Search for Income

Where and how to earn extra income?

I need additional income but don't have the time and energy to do a part time job. Are there any ways to earn income from the money I have?

There are plenty of ways to generate income in the investment world. The most intuitive way is bank deposits. Having said that, in Hong Kong, saving interest rates have been extremely low. Another common income source in Hong Kong is to rent out a property, but the extremely high prices and the tightened regulations on owning a property have made this investment much less feasible than before. Handling and managing tenants yourself also takes time and effort.

Are bond investments worth considering? Does it provide regular income streams?

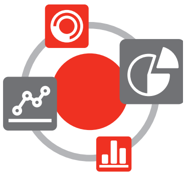
Usually, bond investments offer regular income in the form of coupons. You can hold the bond until it expires or sell it prior to the expiry date (i.e. maturity date). However, some bonds are more liquid (easier to buy and sell in the secondary market) than others and a lack of liquidity can result in price volatility. Buying individual bonds also means you are responsible for researching and monitoring the financial stability of the issuer. Last but not least, you do not want to put all your money into a single bond, since there is a risk of default even on high quality bonds. Alternatively, bond funds invest in many individual bonds and provide diversification for a relatively small investment amount.

How about buying high dividend stocks? I heard that some listed companies pay dividends regardless the economy is good or bad.

Dividend stocks could be an attractive investment to generate decent income over the long haul. However, there are hundreds of dividend stocks in the Hong Kong stock market. It is not an easy task for an investor to analyse individual stocks. In addition, investing in Hong Kong stocks alone will probably make one's portfolio too concentrated in this particular market. Similar to bond funds, some equity funds invest in many individual high dividend stocks across different markets and provide the benefit of diversification. Managed by professionals, investment funds save you the effort to research and pick individual stocks on your own.

HSBC
Global Asset Management

To make it more convenient for myself, is there an investment option with decent income potential, easy access as well as diversification benefits across different asset classes (e.g. bonds and stocks)?



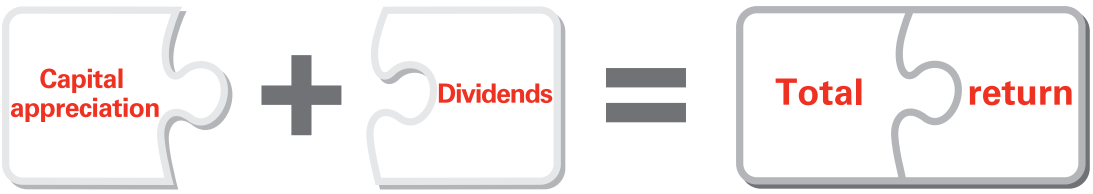
There are a diverse range of investment funds in the market that aim to pay dividend to investors. If you prefer to capture investment opportunities across different asset classes, multi-asset funds could be a good option. A multi-asset approach helps capture opportunities in different phases of the economic cycle across asset classes. For certain funds, monthly dividend share classes are available, which aim for a potential income stream. The security selection process of these funds usually focuses on income generation while aiming to generate sustainable long-term returns.

What are the risks and points to note when making investments in funds?

Making investment is not the same as placing money on deposit with a bank. You need to understand and bear the risks of the relevant investment, including the risk of losing the principal you invested. For example, different bond funds have different risk levels, and you need to bear the risks of the bonds invested by the funds. Meanwhile, stocks generally are subject to higher risk and volatility than bonds, and may only be suitable for investors who can tolerate a higher risk level. When you are investing in equity funds, you also need to bear the risks of stock investments. Last but not least, you are advised to study the offering documents of a fund carefully to understand the features of the fund such as its investment objective, risk factors and distribution policy, in order to select a fund which can match with your own investment objective and risk profile.

Fund return drops when fund price drops?

The total return of a fund includes two elements:



Looking at the net asset value (NAV) performance of the fund alone is not the best way to evaluate the return on your investment, the hypothetical example below shows Fund A recorded a loss of 2.07% in NAV performance during the period, but it actually delivered a positive total return at 1.66%, as it paid out a 3.73% dividend during the year.

Below is a hypothetical example for illustrative purpose only:

	NAV bought at the beginning of the year	NAV sold at year end	Return during the holding period
NAV (100 units)	US$924.10	US$904.90	-US$19.20 (-2.07%)
+ Dividend payout (100 units)			US$34.50 (3.73%)
= Total return			**US$15.30 (1.66%)**

What do you need to know about dividend distribution?

While dividend is one of the elements in evaluating the fund performance, investors should take note of dividend paying features which may affect the total return:

- After a fund distributes dividends, the NAV of the fund will immediately drop
- When a fund pays out dividends, the source of each dividend payout may be different. Some funds pay out dividends that are not from net distributable income, but from capital
- If a fund pays out dividends from capital, this means a part of an investor's original investment will be withdrawn and will result in capital erosion
- A positive distribution yield does not imply that there will be a positive fund return. Moreover, dividends and regular distribution are usually discretionary and not guaranteed

Issued by HSBC Global Asset Management (Hong Kong) Limited