

## **HSBC Global Private Banking & Wealth Making Better Investment Decisions**

### **Willem:**

Hello and welcome. We are here to discuss how to make better investment decisions, with a focus on portfolio construction. Now, one of the key challenges for investors today is the increased correlation between bonds and equities. This is a relatively rare occurrence which makes some investors question the value of diversification. To discuss this, I am joined today by Wei Mei Tan – Global and Asia Head of Advisory – as we both have the job to guide clients through complex questions and help you take informed investment decisions that allow you to fulfil your financial goals.

Diversification and a robust risk management process are key factors to manage risks in your portfolio. It becomes even more pronounced when the correlation between traditional asset classes increases due to high inflation and an intense focus on the Fed. So we need to decide how to manage this. Determining the appropriate Strategic Asset Allocation (SAA), with a wide range of assets including alternatives and global markets remains the most important decision in portfolio construction because it maximises both the diversification potential and the opportunity set. The asset mix should be optimised from a risk budgeting perspective in line with the client's unique investment preferences, constraints, and time horizon.

### **Wei Mei:**

As a part of our Prism Advisory investment process, an SAA will be recommended depending on the client's objectives and risk tolerance. SAAs are created for each risk band and can be tagged as a default benchmark for each client.

Throughout the portfolio construction and rebalancing process, an appropriately assigned SAA helps the client's portfolio to stay within defined parameters and ensures that the investment decisions made are consistent with the chosen strategy and risk profile.

This way we ensure that the client's holdings are monitored against the assigned SAA benchmark, so that even if client chooses to build an aggressive satellite portfolio, when combined with their core holdings, the overall portfolio stays within the appropriate risk band underpinned by the SAA.

### **Willem:**

In the Prism advisory client journey that you have built, you help our clients achieve long-term objectives and make better investment decisions by leveraging on sophisticated portfolio risk analytics and an institutionalised investment approach. Research shows that emotionally driven investment behaviour can be our enemy and lead to suboptimal decisions, destroying performance over the long term. The use of technology and best in class risk analytics help clients to make informed decisions that support their unique objectives, in a dialogue with their dedicated Advisor.

### **Wei Mei:**

I often find that risks can easily be misunderstood due to their complexity. Returns, on the other hand, are often more tangible to clients. This leads to excessive focus on returns without adequately considering relevant risk factors. Dedicated Advisors can help bridge this gap by sharing important information and explaining what the story behind the analytics.

### **Willem:**

Well yes indeed. It is our job to educate clients on importance of both risks and returns and to ensure the full picture is considered and understood. It's important to have a personalised, hybrid advisory approach where we are pairing cutting-edge investment technology with the expertise of our people to deliver our CIO-led investment content and portfolio advice – and ultimately helping clients make better decisions

according to their objectives. A good way to do this is through our model portfolios.

**Wei Mei:**

Indeed, clients can optimise their holdings using CIO model portfolios which are anchored by HSBC Global Private Banking's SAA and incorporate our CIO's tactical and thematic views. We construct them in collaboration with our CIO and Product Specialists teams.

Fulfilment options for model portfolios are supported by HSBC research, advanced analytics, and performance tracking which demonstrate our robust portfolio construction process. We select them based on our due diligence and they can be either funds or ETFs. They are updated regularly according to our house view.

Even though our SAAs are global, each region is unique and therefore model portfolios are adapted to reflect local requirements such as regulatory approved investment options or currency considerations. Clients can either opt for one of the available model portfolios or choose to customise with the help of specially curated high conviction lists and their Advisor. For that, Advisors utilize best in class sophisticated portfolio risk analytics to recommend tailored-made solutions.

**Willem:**

Now, it's clear that technology and AI have increased their presence in investment management and with this evolution I sometimes hear a concern whether technologies may eventually replace human Advisors.

Private Banking clients, however, are still looking for the human touch and a deep understanding of the advisor to guide them through managing their wealth. So I don't think that Private Banking Advisory services will be replaced by AI anytime soon, rather Advisors will use more of AI output to create more value for their clients.

**Wei Mei:**

Exactly. We believe that combining advanced technology and human guidance in one advisory service is the most effective way to navigate market complexities, maintain portfolio health, and identify suitable investments opportunities. We will continue to innovate and embrace new technologies to refine the Prism Advisory investment process. The formula of success that clients can rely on will be to ensure they partner with their advisors for the long term and remain disciplined when investing in the markets.

**Willem:**

Thank you, Wei Mei. It's been a pleasure to discuss with you how we help our clients to make more informed investment decisions.