HSBC Global Private Banking HK
Active List Stock Recommendations

6 February 2023

For Professional/Accredited Investors Only

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Global Private Banking

Key Highlight

Active List – China Offshore/HK Equities

This week, we add a defensive stance by initiated a position in CK Infrastructure (1038 HK) as we expect a widening yield spread to benefit utilities companies in view of a peaking interest rate hike cycle. It can also benefit from a weak USD with diversified footprint across UK and Australia. We took profit on Kunlun Energy (135 HK) which rallied along with broader market recently although we see lingering uncertainty of volume growth recovery in commercial and industrial (C&I) customers following China reopening.

Active List – US Equities

We remain positioned for a smaller rate hike trajectory by the Federal Reserve by investing in US mega-cap growth tech names that have been de-rated year-to-date. Meanwhile, we are also cognizant of rising economic recession risks in the US going into 2023, therefore we maintain a balanced positioning in defensive healthcare and telco sectors. In the consumer sector, we favour those companies with strong brand power which enable them to maintain resilient pricing power amidst upcoming economic headwinds.

Active List – ASEAN Equities

ASEAN economies have remained resilient and have one of the strongest earnings growth with equities outperforming in 2022. We expect this trend to continue into 2023, with ASEAN companies continuing to deliver solid earnings in contrast with global markets where there are heightened risks of recession. As such, we prefer quality names within financial, consumer, infrastructure sectors as well as Singapore REITs which are more likely to offer stable returns amidst economic uncertainty.

Stock Recommendations

China Offshore/HK Equities

Ticker 股票編號	Name 公司名稱	Name 公司名稱	Rating 評級	Currency 交易貨幣	Target Price 匯豐私銀目標價	Upside 上升空間	Forward PE 市盈率（預估）	Forward PB 市賬率（預估）	Dividend Yield 股息率
728 HK	China Telecom Corp Ltd-H	中國電信	Buy	HKD	4.2	6.3%	9.5x	0.7x	7.3%
293 HK	Cathay Pacific Airways	國泰航空	Buy	HKD	9.5	21.5%	14.2x	0.8x	1.6%
2388 HK	Boc Hong Kong Holdings Ltd	中銀香港	Buy	HKD	34.2	31.0%	7.6x	0.8x	6.7%
3898 HK	Zhuzhou Crrc Times Electric	時代電氣	Buy	HKD	46.0	13.2%	17.8x	1.4x	1.4%
1816 HK	Cgn Power Co Ltd-H	中廣核電力	Buy	HKD	2.5	33.7%	7.2x	0.7x	6.1%
2331 HK	Li Ning Co Ltd	李寧	Buy	HKD	90.6	23.4%	30.0x	5.8x	1.0%
388 HK	Hong Kong Exchanges & Clear	香港交易所	Buy	HKD	430.0	27.4%	35.6x	8.3x	2.6%
9988 HK	Alibaba Group Holding Ltd	阿里巴巴	Buy	HKD	137.0	32.8%	14.0x	2.3x	0.1%
1997 HK	Wharf Real Estate Investment	九龍倉置業	Buy	HKD	53.0	20.2%	19.5x	0.6x	3.2%
700 HK	Tencent Holdings Ltd	騰訊控股	Buy	HKD	440.0	16.8%	--	0.0x	--
323 HK	Maanshan Iron & Steel-H	馬鞍山鋼鐵股份	Buy	HKD	2.4	27.7%	7.1x	0.4x	6.7%
2318 HK	Ping An Insurance Group Co-H	中國平安	Buy	HKD	77.0	37.4%	6.6x	1.0x	5.2%
1038 HK	Ck Infrastructure Holdings Ltd	長江基建集團	Buy	HKD	58.0	31.7%	12.3x	0.9x	5.7%

Source: HSBC Global Private Banking, CFRA, Bloomberg data as of 6 Feb 2023
Please refer to the Risk Factors and Risk Ratings slide for the risk factors and risk rating for each stock respectively.
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Investment Rationales and Risk Factors – China Offshore/HK Equities

	Why we prefer this equity	Company-specific risks
CHINA TELECOM-H 728 HK **Buy**	• China Telecom is the second-largest telecom operator in China in terms of market cap and mobile subscriber. • We appreciate the company's more optimistic revenue and earnings growth guidance, large exposure to high-growth non-traditional fixed-line business and alleviated capex pressure through 4G/5G co-build co-share. • We see China Telecom as a long-term quality play providing a decent dividend yield with high visibility of growth.	• Higher-than-expected broadband competition from China Mobile could affect revenues • RMB depreciation would reduce the value of China Telecom's dividend (paid in HKD) • Higher-than-expected marketing expense • Higher-than-expected network and tower usage expense
CATHAY PACIFIC 293 HK **Buy**	• Management are confident in improving travel sentiment as they are seeing customers forward booking into Christmas or even the New Year holiday vs last-minute booking behaviour during the pandemic. • Cathay Pacific is optimistic in delivering a stronger 2H22 than 1H22 as it is targeting to operate 1/4 of pre-pandemic pax capacity and 65% of pre-pandemic cargo capacity by year-end. • We expect a sequential improvement in Cathay's earnings driven by high exposure to the cargo business and sensitivity to recovery of international air travel. • Cathay Pacific is well positioned to benefit from strong pent-up travel demand, further relaxation of travel rules, favourable fuel hedging at USD50-60/barrel and effective cost management.	• Further escalation of the COVID-19 pandemic • Lower-than-expected passenger yield • Continued decline in passenger arrivals in Hong Kong • Severe cargo yield erosion due to an escalation in global trade tensions • Worse-than-expected RMB depreciation vs the USD • Lower-than-expected cost savings from the transformation program • Lower-than-expected synergies from the recent acquisition of Hong Kong Express • Potential regulatory fines and compensation claims from customers following the recent data breach

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Investment Rationales and Risk Factors – China Offshore/HK Equities

	Why we prefer this equity	Company-specific risks
Boc Hong Kong 2388 HK **Buy**	• BOC Hong Kong is well-positioned to capture opportunities in Greater Bay Area via synergies with its parent group across payment, investments (especially on Wealth Management Connect) and lending (cross-border corporate and mortgage lending) • It stands to benefit from a rising interest rate environment as its net interest margin will continue to expand • One of the highest-in-peers common equity tier-1 ratio offers a solid buffer against balance sheet risks as well as the flexibility to maintain ahead-of-peer asset growth and earnings growth	• Narrowing valuation premium versus BOC pressure the share price • Deposit competition intensifying if sector deposit growth remains slower than loan growth • Operational impacts and reduced investment appetite pressuring wealth management income
Zhuzhou Crrc Times Electric 3898 HK **Buy**	• Railway equipment's (c66% of company revenue) recovery momentum can continue on strong railway freight volumes and pent-up multiple-unit (MU) demand potentially being released after China reopens. • Zhuzhou's is now expanding its overseas market share in railway equipment, and European orders has gradually recovered after the pandemic come after control. • Zhuzhou CRRC is one of the top five of China Electric Vehicle (EV Insulated-gate bipolar transistors) in 1H22, with more than an 11% market share. The company sees EV IGBT shortage to continue, and is working on enhancing production efficiency and the construction of Phrase III factory which is expected to commerce operation in Jul 24 . The Company is confident that EV IGBT become its main revenue contributor in the future	• More competition in the domestic rail equipment market • Insufficient production yield from the new IGBT plant • Expansion into new businesses, such as EV powertrain and the deep-sea robotics business

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Investment Rationales and Risk Factors – China Offshore/HK Equities

	Why we prefer this equity	Company-specific risks
CGN Power Co Ltd 1816 HK **Buy**	• CGN Power, as the largest nuclear power operator in China, should continue to enjoy its competitive advantage for dispatch over coal power, in an environment where coal power is being phased-out. • CGN currently has 26 units under operation . It has 7 unites under constructions, which are expected to commence operations in 2022-2027. Its nuclear capacity will increase from 51GW at end-2020 to a total of 70GW by 2035. • Management believes nuclear power to play a key role in China's recent target to become carbon neutral by 2060 which should benefit CGN Power.	• Slower-than-expected completion of new units • Weaker-than-expected utilisation • Higher discounts for market trading of power may result in lower average tariffs
Li Ning Co Ltd 2331 HK **Buy**	• We believe the strong brand momentum and healthy channel inventory bode well for sustainable growth. • We believe Li Ning is on trend with young consumers with their preference for domestic brands and Chinese cultural heritage. • We believe Li Ning can continue to take market share from international brands as consumers look for better value products	• Slowdown in sales growth trend • Deterioration in channel inventory • Rising competition from major competitors
Hong Kong Exchanges & Clear 388 HK **Buy**	• Hong Kong Exchange (HKEX) is the only stock exchange operating in Hong Kong, so HKEX directly and naturally grows with the expansion of capital markets and trading turnover • It is a unique platform to benefit from improved investment activity and improving listing momentum.	• Worse than expected decline in Average Daily Turnover (ADT) • Failure to execute strategic initiatives • Worse-than-expected investment performance in its Margin Fund and Clearing House Fund • Operational risks from technology or system failures

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Investment Rationales and Risk Factors – China Offshore/HK Equities

	Why we prefer this equity	Company-specific risks
Alibaba Group Holding Ltd 9988 HK **Buy**	• Alibaba has moved beyond its core business to create a giant e-Commerce ecosystem that straddles online and offline retail, data, food delivery, department stores, payments and banking, the cloud, artificial intelligence and more. • It is imperative for Alibaba to keep investing to grow users and diversify its revenue base, to navigate weaker macro and competition. • The strong investment foundation led Annual Active Consumers (AAC) growth to track ahead of Gross merchandise value (GMV) growth, providing room for Average Revenue Per User (ARPU) growth in the medium term. • The synergy between local services starts to emerge.	• Potential acceleration in market share loss • Margin pressure and competition • Regulatory risks • Higher-than-expected costs to integrate new retail initiatives • Economic slowdown • Slower-than-expected global expansion • Geopolitical risks.
Ck Infrastructure Holdings Ltd 1038 HK **Buy**	• CKI is our most preferred pick among Hong Kong utilities for its potential to rebalance its portfolio by means of M&A and asset divestments, as a driver to earnings and dividend. • CK Infrastructure have 70% earnings derived from regulated utility assets in the UK and Australia which are inflation adjusted in which the regulated asset base and allowed revenue will be adjusted and grow every year under an inflationary environment. • CKI's forecast dividend yield at above 6% which is attractive compared to the historical average of about 5.1% since 2013.	• Weakening of the GBP and AUD, which could erode income from overseas businesses • A worse-than-expected outcome of the next tariff resets for businesses in the UK • An inability to strike meaningful acquisitions

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Investment Rationales and Risk Factors – China Offshore/HK Equities

	Why we prefer this equity	**Company-specific risks**
Wharf Real Estate Investment 1997 HK **Buy**	• We expect the full reopening of the border with mainland China to bring retail landlords back to the upcycle. An appreciation of Chinese Yuan against Hong Kong Dollar could accelerate the pace of recovery, in our view. • Within retail landlords, Wharf REIC's flagship shopping malls Harbour City and Times Square could benefit from the return of tourist spending as they were used to make up significant portion of Hong Kong's Retail sales. • We expect the turnover rent to improve in 2023e on the back of stronger tenant sales performance and retail recovery.	• Prolonged economic recession in Hong Kong • Declining occupancy rate in Harbour City mall • Slower-than expected recovery in retail market
Tencent Holdings Ltd 700 HK **Buy**	• Tencent is a leading provider of premium messaging services, Internet VAS (value-added services), wireless VAS and online games to users as well as advertising and ecommerce services to corporates in China. • The strength in its mobile and PC community platforms offers long-term monetization opportunities, while the company is investing for long-term initiatives like Cloud, social commerce, video and fintech. • Another catalyst is that domestic gaming banhao approval process could pick up momentum in 2023 with acknowledgement of technological and cultural contribution from gaming. • Monetization abilities are likely to improve with strong user engagement in the medium term.	• Inability to get monetisation approval for games • Regulatory headwinds on games and internet finance • A deeper macro slowdown that could affect advertisers' budgets • Inappropriate advertising and video content • Changes in user preferences in terms of entertainment formats or communications • Overhang from shareholders' reduction of stake over time

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Investment Rationales and Risk Factors – China Offshore/HK Equities

	Why we prefer this equity	Company-specific risks
Maanshan Iron & Steel-H **323 HK** **Buy**	• Industry's fundamentals have improved amid favourable supply and demand dynamics. • Potential policies on emission control may further improve the bargaining power of leading companies like Maanshan Iron & Steel. • Cancellation of the export tax rebate (net exports are circa (c) 3% of the market) and the announcement of the new capacity swap regulation should help to prepare further supply-side control, in our view.	• Higher-than-expected raw material costs • Lower-than-expected selling prices of steel • Slower-than-expected induction furnace shutdowns • Pandemic-related disruptions
Ping An Insurance Group Co-H **2318 HK** **Buy**	• Ping An has one of the best-in-class life insurance business. Agent productivity, particularly of Diamond agents, is ahead of peers and new business sales are already skewed towards protection-type of products • Well-placed to offer differentiated products and services including insurance plus healthcare, eldercare and/or higher-end eldercare to 370million affluent individuals in mainland China • Ping An's fintech & healthtech leadership could lead to better growth and profitability profiles • The company is expected to approaching an inflection point as the obstacles towards life channel reform may ease	• Key management departures • Slower-than-expected New Business Value growth • Worse-than-anticipated bank results • Asset quality issues in banking insurance, trust and securities segments • Weaker-than-expected Property & Casualty results • Poorly trained agents who are unproductive and/or mis-sell

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Stock Recommendations

US Equities

Ticker	Name	Rating	Currency	Target Price	Upside	Forward PE	Forward PB	Dividend Yield
MET US	Metlife Inc	Buy	USD	82.0	17.5%	8.3x	2.1x	3.0%
MSFT US	Microsoft Corp	Buy	USD	317.0	22.7%	25.8x	7.7x	1.0%
MRK US	Merck & Co. Inc.	Buy	USD	116.0	12.7%	14.1x	4.9x	2.9%
V US	Visa Inc-Class A Shares	Buy	USD	263.0	14.3%	25.9x	11.3x	0.8%
AMZN US	Amazon.Com Inc	Buy	USD	152.0	47.0%	37.7x	6.2x	--
DIS US	Walt Disney Co/The	Buy	USD	110.0	-0.6%	25.1x	2.0x	1.4%
TMUS US	T-Mobile Us Inc	Buy	USD	185.0	27.4%	20.5x	2.7x	--
BAC US	Bank Of America Corp	Buy	USD	43.0	18.0%	10.3x	1.1x	2.6%
PG US	Procter & Gamble Co/The	Hold	USD	152.0	6.6%	23.2x	6.9x	2.7%

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Investment Rationales and Risk Factors – US Equities

	Why we prefer this equity	Company-specific risks
METLIFE MET US **Buy**	• We see an improved macro environment aiding sales of MET's workplace-based products and a rise in interest rates helping margins in spreads based businesses. • We also believe steps MET has taken to streamline its business mix and operating platforms will provide the shares with a catalyst. • We see stable top-line trends in the U.S., and expect 2022 results to reflect a recovery from the Covid-19 economic contraction. • International business premium growth will likely be driven by stable long-term growth in accident and health products, as well as contributions from ALICO's strong Japanese life insurance franchise offset a near-term contraction.	• Credit and interest rate risk • A decline in the equity markets • Deterioration in asset values, regulatory reform resulting in higher capital standards • Foreign currency risk and litigation-related uncertainty
MICROSOFT CORP MSFT US **Buy**	• We are positive on Microsoft (MSFT)'s successful cloud transition together with strong traction for cloud versions of Office, Dynamics, Teams and Azure cloud services. • We forecast that MSFT's operating margin will continue to improve with its greater scale efficiencies. • We expect tremendous upside demand potential for MSFT's Hololens goggles and its development platform with wider augmented reality(AR)/virtual reality(VR)applications in both gaming and industrial industries..	• The possibility of a high-profile data breach • The possibility of a prolonged outage, especially for Azure • A more prolonged and/or greater negative impact from Coronavirus Disease 2019 (COVID-19) that drags topline growth

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Investment Rationales and Risk Factors – US Equities

	Why we prefer this equity	Company-specific risks
MERCK & CO **MRK US** **Buy**	• Spin-off of Organon creates value for Merck, while allowing it to focus on key growth pillars, achieve higher revenue and earnings growth rates • The acquisition of Acceleron adds to Merck's portfolio of serious and rare disease therapies and provides future growth opportunities. Acceleron also provides a boost to Merck's presence in the expanding cardiovascular disease treatment market • Merck's blockbuster drug Keytruda will continue its dominance in the immuno-oncology landscape to come, with potential multiple uses across lung, melanoma, kidney, breast and colon cancers.	• Research and development (R&D) pipeline failures • Lower-than-expected market share for Keytruda and vaccines • Potential for new US regulation on drug prices
VISA INC – A SHARE **V US** **Buy**	• Visa's business model remains well-protected from market crosscurrents (i.e., inflationary pressures and weaker macro conditions) given its balanced exposure across consumer categories that allow the company to deliver sustainable revenue and earnings growth in a wide array of scenarios. • Longer-term, Visa's competitive position and scale should lead to incremental operating leverage and high returns on capital, with additional growth from adjacent payment verticals and new networks. • We think Visa's recent foray into tech-focused solutions around analytics, security, and cryptos also add to future growth potential. • Russia and currency related impacts have also been factored into estimates, providing a clear path to sustainable growth, especially with secular revenue catalysts (i.e., displacement of cash thorough higher usage of digital payments) still in play.	• An unexpected deceleration in global economic growth leading to lower digital transactions on its payment network • Weaker consumer confidence/spending • Notable increase in the USD leading to translation losses • Potential technology disruption that allows payments to be made on alternative networks

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12

Investment Rationales and Risk Factors – US Equities

	Why we prefer this equity	Company-specific risks
Amazon.Com Inc **AMZN US** **Buy**	• We expect further e-commerce market share gains and potentially sizable upside for the rapidly growing Amazon Web Services (AWS) business, including international markets, which include China and India. • The potential growth in its higher margin services platform (e.g., Amazon Web Service (AWS), advertisement, fulfillment, subscriptions) remains a catalyst. There services are now comfortably over half of revenue mix, supported by recent Prime enhancements (Grubhub+, major Prime Video add-ons, faster/expanded delivery, Amazon Fresh/Pharmacy) and long-term, secular shifts to cloud computing. • We see further upside to the return on ratcheted investments that will likely enhance the longer term economics of the Prime membership base. • With ample liquidity and financial flexibility, AMZN could sustain a low-double-digit return on invested capital (ROIC) over the long term.	• Sharp decline in global consumer spending • Uncertainties with the full impact of Coronavirus disease 2019 • Intensifying global competition from online merchants • Currency headwinds
T-MOBILE US INC **TMUS US** **Buy**	• TMUS is one of the largest telecommunications service providers in the US with a lead in 5G • TMUS has been able to capture market share from its peers through its no nonsense approach toward adding value to customers by retaining a clear and consistent pricing proposition as well as through significant improvements in its network quality (propelling it to be the network of choice in the US) • Wider-reaching coverage allows TMUS to penetrate rural areas and further capture market share in those areas • Substantial buyback program of USD60bn through 2025 is well supported by TMUS's strong free cashflow generation	• Re-financing risk given TMUS's considerable amoung of debt • Material slowing of subscriber growth • Higher-than-expected capital expenditure from increased spectrum investments • Pricing competition which could result in lowered prices and cashflow

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Investment Rationales and Risk Factors – US Equities

	Why we prefer this equity	Company-specific risks
Walt Disney Co/The DIS US **Buy**	• Best-in-class on content creation for movies and entertainment • Post-pandemic reopening play • Attractive valuation play trading at big discount to long-term average	• Renewed C19-pandemic restrictions • Slowdown in Disney+ subscriber growth • Global recession • Drop in consumer discretionary spending
Bank Of America Corp BAC US **Buy**	• BAC is well positioned to benefit from a Fed rate rise regime, in our view. BAC has one of the highest ratios of net interest income to total net revenue of the large banks. • BAC states a 100 bps increase from rising yield curve would equate to net interest income benefit of $1.0B per quarter that we think BAC could realize. • In the recent earnings, we see increased loan volume and loan balances in consumer and commercial & industrial units.	• A slow economic recovery that stalls loan growth and lower rates that hurt net interest spreads.
PROCTER & GAMBLE CO PG US **Hold**	• PG has been moving with strong momentum for several years (even before Covid-19), which we attribute to consistently strong execution and a robust strategy for growing sales, expanding margins, and generating cash. • We also view PG's best-in-class supply chain and dominant pricing power as a significant competitive advantage during this difficult operating environment. • We believe recent market share gains will prove to be much stickier than recent inflationary pressures, and over the long term, we think retailers will allocate more shelf space to companies like PG that innovate and drive category growth.	• Heightened competition and promotional spending • Unfavorable currency translation • Rising commodity costs

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ASEAN Equities

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DBS SP	Dbs Group Holdings Ltd	Buy	SGD	41.9	18.0%	11.4x	1.6x	4.0%
ST SP	Singapore Telecommunications	Buy	SGD	2.9	16.0%	18.9x	1.5x	3.7%
BMRI IJ	Bank Mandiri Persero Tbk Pt	Buy	IDR	11,700.0	17.9%	11.7x	2.0x	3.7%
CICT SP	Capitaland Integrated Commer	Buy	SGD	2.3	9.0%	19.0x	1.0x	5.1%
ASII IJ	Astra International Tbk Pt	Buy	IDR	8,400.0	43.0%	8.0x	1.2x	4.8%
HMPRO TB	Home Product Center Pcl	Buy	THB	17.4	16.8%	30.6x	7.9x	2.3%
ADVANC TB	Advanced Info Service Pcl	Buy	THB	235.0	18.4%	22.7x	6.9x	3.5%
SCB TB	Scb X Pcl	Buy	THB	125.0	19.0%	8.7x	0.8x	3.6%
ALI PM	Ayala Land Inc	Buy	PHP	36.5	24.6%	24.9x	1.7x	0.9%
CIT SP	City Developments Ltd	Hold	SGD	9.1	9.2%	16.6x	0.8x	1.0%
MPACT SP	Mapletree Pan Asia Com Trust	Buy	SGD	2.0	6.6%	21.8x	1.1x	2.6%

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Investment Rationales and Risk Factors – ASEAN Equities

Company	Why we prefer this equity	Company-specific risks
DBS GROUP HOLDINGS LTD **DBS SP** **Buy**	• DBS should benefit most among the three banks from the recovery in property loans. • Strong top line should sustain the forward return on equity at c13% in the next three years and DBS should re-rate towards a 1.6x FY20e price to book ratio. • With management's commitment of c13% return on equity, DBS's valuation re-rating towards our 1.6x price to book ratio drives our positive view on the bank over the medium to long term. • Net interest margin should also improve, coupled with increased market activities that will drive fees income growth. We estimate fees and commissions income to grow at a 9.3% compound annual growth rate over the next five years, outstripping net interest income five-year's annualized growth of 6.7%.	• Further exacerbation of China-US trade tensions may increase pessimism on regional banks, negatively impacting their valuations. • Loans growth, net interest margin and fees income growth could turn negative. • The small and medium enterprises segment could be most affected as new non-performing asset formation rates increase much faster due to weaker cash flow capabilities, especially when banks become more wary of rising default risks.
SINGAPORE TELECOMMUNICATIONS **ST SP** **Buy**	• Stable yield play in a defensive sector • Unlocking of conglomerate value on asset recycling initiative (e.g potential listing of Optus) • Increase in profits on regional associate companies' turnaround	• Greater-than-expected competition in Singapore • Stronger Singapore Dollar translating to earnings translation weakness • Higher-than-expected capex spending on network • Lower contribution from associate companies
BANK MANDIRI PERSERO TBK PT **BMRI IJ** **Buy**	• Strong all-round performance (i.e loans growth, net interest margins, returns on equity) which is likely to continue • Supportive valuation with forward price-book trading below mean • BMRI's large corporate exposure implies lower credit costs risk	• Higher credit costs and lower loan growth and interest income on further C19-pandemic outbreaks • Stronger-than-expected competition from digital banks eroding BBCA's deposit franchise competitive advantage • Weaker transaction fees

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Investment Rationales and Risk Factors – ASEAN Equities

	Why we prefer this equity	Company-specific risks
CAPITALAND INTEGRATED COMMER **CICT SP** **Buy**	• Largest integrated REIT in Singapore, representing one of the best proxies for Singapore commercial property • Benefiting from Singapore's health policy of coexistence with C19-pandemic on the back of a recovery in tenant sales at its malls and increase proportion of employees returning to offices • Increasing tourist arrivals as a result of lifting pre-departure regulations could further boost the performance of CICT's retail portfolio • Redevelopment opportunities within its portfolio can add to longer-term growth of the REIT	• Spike in COVID-19 cases resulting in implementation of safety measures such as mall closure or lower operating hours • Slowdown in leasing due to a decline in demand • Worse-than-estimated decline in spot rents across properties • An unexpected and sudden increase in the interest rate forecast
ASTRA INTERNATIONAL TBK PT **ASII IJ** **Buy**	• We see Astra as a beneficiary of the domestic four forward Electric vehicle (EV) transition in Indonesia, which we expect to be first driven by increased penetration of hybrids followed by battery electric vehicles • The company may raise prices slowly to adjust for a higher cost of raw materials and currency movement	• Lower-than-expected vehicle sales • Increase in competitive intensity in the auto market • Launch of a new, successful model by competitors • A sharp fall in coal prices • Environmental-related risks
HOME PRODUCT CENTER PCL **HMPRO TB** **Buy**	• We think the company's competitive advantage and scale had driven the company's outperformance relative to the Index. • We believe the business is well run and management has strong execution abilities. • Management is looking at maintaining margins by offsetting the higher operating expenditure with efficiency initiatives. • When consumer sentiment in Thailand improves, we expect HomePro to benefit from a turnaround in the macro environment.	• Competition from IKEA and Central Group • Unfavorable store mix • Failure to maintain returns on invested capital a rollout is undertaken from urban to rural Thailand. • Potential forecast risk from slower-than-expected store expansion or margins.

Source: HSBC Global Private Banking, CFRA, Bloomberg data as of 3 Feb 2023
Please refer to the Risk Factors and Risk Ratings slide for the risk factors and risk rating for each stock respectively.
The above stock selection is indicative of current view only, which is subject to change without notice. Detailed investment rationale and risk factors for single products can be found in the Insights and Research or obtained from our relationship managers and investment counsellors.

Investment Rationales and Risk Factors – ASEAN Equities

	Why we prefer this equity	Company-specific risks
ADVANCED INFO SERVICE PCL **ADVANC TB** **Buy**	• AIS is well positioned to strengthen its leadership position in the mobile segment due to the quality of its spectrum portfolio and its significant investment in the 5G network. AIS's strategy to further expand in the fixed broadband and enterprise segments should increase its market share and support higher revenue growth. • AIS's increased their 5G coverage nationwide, coupled with its network differentiation, to contribute to strong future CAGRs and ARPU uplift and strengthen AIS's position as market leader in the segment • Rising free cashflow generation provides basis for higher dividend payout ratio and potential DPS growth through 2024	• Higher-than-expected capital expenditures due to greater-than-expected competitive intensity or higher-than-expected data usage • Lower-than-expected revenue growth or margins due to greater-than-expected competitive intensity • Higher-than-expected spectrum investment
SCB X PCL **SCB TB** **Buy**	• One of Thailand's most consumer-focused bank with a strong wealth offering • SCB's growth drivers include: (1) new consumer and digital platforms could serve as a key growth driver in the medium term, (2) superior wealth management offering with its partnership with Julius Baer and (3) strategic partnership with FWD to drive insurance sales • SCB's digital companies segment has the potential to scale the bank significantly	• Further COVID-19 outbreaks which could lead to higher credit costs, lower loan and non-interest income growth • Unexpected policy rate cuts • Inability to optimise cost resulting in weaker NIM growth
AYALA LAND INC **ALI PM** **Buy**	• ALI is the Philippines' most diversified property play with exposure to residential development, office leasing, retail, hotels and ancillary businesses. It is best known for its high-end residential and retail developments in Makati and Bonifacio Global City CBDs • The push towards infrastructure by the Philippines government will likely unlock value and improve accessibility in potential growth areas, contributing to the overall growth in the Philippines property market • Easing of COVID-19 restrictions and relatively high vaccination rates will also aid in Philippines' economic recovery and benefit ALI	• Worse-than-expected impact of COVID-19 on ALI's operations • Longer-than-expected timeframe for monetising the land bank • Reduced lending to the real estate sector due to a tighter funding environment or policy regulations • Continued increases in funding costs and peso weakness (impacts returns in foreign currency terms) • Adverse macro developments, including higher oil prices, higher inflation, higher interest rates along with political risks

Source: HSBC Global Private Banking, CFRA, Bloomberg data as of 3 Feb 2023
Please refer to the Risk Factors and Risk Ratings slide for the risk factors and risk rating for each stock respectively.
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Investment Rationales and Risk Factors – ASEAN Equities

	Why we prefer this equity	Company-specific risks
CITY DEVELOPMENTS LTD **CIT SP** **Hold**	• CIT provides one of the best proxies for (1) strong performance of the residential and commercial market in Singapore and (2) the recovery of global travel which translates to stronger performance of CIT's hotels • The stock is currently trading at significant discount to its RNAV and we see potential upside for CIT's stock price as its healthy balance sheet and improved performance gets priced in	• Slower-than-expected or delayed recovery in global travel • Inability to integrate the recent acquisitions • A hard landing for the property market in Singapore or China
MAPLETREE PAN ASIA COM TRUST **MPACT SP** **Buy**	• Post merger between MCT and MNACT, MPACT is one of the top 10 largest REITs in Asia by market capitalization • Geographical and sector diversification within its portfolio make it one of the best proxies for recovery in Asia's economy • Renewal of leases previously signed during COVID-19 will serve as a driver of growth for MPACT; we expect strong rental reversions across the company's portfolio • Potential portfolio reconstitution including capital recycling by means of divestment of non-core assets could add strengthen MPACT's balance sheet and provide opportunities to enhance yield and return on capital	• Greater than expected increase in interest rates • Weaker than expected recovery in retail sector • Relatively high portfolio concentration, with its top 2 assets comprising 45% of its portfolio • Inability to integrate portfolios from the merger

Source: HSBC Global Private Banking, CFRA, Bloomberg data as of 3 Feb 2023
Please refer to the Risk Factors and Risk Ratings slide for the risk factors and risk rating for each stock respectively.
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19

Stock ratings

Note: Equities – Stock ratings and basis for financial analysis
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Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

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5-STARS (Strong Buy):Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.
4-STARS (Buy):Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.
3-STARS (Hold):Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.
2-STARS (Sell):Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.
1-STAR (Strong Sell):Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

The tables on the right sets out how CFRA's stock ratings usually correspond to HSBC Private Banking's view. You should consult your Relationship Manager if you wish to find out what HSBC Private Banking's house view is in respect of any stock at any given time.

Rating Conversion Table

HSBC Private Banking	CFRA
Buy	5-STARS (Strong Buy)
	4-STARS (Buy)
Hold	3-STARS (Hold)
Reduce	2-STARS (Sell)
	1-STARS (Strong Sell)

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China Telecom Corp Ltd-H	728 HK	4.0	02/06/2023	4 11 13
Cathay Pacific Airways	293 HK	7.8	02/06/2023	4 5 6 7 11
Boc Hong Kong Holdings Ltd	2388 HK	26.1	02/06/2023	4 11
Zhuzhou Crrc Times Electric	3898 HK	40.7	02/06/2023	N/A
Cgn Power Co Ltd-H	1816 HK	1.9	02/06/2023	201
Li Ning Co Ltd	2331 HK	73.4	02/06/2023	4 11
Hong Kong Exchanges & Clear	388 HK	337.6	02/06/2023	4 7 11
Alibaba Group Holding Ltd	9988 HK	103.2	02/06/2023	4 5 7 9 11 201
Wharf Real Estate Investment	1997 HK	44.1	02/06/2023	4 5 7 201
Tencent Holdings Ltd	700 HK	376.8	02/06/2023	4 6 7 9 11 201
Maanshan Iron & Steel-H	323 HK	1.9	02/06/2023	N/A
Ping An Insurance Group Co-H	2318 HK	56.1	02/06/2023	2 4 5 11 110
Ck Infrastructure Holdings Ltd	1038 HK	44.1	02/06/2023	6 7
Metlife Inc	MET US	69.8	02/03/2023	2 5
Microsoft Corp	MSFT US	258.4	02/03/2023	5 201
Merck & Co. Inc.	MRK US	102.9	02/03/2023	201
Visa Inc-Class A Shares	V US	230.1	02/03/2023	5
Amazon.Com Inc	AMZN US	103.4	02/03/2023	1 5 6 7 9 201
Walt Disney Co/The	DIS US	110.7	02/03/2023	201
T-Mobile Us Inc	TMUS US	145.2	02/03/2023	N/A

Source ("Recent Prices"): Bloomberg, HSBC Global Private Banking as of 3 Feb 2023, unless otherwise stated.

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HSBC and Specialists' disclosures

Company Name	Ticker	Recent Price	Date	Disclosure
Bank Of America Corp	BAC US	36.4	02/03/2023	2 5 9 201
Procter & Gamble Co/The	PG US	142.6	02/03/2023	N/A
Dbs Group Holdings Ltd	DBS SP	35.5	02/03/2023	2 5 201
Singapore Telecommunications	ST SP	2.5	02/03/2023	6 7 201
Bank Mandiri Persero Tbk Pt	BMRI IJ	9,925.0	02/03/2023	2 6 7
Capitaland Integrated Commer	CICT SP	2.1	02/03/2023	4 6 201
Astra International Tbk Pt	ASII IJ	5,875.0	02/03/2023	6 7
Home Product Center Pcl	HMPRO TB	14.9	02/03/2023	N/A
Advanced Info Service Pcl	ADVANC TB	198.5	02/03/2023	7
Scb X Pcl	SCB TB	105.0	02/03/2023	2 7
Ayala Land Inc	ALI PM	29.3	02/03/2023	7
City Developments Ltd	CIT SP	8.3	02/03/2023	6 7
Mapletree Pan Asia Com Trust	MPACT SP	1.8	02/03/2023	6

Source ("Recent Prices"): Bloomberg, HSBC Global Private Banking as of 3 Feb 2023, unless otherwise stated.

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