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News Release

For Immediate Release

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Hong Kong investors expect to adjust portfolios as trade tensions raise market uncertainty

Hong Kong, 21 November 2018 — Hong Kong investors, like many of their peers globally, are worried about current trade tensions between the US and China – an overwhelming 90% expect to revise their asset allocation as a result. This according to the annual Global Investment Survey 2018 conducted by Legg Mason Global Asset Management, a leading asset manager with US$755 billion in assets under management.

When asked about what investment action they plan to take in response to trade tension, 35% indicated that they will increase their exposure to fixed income bonds. This was followed closely by 29% of investors who expect to take money out of investments and put it in cash.

“We are not surprised by the level of concern that Hong Kong investors show regarding current trade tensions,” said Richard Gillham, Head of Product Specialist Group with Legg Mason. “Nor were we surprised to learn that a large percentage of investors are planning to shift their allocation. It is reasonable for investors to reconsider their asset exposure in this environment.

“Defensive equities and investment-grade bonds can all contribute to asset diversification and provide a degree of insulation without giving up returns potential by retreating to cash. Another 29% of respondents indicate that they will take this tension as an opportunity to increase their exposure to equities, potentially buying oversold shares. This is a more aggressive stance, but one that has the potential to deliver rewards.”

When considering where these bargain-hunters could invest, the survey shows that Hong Kong investors have the second highest level of home bias in the region, with 52% indicating that Hong Kong offers the strongest investment opportunities over the coming 12 months. Hong Kong investors rank China second as an investment destination for the next 12 months at 39% and the US third at 36%. Only investors in Mainland China have a higher level of home bias, at 64%, but this could be related to overseas investment restrictions many face.

Against this backdrop, Hong Kong respondents show a strong affinity for long-term investments, with 69% indicting that they plan to increase their allocation to related assets in the next 5 years. Regular income producing investments followed at 56%, with dividend paying stocks accounting for more than 50% of these holdings in current portfolios. Actively managed investments came in third, at 38%, enjoying a higher level of favour than passive investment products such as exchange traded funds (ETFs).

“Overall, these insights show a high level of awareness of market dynamics,” explained Freeman Tsang, Head of Greater China and Korea, Wholesales with Legg Mason Asset Management in Hong Kong. “Active management is especially well suited to more volatile market conditions, where professional managers can take advantage of market dislocations and idiosyncratic opportunities rather than having to follow benchmark indices up and down, as in the case of passive investments, as in the case of passive investments.”

“With global political and economic uncertainty feeding renewed market volatility, we see an opportunity for Hong Kong investors to consider managed volatility investment funds that help to manage downside risks while positioned to participate in up markets as soon as possible. Similarly, investors who are looking to increase their long-term asset holdings can consider income generating funds that have the potential to supplement their regular income streams, especially as part of retirement planning."

Deciding which asset classes to switch into can be daunting. When asked where they get information to make financial decisions, 61% say they often/always get information from the internet, half (50%) say they get information via mobile apps and 57% via mainstream media. Although these channels give investors across Asia access to more information than ever, 90% of respondents in Hong Kong and across Asia ex-Japan feel that more education is necessary.

This is borne out by the numbers, with a full 25% of Hong Kong respondents indicating that they do not understand environmental, social and governance (ESG) investing and 21% do not understand robo-advisors at all. According to Tsang, "This shows an opportunity for financial institutions to step up and help fill the knowledge gap by supplying pertinent and relevant information and targeted education that are needed in this period of unprecedented market changes."

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About Legg Mason

Legg Mason is a global asset management firm with US$755 billion in assets under management as of September 30, 2018. The Company provides active asset management in many major investment centers throughout the world. Legg Mason is headquartered in Baltimore, Maryland, and its common stock is listed on the New York Stock Exchange (symbol: LM).

www.leggmason.com.hk

About the Legg Mason Global Investment Survey

The Legg Mason Global Investment Survey has been taking the pulse of investors worldwide for the past six years.

By tracking investor investment and behavioural trends as well as the opportunities they see in the coming 12 months, our goal is to better understand investors' hopes and fears, their financial dreams and realities, as well as what is influencing their behaviour.

Legg Mason Global Asset Management commissioned Research Plus Ltd to conduct an independent online survey of 16,810 investors in 17 markets worldwide, between 26th July to 24th August 2018.

Market	Sample size
	Total
United States	N=1,000
Europe (UK, France, Spain, Italy, Germany, Switzerland, Belgium, Sweden)	N=7,810
Asia Pacific (Hong Kong, Singapore, Japan, Taiwan, China, Australia)	N=6,000
Americas (Brazil, Mexico)	N=2,000

1,000 investors were surveyed in each market, except Belgium (n=810); the research defined 'investors' as people who will be investing at least €10,000 (or the local equivalent; $50,000 in USA) in the next 12 months and who have made changes to their investments within the last five years; these individuals represent the views of investors in each country included in the survey.

Important information

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