

HSBC IO Q2 2022 – March 2022**Kevin Lyne-Smith Video**

Today, I'd like to talk to you about our four strategic investment themes that focus on long term development trends, emerging technologies, environmental and societal changes.

The message I'd like to convey is less about timing volatility and current market trends, but more about the fundamentals of the theme. Let's first look at energy.

Humans use a lot of energy going about their daily business, consuming 100 million barrels per day of oil and 3.8 trillion cubic feet of natural gas.

It's a habit that's proving difficult to kick, even though we know we should. The good news is that the remedy is now at hand and we explore the investment opportunities in our China's Green Revolution and Energy Transition themes.

Our China Green Revolution theme focuses on the investment opportunities from the country's commitment to achieve carbon neutrality by 2060 and the resulting 200 trillion Renminbi of investments in solar, wind, alternative fuels and infrastructure. Our energy transition theme highlights the opportunities as the world kicks its fossil fuel habits and adopts an electricity centric ecosystem.

The second theme I'd like to talk about is security, and it's a broad topic. Many people and companies do not adequately protect their data, assets or business from existing or new threats. To provide just two examples, the worldwide cost of cybercrime is estimated to be \$6 trillion last year. Another example is automakers, which have been forced to stop whole production lines because, the production of a single widget was hit by a flood in a foreign country.

So our total security theme focuses on investment opportunities in three key growth areas. Firstly, cybersecurity, then securing access to soft and hard commodities and finally, robust supply chains.

We introduced the theme about 12 months ago in response to the rise in asymmetric threats, including over-globalization, market concentration, geographically extended supply chains and the under-investment in energy and commodity production capacity. In our opinion, many aspects related to the security have never been so relevant.

Let's now turn to automation and AI, two seemingly unstoppable but entwined technologies. As the related technologies advance, and their applications broaden ever more, tasks potentially can be automated. IFR'S 2021 report estimates there are currently 3 million operational industrial robots worldwide, and new installations are growing between 6 and 10% a year. Tight labour markets, rising wages, aging populations, business continuity risk and the urge to improve productivity are all factors driving strong growth in new installation of robots.

New technologies, including AI, are fast expanding the tasks that can be automated. And from an investment perspective the recent rotation out of cyclicals has made the valuations ever more attractive.

My final theme is somewhat different from the other three and focuses on stocks with higher dividend yields, which are perennial favorites among many investors seeking out quality companies in stable, sustainably profitable businesses, but lower levels of debt and strong cash flow.

And above all, market average dividend yields of 3% are higher.

Our durable dividends theme looks to capture the benefits of rises in stock markets whilst profiting from regular dividend payments, thus increasing total shareholder return.

The appeal is obvious. So I shared with you four interesting investments ideas that should benefit from positive long term trends. But you may be familiar with our other themes as well. So to find out more, you can look at them in our Quarterly Investment Outlook brochure or talk to your IC.

Thank you for watching.