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Press Release

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# LEGG MASON GLOBAL INVESTMENT SURVEY

**FOR IMMEDIATE RELEASE**


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## HONG KONG INVESTORS FEAR A NEW FINANCIAL CRISIS; STILL OPTIMISTIC ON LOCAL EQUITIES

- Hong Kong investors strongly support US dollar peg
- Deeply fear new financial crisis
- Skittish behaviour prevails, despite believing they are long-term investors
- Older generation more strongly favour China than millennials

**HONG KONG, 11 APRIL 2016** – Hong Kong investors rank high in Asia when it comes to optimism towards the domestic stock market for the coming year, according to the Global Investment Survey 2016 conducted by Legg Mason Global Asset Management, a leading asset manager with US$656.7 billion assets under management.

Local equities and US dollar peg strongly supported

Majority (71%) of Hong Kong over 40 adult and millennial investors (65%) ranked domestic stocks as the best investment opportunity over the next 12 months. More than half (52%) of the over 40 Hong Kong investors predicted the domestic stock market would rise in 2016 and by an average of 15.7%.

Performance of the local stock market was considered to be a key consideration for investment outlook. Majority of over 40 investors (92%) said that major movements in the Hong Kong stock market indices would impact their decision-making for investments. Millennials were even more fixated on local stock market volatility, almost all (96%) saying that their investment decisions would depend on movements in domestic equities.

Additionally, 84% of older investors agreed that the Hong Kong dollar should continue to be pegged to the USD.

## Living in fear of a 2008 style crisis

Hong Kong had the highest percentage of investors in Asia who expressed the concern that "the world economy is on the brink of another financial crisis akin to GFC in 2007/8". 80% of over 40 and 78% of millennial investors appear to be still living in the shadow of the last financial crisis.

Only 55% of over 40 investors were optimistic about investments, notably more pessimistic than their global and Asian peers (75%). In fact, their optimism has been trending down over the past few years, off from 80% in 2015 and 83% in 2014. Millennials were even more pessimistic. Only 38% said that they are positive on investments in 2016. 69% of older investors and 64% of millennials even believed that investing in the markets is basically "gambling".

Their bleak view was driven by global economic instability and China's slowdown. Global economic instability was ranked by older investors (38%) as the top issue that will derail their investment progress, up from 23% in 2015. 29% of the millennials shared the same concern.

19% of over 40 investors were concerned about Hong Kong's political situation and the impact of US interest rates on the local economy.

## Low tolerance for risk

Around two-thirds (62%) of over 40 investors and 55% of millennials identified themselves as 'long-term' investors, however, they are the most skittish in Asia. Older investors would sell a large portion of equities in their portfolio when there is an average of 17% decline in the financial markets, indicating that they have the lowest threshold for volatility among global (22.6%) and Asian (23%) peers.

Almost six in ten (57%) older investors and (58%) millennials would sell a product that was declining in value for a consecutive period of 6 months or less than. Only 14% of Hong Kong over 40 investors and 13% of millennials would remain invested in an underperforming product for three years or more.

"Clearly Hong Kong investors are very focused on the short-term result. It is important to stay invested longer, especially in today's volatile market." said Freeman Tsang, Hong Kong-based Director at Legg Mason Global Asset Management. "Based on historical data, markets have favoured the investor who takes a long-term approach. Investors can consider managed volatility strategies that provide equity growth with lower correlation to equity markets.

## China out of favour with Hong Kong millennials

Hong Kong investors continued to lead in international investing. Hong Kong has a higher percentage (88%) of older investors with investments outside of their home market, compared to Asian peers (78%). The majority of millennials (85%) were also invested internationally.

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Over 40 investors ranked China as the best investing opportunity (63%) and the U.S. as the second best (36%). Millennials held similar views, with 45% indicated that U.S. is the best market for investment. However, their interest in China is significantly lower, with only 40% ranking China as the best market.

Investors' appetite for investing in China was reflected in their attitudes towards the Shanghai-Hong Kong Stock Connect scheme. While almost half (47%)of older investors said that they have used the scheme, or plan to use it in the next 12 months, 67% of millennials said that they have no intention of utilizing the service.

"It is encouraging to see that investors are overcoming home bias and spreading investments across multiple markets. Diversification is key to navigate the difficult market environment, which we expect to remain a major challenge in coming years," Ajay Dayal, Investment Director at Legg Mason Global Asset Management said.

Strong desire for income persists

The search for yield remained a dominant theme for Hong Kong investors, as interest rates have remained low over the past years. Investors over 40 were seeking an average 7.7% return on income producing investments. However, their expectation levels have been falling over the past few years, off from 7.8% in 2015, 8.3% in 2014 and 9.1% in 2013.

The majority (68%) of older investors and (71%) millennials believed that another interest rate rise will take place within the next two years.

"Globally we continue to see a search for income, especially in Asia. However, for many investors, generating income is challenging in an uncertain rate environment," said Rick Andrews, Managing Director and Head of International Marketing at Legg Mason Global Asset Management. "We recommend that investors hedge the investment risk against rising interest rates by diversifying their portfolio and looking beyond traditional fixed income and equity asset classes."

Countries/markets that Hong Kong over 40 investors believe represent the best investment opportunities over the next year were:

1. China (63%)
2. United States (36%)
3. Japan (29%)
4. Singapore (28%)
5. India (27%)

Average asset allocation among all Hong Kong older respondents was:

- 25.4% equities
- 24.9% cash or cash equivalents
- 16.5% investment in real estate
- 13.6% fixed income

- 8.6% non-traditional investments
- 6.6% gold/precious metals
- 4.6% other

Top five investments that over 40 investors in Hong Kong believe offer the best opportunities over the next twelve months were:

1. Domestic stocks (71%)
2. Cash (52%)
3. International stocks (46%)
4. International bonds (38%)
5. Domestic bonds (35%)

**END**

**About the Legg Mason Global Investment Survey**
Northstar Research Partners conducted the fourth annual Legg Mason Global Investment Survey, an online study among 5,370 high net worth investors with a minimum of US$200,000 in investable assets not including their home, including 4,103 aged 40-75 and 1,267 Millennials (aged 18-39), providing the most comprehensive insight into the next generation of high net worth individuals (HNWIs) globally. Fielding was conducted through an online survey between December 3, 2015 and January 8, 2016. Please visit (www.leggmason.com.hk) for full methodological notes.

**About Legg Mason**
Legg Mason is a global asset management firm with US$656.7 billion in AUM as of February 29, 2016. 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).

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