to a buoyant economy. China and Hong Kong were among the weakest, along with Thailand which was affected by political uncertainty following its general election.

Against this backdrop, the Fund fell by 2.3% over the year, underperforming the benchmark's return of 5.9%. Broadly, quality remained out of favour in Asia, with any results blip being punished, even in cases when the overall earnings were in line with market expectations. Prior to this sharp value rally, our performance was on a stronger footing. The Fund's weak performance in 2023 was driven largely by China, Hong Kong and to a lesser extent Korea. The relative underperformance was mitigated by the non-benchmark holdings in the Netherlands and strength from our ASEAN exposure.

In China, we have faced acute style headwinds and underperformance occurred during months of intensifying macro uncertainty. Once the macro backdrop data weakened, market confidence in China's recovery waned and the market shifted to focus on short-term themes, namely SOE reform and AI names, rather than fundamentals. Steadier structural growth names have been sold down aggressively as a result. Overall, the performance of low quality Chinese SOEs has also given Chinese markets a value tilt, which also created a style headwind for our positioning, especially regarding the onshore market, where we have a significant overweight, in the context of an underweight to China overall. Put simply, we have held the names that have been sold down to fuel the rally in SOE and AI stocks. We do not think that in these two areas, fundamentals can catch up with expectations implied by current valuations.

Among our holdings, China Tourism Group Duty Free suffered from macroeconomic headwinds for travel and duty free, along with some fundamental challenges, due to inventory destocking and a crackdown on daigou (third-party resellers) and tax policy changes for Hainan. We view duty free as a powerful structural

opportunity and we believe CTG's near monopoly position is secure due to a deliberate government policy to repatriate overseas spending. Therefore, this is one holding that we have backed through a period of disrupted fundamentals. For consumer staples, the key detractor was Budweiser APAC, given the weak macro backdrop in China and the market's focus on temporary headwinds in its Korea business. Another key laggard was insurer AIA, which delivered solid earnings beats but was sold down on macro concerns – concerns that we see easing.

Although China was a major drag on performance, it also represents a unique opportunity globally as its economy recovers from years of Covid-related restrictions. We still see significant potential for China's economy and market to spring back, given that we are seeing some green shoots of recovery. The rollout of more supportive policies in a coordinated manner sends a strong signal to the market that the government is intensifying its effort to prop up the economy. This is likely to result in an incrementally better outlook for 2024.

In Korea, the issue in Korea has been a technical one. Our preferred holding in Samsung Electronics has recovered with the memory cycle, as we expected. We added to the position in the second quarter. However, our holding is in the preference shares which lagged the ordinary shares this year. Samsung ordinary shares have responded to passive flows as they account for a larger portion of the index relative to preference shares. The preference shares trade at a discount to the ordinary shares and that discount has widened recently. In the short term, we expect this discount to narrow, reflecting fundamental improvements. Over the longer term, we see the preference shares as a play on Samsung Electronics' improving governance, given that over time, we expect the company to buy back preference shares, closing the discount to ordinary shares. We have been engaging Samsung Electronics actively on governance, stewarding the group towards better governance standards. In the meantime, the preference shares continue to offer a premium yield.

Outside of China, returns have been better because markets have been more resilient for the most part.

In tech hardware and semiconductors, our semiconductor exposure has benefitted performance over the last three years as demand for advanced semis has remained robust, while competitive pressures have been benign. This year, the market further chased global AI-related trends and investors viewed chip stocks with renewed interest. Highly specialised global leaders including TSMC, ASML and ASM International all added to our performance as macro conditions continued to ease at the margin.

For Southeast Asia, our bank holdings including OCBC in Singapore performed well. In Indonesia, the domestic economy continues to thrive, and this has provided a tailwind for Bank Central Asia. The current account is in surplus for a third year and the currency has performed well, supporting the domestic economy.

Our holdings in Australia did well, too, especially our holdings in Cochlear, and Goodman Group. Cochlear, a leading manufacturer and distributor of medical hearing devices, did well given its resilient healthcare business model in a period of uncertainty. Goodman was seen as benefiting from the demand boom for data centres from AI and the cloud.

Elsewhere, India continued to outperform over the year. However, the rising tide has not lifted all boats and we have seen the Adani Group companies underperform significantly. We have long been sceptical about the governance of the organisation and many of these concerns were exposed in a short seller

report in January, which caused the companies to fall rapidly. Power Grid Corporation of India performed well as our thesis on grid investment played out, while dependable earnings continue to be prized. Maruti Suzuki, UltraTech Cement and SBI Life were also among the top performers.

In terms of key portfolio trades, we have reviewed all our holdings over 2023 and assessed where we would not want to hold a position through volatility and where we should further back our holdings, in the context of valuations for quality businesses reaching very attractive levels. Generally, we have exited where we expect any fundamental weakness to persist for the next few quarters, and held on, or even added to holdings where fundamentals have remained resilient. As such, adjustments have been stock specific, not related to broad themes or sectors.

We sold out of Longi Green Energy Technology and Yonyou Network Technology on earnings visibility concerns. Despite retaining a cost advantage, Longi's technological edge has been eroded and we see evidence of oversupply in the solar value chain that we expect to persist in the medium term. While Yonyou Network is restructuring its business to better address execution amidst a weaker growth environment, a strategy that we agree with, we think it will take some time for this to bear fruit. Other exits included China Merchants Bank, GDS, JD.com, Kasikornbank, Kotak Mahindra Bank, National Australia Bank, Tata Consultancy Services and Zhongsheng Corp, given better opportunities to deploy our capital elsewhere.

At the same time, though, we also initiated positions in several quality companies that we felt could enhance portfolio returns. In India, we added Larsen & Toubro (L&T), the country's largest engineering and construction company; Bharti Airtel, a leading telecom service provider with a pan-India reach; and Godrej Properties, given that it is well positioned to benefit from the real estate up-cycle with a strong brand and established platform; and India's ICICI Bank, which has been delivering superior growth and returns improvement without compromising on asset quality. It has leveraged on its scale as well as retail and digital franchise to grow in mortgages and also growing off a low base in business banking and SMEs, while the way it articulates its growth approach also sounds sensible.

Across North Asia, we introduced Aier Eye Hospital, the largest domestic private eyecare hospital chain in China; Accton Technology, a Taiwan group specialising in high-speed networking switches; Korea Shipbuilding & Offshore Engineering (KSOE), the world's largest shipbuilding group; Sands China, and Yageo Corp, Taiwan's leading supplier of passive components, such as resistors and capacitors; and Yum China, one of the largest restaurant operators in China, running the KFC, Pizza Hut, East Dawning and Little Sheep chains.

In Southeast Asia, we also invested in Bank Negara Indonesia, a well-run state-owned lender.

Market Outlook and Investment Strategy

Cautious optimism is taking root in Asian equities after a difficult 2023. This is given expectations of a peaking of US interest rates and US dollar strength. Another positive is that the Asian technology sector is coming out of its trough, and in China we are seeing some green shoots of recovery. We remain hopeful of a consumer recovery in China as we anticipate growing traction from the cumulative impact of supportive policies announced since last August. Growth in Asia outside of China has been more resilient, particularly in India where the economy is in the early stages of a cyclical upswing. Geopolitics bears

watching, given that 2024 is an active year for elections, with polls due in Taiwan, Indonesia and India. Asian valuations remain attractive versus markets like the US.

We remain focused on ensuring that our conviction is appropriately reflected in our positioning. We continue to believe that quality companies with solid balance sheets and sustainable earnings prospects will emerge stronger in tough times. Over the longer term, we see the most attractive opportunities around some key structural themes in Asia. Rising affluence is spurring growth in areas including financial services, while an infrastructure boom is set to benefit property developers. Asia is also in the driver's seat when it comes to the green transition with plays on renewable energy, electric vehicles and environmental management all having a bright future.

Source: abrdn Asia Limited.

HSBC Insurance Premium Balanced Fund (SGD)

Investment and Market Review

The fund will invest into global equity and Singapore fixed income market. The fund may invest in collective investment schemes (including exchange traded funds) and/or directly in securities, fixed income and money market instruments, deposits and/or other investments.

The Fund is invested 71.08% into Xtrackers II Singapore Government Bond UCITS ETF & 28.72% into Xtrackers MSCI World UCITS ETF

Market Outlook and Investment Strategy

The Fund is invested 71.08% into Xtrackers II Singapore Government Bond UCITS ETF & 28.72% into Xtrackers MSCI World UCITS ETF

Source: iFAST Financial Pte Ltd

HSBC Insurance Singapore Bond Fund (SGD)

Investment and Market Review

The Singapore dollar bond market returned positively over the past six months. Singapore sovereign yield curve tracked the US treasury curve closely by steepening in light of the continual pause in rate hike over the period. The Monetary Authority of Singapore (MAS) kept all its monetary policy settings unchanged, with cautious optimism on 2024 growth. This was largely driven by the MAS' assessment of a modest recovery in the global electronics cycle, which showed signs of bottoming out from 3Q GDP. Core inflation continued decelerating from its peak in the first half of the period before picking up in pace due to volatility in energy and food prices. Manufacturing production and non-oil domestic exports (NODX), both showed some green shoots, marking a positive turn in the manufacturing cycle and electronics exports. While initial signs were pointing to softening of labour market conditions with increasing retrenchments in 3Q, the overall condition remained better than pre-pandemic levels, providing resilience to household spending. Meanwhile, Asian credit market also returned positively during the period as US Treasury yields

trended lower towards the end of the year after spiking up beforehand as both investment grade and high yield credit spreads tightened, with investment grade bonds outperforming high yield bonds.

Market Outlook and Investment Strategy

The Monetary Authority of Singapore (MAS) has kept its monetary policy unchanged at its last policy meeting in October and we expect no change in MAS's monetary policy in near-term due to the sticky inflation. In our view, MAS has completed its tightening cycle and should be on hold for an extended period. If the disinflation trend continues in the coming months, this should allow MAS to embark its rate cut cycle in early 2024. From technical perspective, the Singapore Government Securities (SGS) should stay less volatile than USTs and be well supported by the low bond supply next year according to the 2024 SGS issuance calendar. We expect SGD yields to follow a moderate downward trajectory, in sympathy with the decline in UST yields over the course of next year.

The fund's duration was being managed at around four years. Over the month, the fund increased exposure to Indonesia property and Japan financials, while trimming exposure to Singapore property. Meanwhile, it continues to hold a meaningful size of SGD denominated investment grade bonds. At the same time, it also diversifies into the USD Asian credit market which offers a wider selection of bonds across the credit rating spectrum than the SGD bond market. From a sectoral standpoint, the fund prefers corporates over sovereigns and agency bonds. The fund has a major allocation to Singapore REITs for their stable income. We also favour bank subordinated debt such as those from Singapore, Europe and broader Asia Pacific region given their relatively defensive nature and attractive yields. Also, the fund is exposed to China financials, Macau gaming and India renewables. Moreover, it holds a certain exposure to high quality quasi-sovereign names in Singapore for yield carry.

Source: HSBC Global Asset Management

HSBC Insurance Singapore Equity Fund (SGD)

Investment and Market Review

It has been a roller coaster ride in terms of markets expectations for where forward interest rates should be. Despite the Fed holding rates stable at 5.5% in the December 2023 Federal Open Market Committee (FOMC) meeting, the revised guidance was for a higher possibility of rate cuts going into 2024, which indicates that we are likely approaching the end of this higher interest rate environment.

For reference, whilst the Fed dot plot projection points towards interest rates to decline from the current 5.50% to c. 4.75% by December 2024 (i.e. c. 75bps of rate cuts over 2024), the interest rate markets have moved sharply ahead, and is now pricing in a year-end rate of 3.75% for 2024 (c. 175bps over 2024).

Chances are that actual rate declines will likely fall somewhere in between these two projections. Nevertheless, this still points towards a lower interest rate scenario as we progress through the year. Having said that, we are still coming off record-high interest rate levels. Hence, the refinancing of most debt expiring this year for corporates will continue to be at higher levels as compared to their initial rates.

Higher interest rates have continued to impact bank loans in Singapore, with overall bank loans declining by 3% YTD (as of November 2023). While this was partly due to the higher cost of debt, the gradual economic slowdown post the initial re-opening euphoria was a contributing factor as well. Bank earnings

have benefitted over the past two years from the expansion of net interest margins (NIMs) as rates were rising. Conversely, with rates likely to decline, expectations are for some downward pressure for NIMs, which in turn would apply some downward pressure on earnings (albeit with a slight lag to account for loan-repricing). The silver lining here is that loan repayments remain largely on track, with no major spike in credit costs (i.e. defaults/non-payments). We expect that banks with more diversified business segments and more scope for capital management to perform better in this environment.

For REITs, the aforementioned pivot in interest rate expectations has driven an initially rally across the sector, as expectations are now for gradually declining costs of debt as well as a tailwind for asset values, which should benefit their distributable income and net asset value respectively. That said, there remains continued pressure on near-term distribution as debt renewals will still be at higher rates as compared to expiring debt, though that should taper off as we move into 2025 if the Fed does deliver on the projected rate cuts. We will continue to monitor this space and pick up good quality companies at the margin as we approach the tail-end of this rate hike cycle.

One wildcard here is whether there could be another inflationary surge coming from the rise in shipping costs due to recent events in the Red Sea. The attacks on commercial ships traversing there have caused multiple shipping firms to re-route their initial course to avoid the area, and led to longer sailing times and costs as a result. If the current projection of inflation gradually tapering over the next two years is thrown awry as a result of higher logistics cost, that could shift expectations of rate cuts further down the line in order to keep a lid on inflationary pressures.

Market Outlook and Investment Strategy

As we transit from a peak interest rate environment into a potential rate cut cycle, this is likely to lead to more market volatility as markets toggles between the hope of lower rates benefitting the bottom line versus the risk of a further economic slowdown as post-Covid recovery spending eases back to more normal levels. We continue to believe that well-managed companies with prudent debt levels will outperform in the longer term and will look to pick up stocks that provide a good balance of asset quality and valuations when opportunities present themselves.

Source: Schroder Investment Management Limited

HSBC Insurance US Equity Portfolio Fund (SGD and USD)

Investment and Market Review

US equities traded sideways in H2’23 but managed to post positive performance overall. US Equities took a dip in Q3, as investors grappled with the prospect of a higher for longer interest rate environment but managed to rebound strongly in Q4 as inflation slowed and expectations of a pivot towards rate cuts strengthened. After its December policy meeting, the US Federal Reserve revised up near-term growth, revised down inflation in the coming years and continued to predict a limited rise in unemployment. It also pivoted towards deeper-than-expected rate cuts in 2024 which helped boost returns in the last few months of the year.

Over the 6-months rolling to December 2023, the HGIF Economic Scale US Equity fund delivered positive returns. Although the fund does not have a benchmark, it performed in line with the S&P 500 Net Total

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Return Index which serves as a proxy for the US equity market. Our implicit exposure to Value stocks contributed to performance.

In comparison with the S&P 500 Index, on a sector basis, our overweight allocation to Financials coupled with our underweight exposures to Utilities and Health Care contributed to performance. Conversely, our underweight exposure to Information Technology coupled with our overweight allocation to Consumer Staples weighed on performance.

On a stock level basis, our underweight exposures to Apple Inc and Tesla Inc coupled with an overweight allocation to The Gap Inc Corp contributed to performance. Conversely, our underweight exposures to Nvidia Corp, Alphabet Inc and Broadcom Inc weighed on performance.

Market Outlook and Investment Strategy

HSBC Economic Scale strategy aims to outperform the market cap index over the long term by using an alternatively weighting scheme to provide investors with exposure that reflects the economic scale or 'footprint' of companies rather than their respective market capitalisation. This is calculated as the company's contribution to Gross National Product (GNP).

The strategy has an implicit bias towards small cap and value stocks. Looking ahead, while inflation and interest rates are falling, it is unlikely that they will fall to the same low levels of the past decade which was an environment that favoured growth stocks over Value stocks. Moreover, we believe Value is still cheap today by historical standards, and the earnings dynamics are less favourable for growth stocks. The fundamentally weighted and diversification-focused nature of the HSBC Economic Scale Equity Strategy supports the case for outperformance over the concentrated nature of the market cap index which is biased towards large cap and high growth stocks.

The strategy yields stable weights with low linkage to share prices which smoothens the noise of stock prices. Therefore, we believe it is well positioned to weather the uncertainty (geopolitical risks and macro uncertainty) in the markets well compared to a market-cap weighted benchmark.

Source: HSBC Global Asset Management

HSBC Insurance US Opportunities Equity Fund (SGD)

Investment and Market Review

US equities, as measured by the Standard & Poor's 500 (S&P 500) Index, posted a robust total return for the 12 months ended December 31, 2023. Several prominent bank failures in the early part of the year drove increased uncertainty amongst investors, but government intervention led to swift reorganisations and equities recovered from a brief decline. Technology-related stocks helped support the equity market amidst costcutting efforts and investor optimism that artificial intelligence (AI) would lead to strong growth opportunities, particularly for the manufacturers of the fast microchips that power new AI applications. Towards year-end, moderating inflation and a softening but resilient job market led to investor optimism that the US Federal Reserve (Fed) has concluded its rate-hiking cycle (after pausing for three consecutive meetings) and can manoeuvre the US economy into a soft landing.

The Fund finished the year-to-date period with positive double-digit percentage returns but trailed its benchmark, the Russell 3000 Growth Index. The combination of stock selection and an overweighting in the real estate sector was the biggest drag on relative returns. Within the sector, slower carrier spending and a deceleration in US tower leasing weighed on the shares of wireless tower operator SBA Communications.

Stock selection in the consume discretionary sector further pressured relative returns. A combination of softer discretionary spending by many consumers and excess inventory from supply-chain disruptions led to lower revenue growth during 2023 for sports merchandiser Fanatics Holdings. The utilities sector also hindered returns, with a position in NextEra Energy (not held at period-end) hindering performance. The shares of the renewable energy provider were pressured by investor concerns about slower growth and the financing of future capital projects.

Elsewhere, a weak biotechnology funding environment and channel destocking trends dragged on the shares of life sciences and diagnostics company Danaher in the health care sector.

In contrast, stock selection in the communication services sector delivered outsized relative performance for the fund. Within the sector, the shares of Meta Platforms have been up strongly for the year as aggressive cost cutting, improving fundamentals and an increased focus on AI (artificial intelligence) boosted the interactive media company's stock. Also making a meaningful contribution was our investment in ridesharing company Uber Technologies in the industrials sector. An increase in bookings and a reduction in expenses have been driving profitability for the company. The information technology sector included several holdings that lifted relative returns, including digital workflow manager ServiceNow and cybersecurity company CrowdStrike Holdings.

Market Outlook and Investment Strategy

The year 2023 defied initial consensus expectations that stubbornly high inflation and sharply rising interest rates would impact US economic growth and lead to a recession. Instead, we were encouraged by resilient economic data, easing inflation and the possible end of the Fed's tightening cycle.

In such an environment as 2023, overall US equity returns were extraordinary but driven by a narrow group of mega-capitalisation growth stocks, although market breadth began to improve in the fourth quarter. We believe the scope of equity market performance will broaden further in 2024 and expect several attractive secular themes to drive returns. For example, we remain excited about compelling innovations within the medical technology space, including surgical robotics and bioprocessing systems. We see further potential in several companies that are playing leading roles in society's ongoing energy transition and the proliferation of generative AI.

In the technology space, after a period of budget cutting, we believe businesses in all industries will be more focused on digital transformation to remain competitive. Our confidence in core above-market growth for the information technology sector will likely see an additional boost from strong demand for generative AI. We believe generative AI represents the next major computing platform shift and will likely be a multi-trilliondollar investment opportunity over the next decade. In 2024, we expect to see early AI applications enter the market for consumer and enterprise use. In our longer-term view, generative AI has the potential to accelerate productivity growth, drive profit margin expansion for many companies, and be a tailwind for economic growth.

While we remain watchful of macroeconomic uncertainties, they do not drive most of our investment decisions. We believe active management is critical to moving quickly and successfully in today's dynamic markets. We look for opportunities that can potentially deliver positive long-term results, even in an environment of elevated interest rates. We have been finding opportunities in what we consider to be high-quality businesses levered to durable secular growth themes with market-leading competitive positions along with strong balance sheets. We believe companies that possess these qualities can invest and grow through a range of economic conditions.

Source: Franklin Templeton

HSBC Insurance World Selection 1 Fund (SGD and USD)

Investment and Market Review

During the second half of 2023 global asset markets continued to deliver investors very strong returns as slowing inflation reset investor expectations around the path of interest rates in 2024. This resulted in strong positive returns across both fixed income and equity markets. Higher yielding areas of the fixed income market outperformed lower risk bonds. Alternatives posted mixed performance, with commodities and Trend Following strategies negative for the year, while Style Factor Hedge Funds were positive.

As a result, all five World Selection Portfolios posted positive absolute returns

Market Outlook and Investment Strategy

Western and Eastern economies are diverging; disinflation continues in the West, but core inflation There are three key market themes that we anticipate characterising 2024. We are positioning the World Selection portfolios to capture these opportunities.

Slowing growth in Western markets: we expect high interest rates, tighter lending standards, and reduced government spending to slow economic activity

• Tilting away from equity, high yield bonds, and property: returns are sensitive to economic growth, and negatively impacted by higher borrowing costs

• Preference for Government Bonds: we expect strong returns from bonds during recessionary periods, while their current elevated yields provide attractive income

• Focus on Technology companies: demand for Artificial Intelligence will support revenues and result in resilient performance despite slowing economic growth

Bumpy disinflation: we expect inflation to continue falling over the next 12 months, and interest rates to be cut in the first half of the year

• Preference for quality sectors: we are focusing on companies with pricing power, that can defend their profit margins as costs continue to rise

• Holding allocation to Gold: which is expected to perform well as interest rates fall, and provide ballast in portfolios as markets remain choppy

• Emphasising European healthcare companies: the sector has tended to perform well as interest rates fall, while demand demonstrates low price sensitivity

Growth opportunities outside of the West: markets with stable economies, accommodative monetary policy, and room for fiscal support can provide attractive returns

• Tilting towards India: strong GDP growth, attractive bond yields, supportive demographics, and high productivity make Indian stocks and bonds appealing

• Concentrating on Japanese equities: the market looks cheap relative to peers, weakening Yen should support exports, and corporate governance is improving

• Preference for Brazil within Emerging Markets: strong economic performance, attractive fundamentals, and appealing historic returns

Source: HSBC Global Asset Management

HSBC Insurance World Selection 2 Fund (SGD and USD)

Investment and Market Review

During the second half of 2023 global asset markets continued to deliver investors very strong returns as slowing inflation reset investor expectations around the path of interest rates in 2024. This resulted in strong positive returns across both fixed income and equity markets. Higher yielding areas of the fixed income market outperformed lower risk bonds. Alternatives posted mixed performance, with commodities and Trend Following strategies negative for the year, while Style Factor Hedge Funds were positive.

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• Preference for Brazil within Emerging Markets: strong economic performance, attractive fundamentals, and appealing historic returns

Source: HSBC Global Asset Management

HSBC Insurance World Selection 3 Fund (SGD and USD)

Investment and Market Review

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Source: HSBC Global Asset Management

HSBC Insurance World Selection 4 Fund (SGD and USD)

Investment and Market Review

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Source: HSBC Global Asset Management

HSBC Insurance World Selection 5 Fund (SGD and USD)

Investment and Market Review

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Source: HSBC Global Asset Management

HSBC Life FlexConcept Fund (USD)

Investment and Market Review

The MEAG FlexConcept fund (“Fund”) is tracking the performance of the Systematix BEST 10% RC USD Index (“Index”), which applies a rules-based investment strategy on global bond and equity markets, allocating at least 50% of the investments into bond markets. Given positive momentum in equity markets the index would allocate up to 50% in equities, where the remainder is added to the bond portion. The

resulting bond-equity mix is leveraged to achieve a target annualized volatility of 10%, where the index leverage is limited to 300%.

The Index profited from the general risk-on sentiment during Q4 2023 and closed +9.02% QoQ. The Fund in turn was able to track the Index closely with a tracking error of 0.42% over the reporting period. After costs the Fund ended the reporting period up +8.84% QoQ. Figure 1 compares the development of Fund and Index over the reporting period. The Index performance in Q4 2023 was dominated by the positive performance of its fixed income allocation, see Figure 2. With an average duration of approx. 9 years the fixed income allocation benefited especially from a more dovish sentiment of central banks in Europe and the US. All of the Index' fixed income futures generated a positive performance over the reporting period. The clear winner in the fixed income bucket was the 30y German government debt bond futures. Investors saw rates drop on both sides of the Atlantic and long durations being favoured EUR bonds outperformed due to a worse economic situation in Europe. With the BoJ being the only central bank in the developed world to keep their benchmark interest rates unchanged the Japanese government bond component of the Index was the underperformer throughout Q4 2023.

The equity portion of the Index also provided a positive contribution towards the overall performance but lagged behind the fixed income portion due to its smaller weight in the Index over the reporting period. As can be seen in Figure 3, the stock allocation was initially going down, both in October and November. In October only the Japanese and US markets were allocated and in November also the S&P500 futures dropped below its 200d moving average. Only with the central bank decisions at the end of October the year-end rally picked up and in December all equity markets but the Hang Seng Futures were allocated by the Index. Overall the Nikkei's performance lagged behind its European and American benchmark peers. Tech-heavy Nasdaq was the best performing equity future in the Index QoQ. The index leverage, also shown in Figure 3, aiming to keep the Index volatility at approximately 10% started off at around 150% in October. In the course of November it fell to roughly 90% due to increased market volatility right before the central bank meetings. Once the year-end rally had started the leverage scaled up to approximately 125%.

Market Outlook and Investment Strategy

The past quarter (30.09. - 31.12.2023) saw an euphoric year-end rally despite ongoing and new geopolitical conflicts as investors upped their bets on more determined cuts to global benchmark rates in 2024. The central bank meetings of FED, ECB and BoJ at the end of October marked a turning point where investors switched from a higher-for-longer mantra of the previous quarters to aggressive global rate cut fantasies. The resulting 'almost everything' rally left only commodities trending lower. High flying sentiment was supported by stable economic data being published before the end of the year. US inflation prints suggested a stable return towards the central bank's target range. At the same time labour market data, closely monitored by the FED, remained broadly steady on very good levels. Europe painted a similar picture with the difference of the ECB keeping a more hawkish tone as price pressures remained at elevated levels and were not retreating at the same pace as in the US. Finally Japan, the last economy in the world sticking to its negative interest rate policy, the BoJ indicated to set grounds to increase interest rates not earlier than within H1 2024 and also reduce the impact of, or completely decommission its yield curve control.

Source: Munich Re Investment Partners GmbH

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