Affluent Investor Snapshot 2025

Build a portfolio with shock-absorbers

By Willem Sels
Global Chief Investment Officer,
Private Bank and Premier Wealth, HSBC

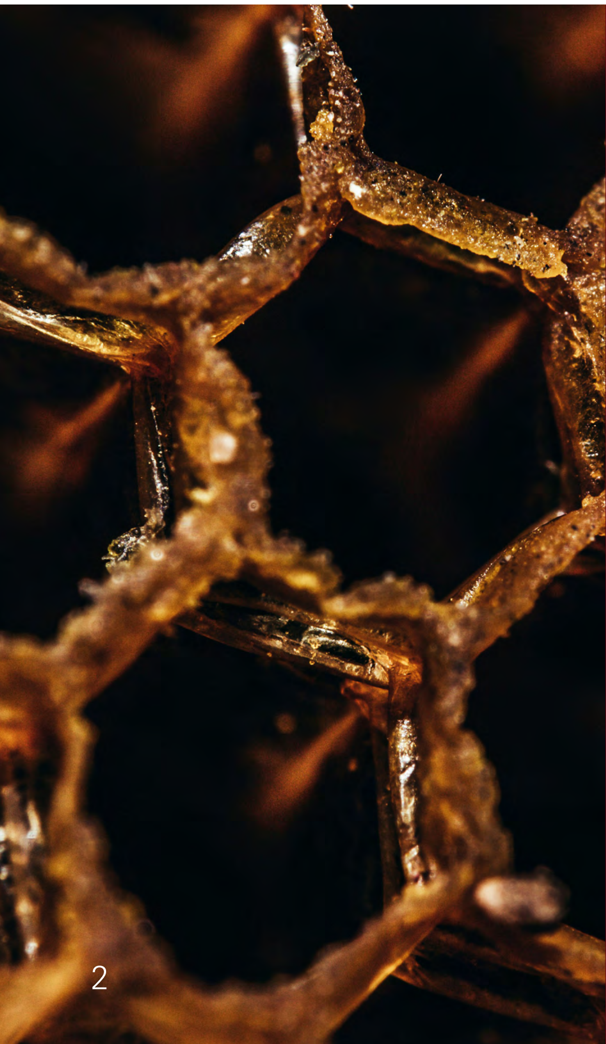
HSBC | Opening up a world of opportunity

Key takeaways

Build shock absorbers, not sandbags
Diversifying across asset classes cushions the jolts of volatility while still letting your capital grow.

Cash is a costly comfort
Parking too much on the sidelines flattens long-term growth and lets inflation do the damage; better to stay invested through assets that can both defend and compound.

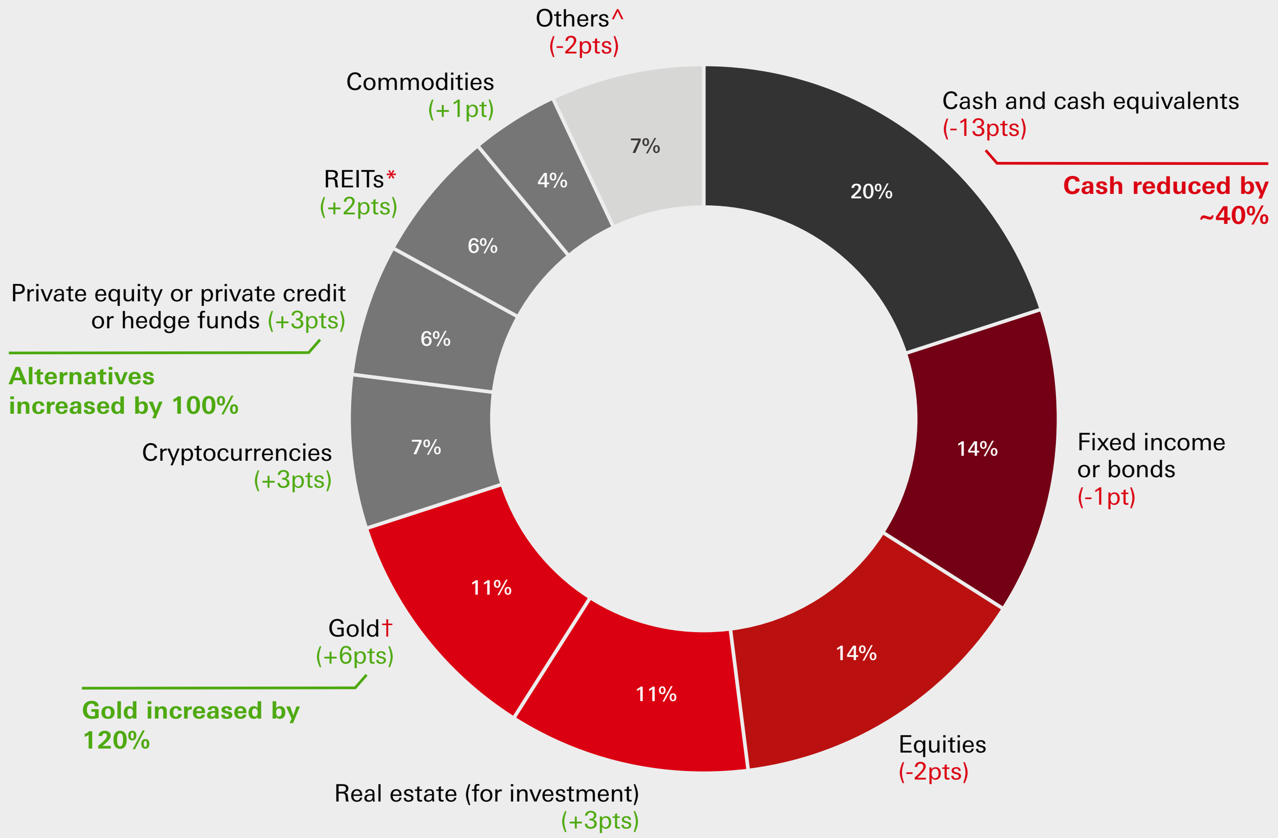
Layer your defences
Combine bonds, gold, infrastructure, real estate and hedge strategies so at least one protector is working in every market scenario.



When the road turns bumpy, you trust the suspension and keep rolling. Investors have been doing exactly that in today's volatile markets. Rather than fleeing to cash, they've kept the core engine of equities and high-quality bonds running while adding extra shock absorbers: government bonds for market corrections, gold for inflation jolts, infrastructure and real estate for steady cash flow cushioning, and nimble hedge fund strategies for unexpected twists. To see this change, take a look at the chart below. With this kit in place, a portfolio can still accelerate without feeling every pothole.

Volatility is inevitable, but the damage it inflicts is optional. Equip your investment portfolio with several shock absorbers, each tuned to a different market risk - and your portfolio can keep compounding over the long run with far less drama.

Mean asset allocation 2025 (change vs. 2024)



Installing shock absorbers doesn't change the laws of physics; it simply tames their impact. Investing works the same way. Higher long-term returns usually come with higher risk because investors must be compensated for bearing uncertainty. There's no free lunch.

There is, however, one genuine upgrade that calms the ride without cutting speed — diversification.

Diversification spreads your money across assets that don't move in lockstep, so when one wheel dips another may rise. The portfolio sways less yet still aims for its full return potential.

That discipline matters most when the surface deteriorates. In recent months markets have had to navigate recession fears, sticky inflation, trade frictions, ballooning government debt, unpredictable policy shifts and even increased geo-political tensions, especially in the US. With potholes multiplying, investors are searching for ways to steady the wheel, and well-chosen diversifiers are delivering exactly that.

Mean asset allocation: Illustrates the distribution of assets expressed as a percentage of the total, with a cumulative total of 100%.
* REITs: Real estate investment trusts; ^ Others: Passion assets, insurance and uncategorised responses. † Gold: Gold & precious metals.

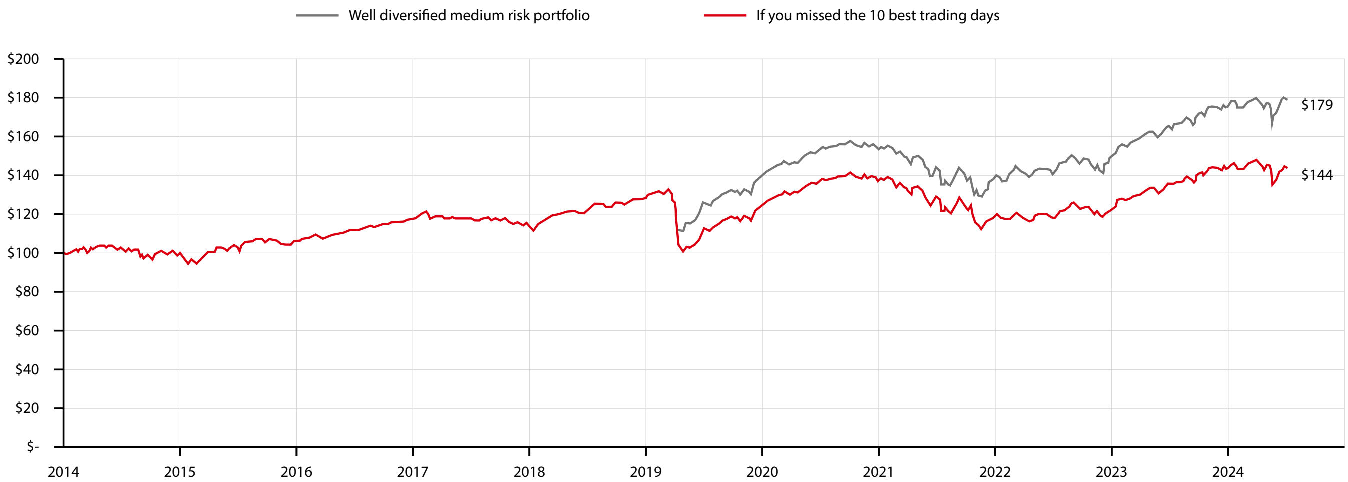
Diversification beats hoarding cash

Everyone needs some cash for planned and unexpected expenses. But raising cash levels when markets turn volatile often backfires. Cash drags on long-term returns and gets eroded by inflation. Worse, investors tend to sell at exactly the wrong time, during market crashes when fear peaks. The problem is that markets often rebound sharply, right after these crashes, and being out of the market means missing those critical recovery days.

Recent months proved this point. Policy reversals created wild swings where terrible days were quickly followed by strong rebounds. Missing those rebounds is costly. Look at the chart below. Over the last 10 years, a well-diversified portfolio generated 79% returns, but missing just the 10 best days cut that to 44%.

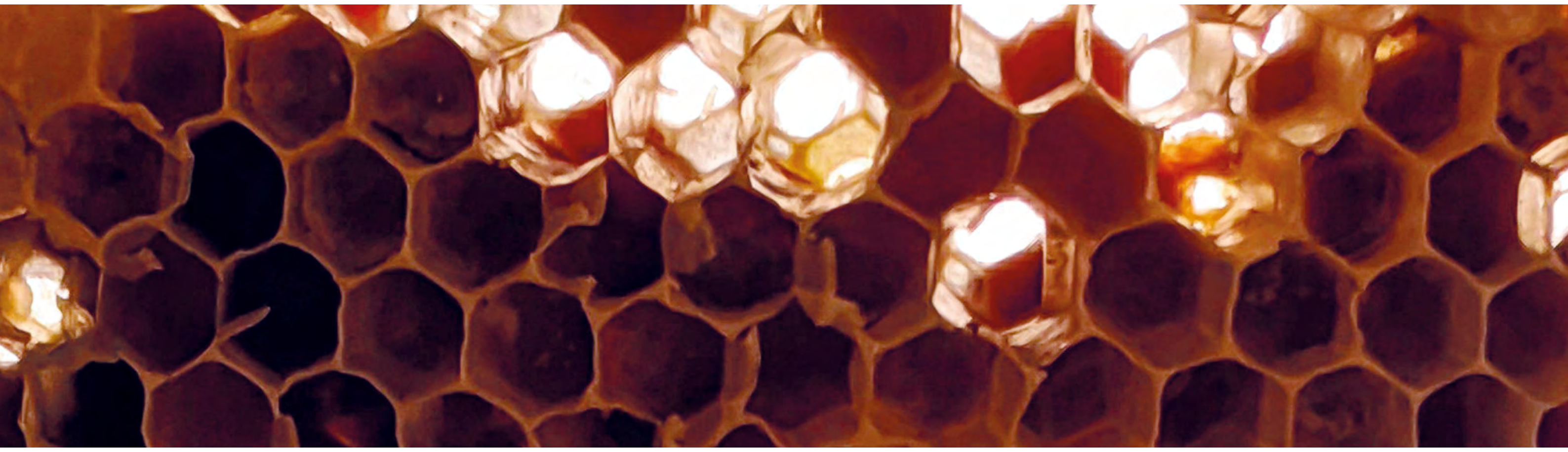
The lesson here is to stay invested. Diversification helps by reducing volatility, making you less likely to panic-sell when markets get bumpy.

Remaining invested is key, as missing just a few days can substantially lower your returns.



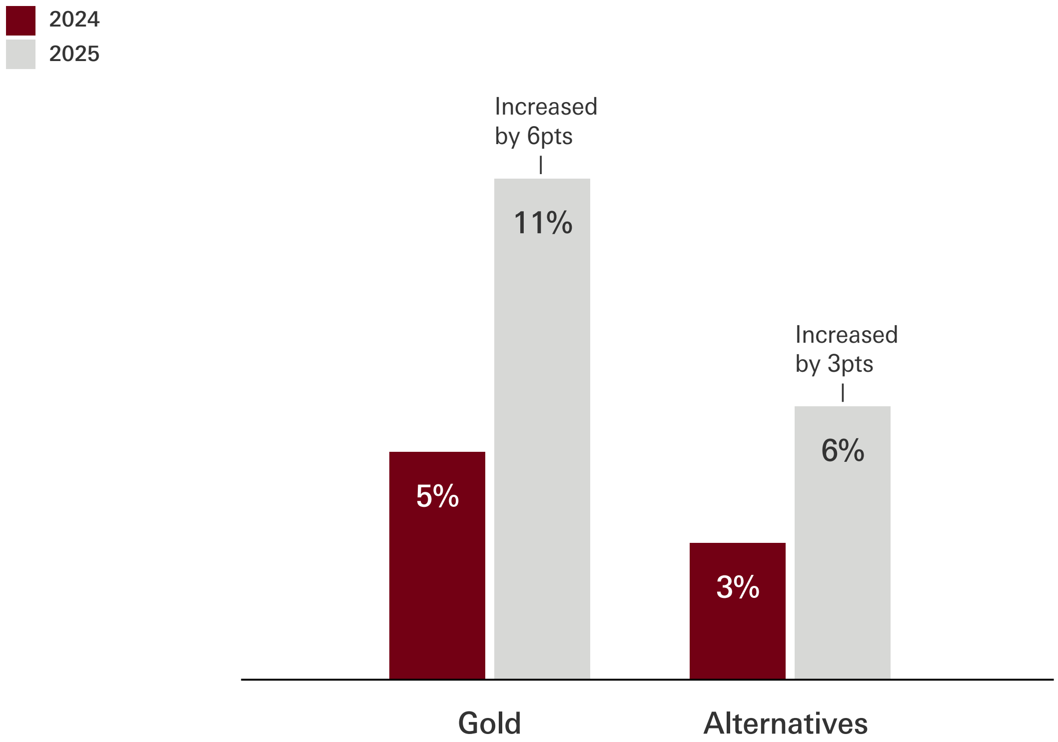
Source: HSBC Private Bank and Premier Wealth, Bloomberg as at 7 July 2025. Past performance isn’t a reliable indicator of future performance.

Diversify your diversifiers



When people think of diversifiers, they usually think of government bonds and gold. Data from our latest Affluent Investor Snapshot shows that affluent investors have doubled their allocations to gold and precious metals over the past year, we also see increased interest in alternative assets.

Gold* and alternatives^ allocation – 2024 vs. 2025:



* Gold: Gold & precious metals.
^ Alternatives refer to private equity, private credit, or hedge funds.

Alternative investment options are broader: infrastructure, real estate, and hedge funds can all provide valuable diversification.

Each works best under different conditions.

High-quality government bonds excel at protecting against recession risks and offer excellent liquidity. But they struggle when inflation or government debt concerns dominate.

Gold shines in other scenarios as its performance is driven by its safe-haven properties during periods of market turbulence and elevated geopolitical risk.

Hedge funds can generate returns in any market environment thanks to their ability to both buy and sell short.

Infrastructure assets offer unique protection because operators often have contracted rates unrelated to economic demand, making them recession-proof. These rates are typically inflation-linked too, providing dual protection.

Markets have cycled through all these concerns recently, shifting focus almost weekly. Since it’s impossible to predict which risk will dominate next, we recommend taking exposure to multiple diversifiers – in other words, ‘diversify your diversifiers.’

The power of alternatives under different market scenarios

	Recession risks	Rising inflation	Government debt concerns	Equity market correction
High quality government bonds	++	–	–	++
Gold	+	+	+	+
Infrastructure	+	+	0	0
Real Estate	+	+	0	0
Hedge funds	+	+	+	0

Note: ++: Optimal performance, +: Good performance, 0: Neutral, –: Poor performance

How to access these diversifiers?

Building a diversified portfolio is easier than ever. ETFs provide simple, cost-effective access to government bonds, gold, and infrastructure assets. For broader exposure, ready-made multi-asset funds combine multiple diversifiers in professionally managed portfolios, available across different risk profiles and currencies.

The beauty of today's investment landscape is choice. You can build your own shock-absorber system piece by piece or let professional fund managers do the work. Either way, the goal is the same: keep your portfolio moving smoothly, no matter how rough the road ahead becomes.

Disclaimer

This document or video is prepared by The Hongkong and Shanghai Banking Corporation Limited ('HBAP'), 1 Queen's Road Central, Hong Kong. HBAP is incorporated in Hong Kong and is part of the HSBC Group. This document or video is distributed and/or made available, HSBC Bank (China) Company Limited, HSBC Bank (Singapore) Limited, HSBC Bank Middle East Limited (UAE), HSBC UK Bank Plc, HSBC Bank Malaysia Berhad (198401015221 (127776-V))/HSBC Amanah Malaysia Berhad (20080100642 1 (807705-X)), HSBC Bank (Taiwan) Limited, HSBC Bank plc, Jersey Branch, HSBC Bank plc, Guernsey Branch, HSBC Bank plc in the Isle of Man, HSBC Continental Europe, Greece, The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India), HSBC Bank (Vietnam) Limited, PT Bank HSBC Indonesia (HBID), HSBC Bank (Uruguay) S.A. (HSBC Uruguay is authorised and oversought by Banco Central del Uruguay), HBAP Sri Lanka Branch, The Hongkong and Shanghai Banking Corporation Limited – Philippine Branch, HSBC Investment and Insurance Brokerage, Philippines Inc, and HSBC FinTech Services (Shanghai) Company Limited and HSBC Mexico, S.A. Multiple Banking Institution HSBC Financial Group (collectively, the "Distributors") to their respective clients. This document or video is for general circulation and information purposes only.

The contents of this document or video may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. This document or video must not be distributed in any jurisdiction where its distribution is unlawful. All non-authorised reproduction or use of this document or video will be the responsibility of the user and may lead to legal proceedings. The material contained in this document or video is for general information purposes only and does not constitute investment research or advice or a recommendation to buy or sell investments. Some of the statements contained in this document or video may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. HBAP and the Distributors do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. This document or video has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed are based on the HSBC Global Investment Committee at the time of preparation and are subject to change at any time. These views may not necessarily indicate HSBC Asset Management's current portfolios' composition. Individual portfolios managed by HSBC Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance contained in this document or video is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Investments are subject to market risks, read all investment related documents carefully.

This document or video provides a high-level overview of the recent economic environment and has been prepared for information purposes only. The views presented are those of HBAP and are based on HBAP's global views and may not necessarily align with the Distributors' local views. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. It is not intended to provide and should not be relied on for accounting, legal or tax advice. Before you make any investment decision, you may wish to consult an independent financial adviser. In the event that you choose not to seek advice from a financial adviser, you should carefully consider whether the investment product is suitable for you. You are advised to obtain appropriate professional advice where necessary.

The accuracy and/or completeness of any third-party information obtained from sources which we believe to be reliable might have not been independently verified, hence Customer must seek from several sources prior to making investment decision.

The following statement is only applicable to HSBC Mexico, S.A. Multiple Banking Institution HSBC Financial Group with regard to how the publication is distributed to its customers: This publication is distributed by Wealth Insights of HSBC México, and its objective is for informational purposes only and should not be interpreted as an offer or invitation to buy or sell any security related to financial instruments, investments or other financial product. This communication is not intended to contain an exhaustive description of the considerations that may be important in making a decision to make any change and/or modification to any product, and what is contained or reflected in this report does not constitute, and is not intended to constitute, nor should it be construed as advice, investment advice or a recommendation, offer or solicitation to buy or sell any service, product, security, merchandise, currency or any other asset.

Receiving parties should not consider this document as a substitute for their own judgment. The past performance of the securities or financial instruments mentioned herein is not necessarily indicative of future results. All information, as well as prices indicated, are subject to change without prior notice; Wealth Insights of HSBC Mexico is not obliged to update or keep it current or to give any notification in the event that the information presented here undergoes any update or change. The securities and investment products described herein may not be suitable for sale in all jurisdictions or may not be suitable for some categories of investors.

The information contained in this communication is derived from a variety of sources deemed reliable; however, its accuracy or completeness cannot be guaranteed. HSBC México will not be responsible for any loss or damage of any kind that may arise from transmission errors, inaccuracies, omissions, changes in market factors or conditions, or any other circumstance beyond the control of HSBC. Different HSBC legal entities may carry out distribution of Wealth Insights internationally in accordance with local regulatory requirements.

Important Information about the Hongkong and Shanghai Banking Corporation Limited, India ("HSBC India"): HSBC India is a branch of The Hongkong and Shanghai Banking Corporation Limited. HSBC India does not distribute or refer investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or any other jurisdiction where such distribution or referral would be contrary to law or regulation.

HSBC India is an AMFI-registered Mutual Fund Distributor of select mutual funds and a referrer of other 3rd party investment products. HSBC India will receive commission from HSBC Asset Management (India) Private Limited, in its capacity as a AMFI registered mutual fund distributor of HSBC Mutual Fund. The Sponsor of HSBC Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), a member of the HSBC Group. Please note that HSBC India and the Sponsor being part of the HSBC Group, may give rise to real, perceived, or potential conflicts of interest. HSBC India has a policy in place to identify, prevent and manage such conflict of interest. For more information related to investments in the securities market, please visit the SEBI Investor Website: https://investor.sebi.gov.in/ and the SEBI Saa₹thi Mobile App. **Mutual Fund investments are subject to market risks, read all scheme related documents carefully.** Issued by The Hongkong and Shanghai Banking Corporation Limited India. Incorporated in Hong Kong SAR with limited liability. HSBC Bank ARN - 0022 with validity from 19-Feb-2024 to 18-Feb-2027. Date of initial registration: 19-Feb-2002.

The following statement is only applicable to HSBC Bank (Taiwan) Limited with regard to how the publication is distributed to its customers: HSBC Bank (Taiwan) Limited ("the Bank") shall fulfill the fiduciary duty act as a reasonable person once in exercising offering/conducting ordinary care in offering trust services/ business. However, the Bank disclaims any guarantee on the management or operation performance of the trust business.

The following statement is only applicable to PT Bank HSBC Indonesia ("HBID"): HBID is licensed and supervised by Indonesia Financial Services Authority ("OJK"). Investment products that are offered in HBID are third party products, HBID is a selling agent for third party products such as Mutual Funds and Bonds. HBID and HSBC Group (HSBC Holdings Plc and its subsidiaries and associates company or any of its branches) do not guarantee the underlying investment, principal or return on customer's investment. You must read and understand the investment policy of each investment product to see if a product contains ESG and sustainability elements and is classified as an ESG and sustainable investment. Investment in Mutual Funds and Bonds are not covered by the deposit insurance program of the Indonesian Deposit Insurance Corporation ("LPS").

Important information on ESG and sustainable investing

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information visit www.hsbc.com/sustainability.

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors to varying degrees. Certain instruments we classify as sustainable may be in the process of changing to deliver sustainability outcomes. There is no guarantee that ESG and Sustainable investing products will produce returns similar to those which don't consider these factors. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for, ESG and Sustainable investing or the impact of ESG and Sustainable investing products. ESG and Sustainable investing and related impact measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

HSBC may rely on measurement criteria devised and reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the ESG / sustainability impact or measurement criteria of an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of ESG / sustainability impact will be achieved. ESG and Sustainable investing is an evolving area and new regulations are being developed which will affect how investments can be categorised or labelled. An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future.

THE CONTENTS OF THIS DOCUMENT OR VIDEO HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG OR ANY OTHER JURISDICTION.

YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE INVESTMENT AND THIS DOCUMENT OR VIDEO. IF YOU ARE IN DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT OR VIDEO, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.