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HANG SENG SURVEY: MAINLAND AND HONG KONG INVESTORS BECOMING MORE PROACTIVE IN ASSET ALLOCATION OPTIMISATION

Increasing Demand for Global and Product Allocation

The mainland China capital market has been opening up in recent years. Initiatives such as the Qualified Foreign Institutional Investor (QFII) Scheme, Qualified Domestic Institutional Investor (QDII) Scheme, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Mainland-Hong Kong Mutual Recognition of Funds have been launched to further strengthen the ties between the Mainland and Hong Kong financial markets.

Seeking greater insight into the asset allocation preferences of Mainland and Hong Kong investors, Hang Seng Bank and its fund management joint venture, Hang Seng Qianhai Fund Management Company Limited (HSQH), commissioned Nielsen to conduct a survey[1] in January 2017. The survey showed that demand for strategies that optimise asset allocation through geographical and product diversification is increasing among Mainland and Hong Kong investors.

The survey findings reflect the views of 3,000 Mainland and Hong Kong respondents. About 70% of Mainland respondents and 55% of Hong Kong respondents plan to increase their global allocation over the next 12 months. More than 80% of respondents agree that diversifying investments into different products is important in optimising asset allocation. Half of the respondents believe emerging industries will outperform traditional industries in the medium-to-long term[2].

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About 67% of respondents agree with the importance of optimising their asset allocation by diversifying investments into global markets. In relation to global allocation, Hong Kong is the most popular market for Mainland respondents, and Hong Kong respondents cite the Mainland as their top investment market. Over the next 12 months, more than 35% of Mainland respondents plan to increase their exposure in the Hong Kong market; and for Hong Kong respondents, 20% plan to increase their allocation to the Mainland market.

Nearly half of the Mainland respondents and 78% of Hong Kong respondents who are looking into increasing their offshore investment in the next 12 months have never used Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect as investment channels. Among the same group of respondents, 65% of Mainland respondents and 85% of Hong Kong respondents have not invested in any funds under the Mainland-Hong Kong Mutual Recognition of Funds initiative.

Ms Rosita Lee, Head of Investment Products and Advisory Business at Hang Seng Bank and Director of HSQH, said: "Global economic uncertainties have driven investors to diversify their investments in different markets. Hong Kong is one of the largest asset management markets in Asia. It has a free and open financial system and a mature and well-established regulatory infrastructure. These factors make Hong Kong the most popular offshore investment market for Mainland investors.

"As demand for more diverse geographical asset allocation opportunities in global markets continues to grow among investors, we foresee an increase in the use of cross-border investment channels, which are becoming more sophisticated."

More than 80% of the respondents agree that it is important to use a diverse range of financial products in optimising asset allocation. Stocks are the most popular investment product for both Mainland and Hong Kong respondents, accounting for about 30% of respondents' investable assets[3]. Mutual funds and bonds are the second most popular investment products.

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More than half of the survey respondents have experience in investing in asset allocation funds, but the benefits of such products are more recognised by Mainland respondents. Around 77% of Mainland respondents agree that asset allocation funds bring both capital appreciation and regular income; however, less than half of Hong Kong respondents share this view.

Regarding management strategy of funds, around 80% of Mainland respondents are interested in passively managed funds, while only 47% of Hong Kong respondents express an interest.

"Asset allocation funds take advantage of both equity and fixed-income strategies. The diversified investment portfolio helps investors achieve potential medium-to-long term capital appreciation," Ms Lee said.

"Passively managed funds, which closely track the performance of the underlying benchmarks, provide a simple and transparent asset allocation option for investors. As passively managed funds become better understood among investors, we expect market demand for passively managed funds to be on an upward trend."

Half of all respondents have a positive view of the prospects for emerging industries, particularly in the areas of alternative energy, energy conservation and environmental protection, and Internet services. In particular, more than half of Mainland respondents believe emerging industries will outperform traditional industries in the medium-to-long term[2], a view that is shared by 45% of Hong Kong respondents.

"Amid the acceleration of economic transformation on the Mainland, investment opportunities in emerging industries will increase and generate greater interest among investors," Ms Lee commented. "Investors can leverage the capabilities and expertise of professional fund managers in the research and analysis of emerging industries to realise the potential of asset allocation in these sectors."

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Footnote:

1. The survey was conducted in January 2017 using online questionnaires. It captured the responses of 3,000 Mainland and Hong Kong investors who are aged 18 or above and are holding financial products at the time of the survey. The respondents included 2,400 Mainland respondents and 600 Hong Kong respondents, with investable assets (including investment properties) of at least HK$1 million or equivalent. In addition, qualitative face-to-face interviews were conducted with 30 high-net-worth individuals, with investable assets (including investment properties) of at least HK$10 million or equivalent.
2. Defined here as more than 36 months
3. Investment properties excluded

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About Hang Seng Bank

Founded in 1933, Hang Seng Bank operates around 260 service outlets serving both personal and business customers. The Bank also maintains branches in Macau and Singapore, and a representative office in Taipei.

Established on 28 May 2007, wholly owned subsidiary Hang Seng Bank (China) Limited operates a mainland China network with outlets in Beijing, Shanghai, Guangzhou, Shenzhen, Fuzhou, Nanjing, Dongguan, Hangzhou, Ningbo, Tianjin, Kunming, Xiamen, Chengdu, Jinan, Foshan, Zhongshan, Huizhou, Zhuhai, Jiangmen and Shantou.

With total assets of HK$1,377 billion as at the end of 2016, Hang Seng Bank reported a profit attributable to shareholders of HK$16,212 million for 2016. Hang Seng Bank is a principal member of the HSBC Group, one of the world's largest banking and financial services organisations. For further information on Hang Seng Bank, please visit the Bank's website at www.hangseng.com.

About Hang Seng Qianhai Fund Management Company Limited

Established on 1 July 2016, Hang Seng Qianhai Fund Management Company Limited (HSQH) is the first foreign-majority-owned joint venture fund management company in mainland China under Supplement X to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). With a registered capital of RMB200 million, HSQH's service scope includes fund raising, fund sales and asset management for specific and non-specific clients.

HSQH is a joint venture between Hang Seng Bank Limited, which holds 70% of the company's shares, and Shenzhen Qianhai Financial Holdings Company Limited, which holds the remaining 30%.

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