

**Video Transcript****In conversation****HSBC's Annabel Spring talks investing with Seth Bernstein****Filmed on 15 August 2023****Annabel Spring**

Hi, I'm Annabel Spring. I'm the CEO of Global Private Banking and Wealth for HSBC. And I'm joined today by Seth Bernstein, who is the President and CEO of AllianceBernstein, coincidentally sharing his last name with that of the firm. So, Seth, thank you so much for joining me.

**Seth Bernstein**

Oh, I really couldn't be more delighted. Thank you for having me.

**Annabel**

So I'm curious, Seth. You've been in the industry over 20 years. Global wealth management. Global asset management. But the events of the last couple of months, it's been interesting. What's your take on them?

**Seth**

Oh, I think it's more than interesting, Annabel. I think this is unprecedented.

What we're facing today is a transition from the loosest monetary conditions and the greatest amount of stimulus we've seen in a non-war period to normalising markets. And that is a recipe for an ugly outcome.

Yet remarkably – and surprising to me, anyway – is central banks seem to be navigating it so far so well, as we're seeing rates moving in a more rational order and we're not seeing a meaningful diminution in economic activity. That's quite an achievement if we can keep it going.

**Annabel**

Markets have been resilient. So what's your advice at the moment to investors?

**Seth**

Look, I think this market should remind you of the basic tenets of investing. Number one, stay invested. You do not have an edge and insight on the highs and lows of the market.

Stay invested, stay diversified, have a broad-based equity allocation. The US is not going to continue to be the top-performing asset class over a 10-year period as it has in the past 10 years. Other sectors are going to outperform, whether it's emerging markets, whether it's small cap. It depends, and it depends on different macro as well as micro events and the global economy more broadly.

Thirdly, rebalance – seems trite but critically important, because you need to bank your gains and manage your losses. And those seem like simple exercises, but it's remarkable to me how few people really hold true to those disciplines in times like this. And I think they're critical to manage the risk of the uncertainty of this year.

I guess my final point to you, Annabel, is central banks, particularly in developed markets, are paying you to wait. With short-term rates as high as they are today, real rates as high as they are in a generation, there's no reason to necessarily feel obliged to over-allocate to any risk market at this moment, because markets aren't cheap.

And I think there are going to be much more interesting opportunities as we continue to normalise, as I said before.

**Annabel**

So keeping it safe, international diversification, remaining invested and really refining that portfolio towards certainty at the moment and taking advantage of the rates.

**Seth**

And keep rebalancing.

**Annabel**

Absolutely. I think that's very pragmatic advice. And in uncertain times in particular.

So Seth, HSBC started in Shanghai, Hong Kong, 1865, and the private bank is growing onshore: mainland China we're in six cities. What are your ambitions in China?

**Seth**

My ambition for AllianceBernstein is to follow our key clients like HSBC into China, because we see no market in the world more exciting and growing more spectacularly than China.

And the opportunity to us is ultimately, as it opens, to introduce what will I'm sure be the wealthiest population in the world, opportunities to invest outside of China.

**Annabel**

I think the growth there really will be tremendous. One thing we haven't talked about is fixed income. Can you talk a little bit around the fixed income area and what you think our clients should be doing there?

**Seth**

Well, I think it's very different in different markets, as you might imagine. In global markets, I don't think we're going to see central banks begin to cut rates any time soon. Duration is not a bad idea to extend a little. But we should be methodical and not feel rushed to do that.

In addition, if we're able to successfully navigate a soft landing, I think credit will offer meaningful value over time, but it's pretty fairly priced right now.

**Annabel**

So I wanted to ask you a little bit about technology. So as we look at the ecosystem of AI, data science, automation, there's a lot going on in the space. We find sometimes that our investors get a little bit excited over the short-term benefits and forget the long-term transformation.

What's your take on how people are thinking about that space, and how they should be investing?

**Seth**

I think we share your concern or your observation that people get excited about the short term when, in fact, the potential for the changes that data science offers us are really almost hard to imagine.

I think it is a fundamental change in the way the world is going to work, not just from the perspective of manufacturing or service, but through health care, through government. It will change the way we all do what we do. And so I think those opportunities are really just beginning to appear and for us to understand.

So I think the ways to play them are ultimately across all sectors, because it will impact all sectors across the economy. I think the early ones, whether it's the chip manufacturers or the software providers, I think the world has seen them, identified them, valued or even overvalued them, to your point.

And I think it's another example of where the opportunities are going to become clearer to us over the horizon.

**Annabel**

I couldn't agree more, and I think there's a tremendous opportunity in our industry in particular as we look at rebalancing the mix of our expectations of our clients and customers, what they expect from us in terms of digital technology, you know, just the simple digital interaction, their expectations have skyrocketed.

And what AI will give us is that mass customisation, really deeply understanding them and their preferences and being able to make sure that we can really provide them with what they absolutely need.

I don't know, though, that they'll ever replace the ability to sit down with someone you trust and have a personal conversation as well. So I think for wealth management, getting that balance between technology and the use of data, the appropriate and ethical use of data, as well as the personal relationship, is going to be very important for our industry.

**Seth**

I think it's going to be essential, but I wouldn't restrict it to just our industry. I think really that balance is going to be essential everywhere.

It's how you use that technology, whether it's judicious, ethical and, frankly, how you let it evolve, which I think is the most exciting part of this journey.

I don't think we should be afraid of it, but we should be clear-eyed on what we seek from it and how we manage that process.

**Annabel**

Absolutely.

**Seth**

You know, Annabel, speaking about technology, there are few countries that have made greater advances than India. It graduates over a million engineers a year. We've been expanding very rapidly there, just given the talent.

I'm curious what the private wealth opportunity is in India, just given the growth and success of that population in technology industries.

**Annabel**

We think it's the investment destination of the decade, and you're right, lots of engineers, most populous nation on earth, it's going to be the third-largest economy by 2030.

It's really driven by that demographic wave, the digitisation wave that we just talked about with technology, but also really favourable policy settings.

When we look at it, though, we see innovation, we see entrepreneurs, and they are fueling a tremendous wave of wealth creation. So 2.8 trillion of AuM at the moment, growing very rapidly.

HSBC's aim is to be the number one wealth manager in Asia, and you cannot be that if you're not onshore in India. It's a tremendous opportunity.

It would be remiss of me not to ask about responsible investing. Now, the last couple of months have been difficult and interesting in the markets, but also difficult and interesting in the weather and the consequences of that.

How does AllianceBernstein think about responsible investing?

**Seth**

I'm glad you raised it. Climate change is real, and we believe we can play a positive role in helping to identify and evaluate companies that are leading that change in the most constructive way.

To us, the answer isn't excluding particular companies or industries. The answer from our perspective is to identify those companies with solutions or the potential to generate a solution.

It'll take an extended period of time to get there, but identifying those companies early and the opportunities that they present I think is an exciting opportunity for our investors. And so it's one of the things we're very much focused on.



**Annabel**

Thank you, Seth. This has been such a pleasure.

**Seth**

Well, thank you. And again, I'm honoured to be here.