Women and Investment: An Uprising and How to Get Started

The pandemic has been a life-changing experience for everyone, some people picked up a new hobby and some leaned into investments. Our recent research shows that Asian mass affluent women have been actively leaning into diversifying their strategy across different asset classes and markets.

To have a better understanding of whether the level of confidence, preferred asset class, preferred sector or risk appetite has changed since the onset of COVID-19 for female, we looked into the investment behavior of mass affluent women in Hong Kong, Singapore and mainland China.

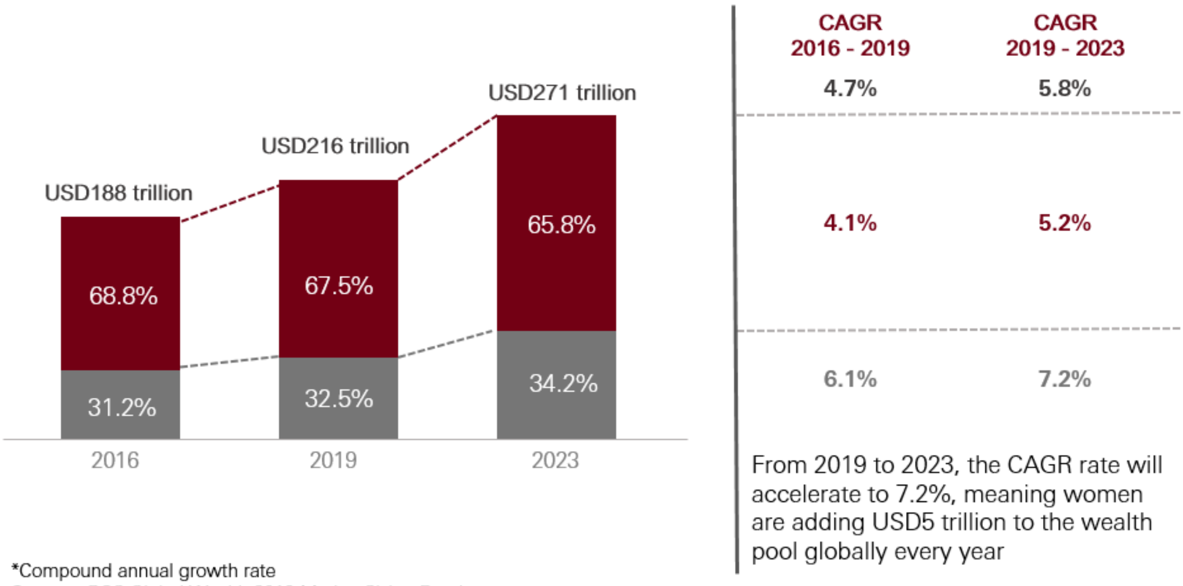
"Our study showed that Asia's mass affluent women are becoming more financially savvy, confident and active in their investments," explains Jenny Wang, Global and Regional Head of Personal Banking and Premier Wealth Solutions, HSBC. "Whichever life stage they are at, they are becoming more financially independent, and their aspirations for themselves, their families and the future are growing.[1]"

More women are investing than ever before. What can we learn from their success?

This brings to light many conventional thinking in relation to female investors. One example of women being too risk-adverse, is long gone. The gender gap when it comes to investment is evidently narrowing. Recent studies have shown how women invest just as much in shares as men in the same income brackets or when their experience of investing is similar.

[1] HSBC analysed over 378,000 mass affluent female consumers with least US$120,000 in liquid financial assets in mainland China, Hong Kong and Singapore between January 2019 and December 2021 to understand how their investment behaviour changed since the onset of COVID-19 in terms of level of confidence, preferred asset class, preferred sector, risk appetite

From 2019 to 2023, Women's Wealth Should Grow by a CAGR* of 7.2%



*Compound annual growth rate
Source: BCG Global Wealth 2019 Market Sizing Database

Millions more women are taking control of their financial future. Partly as a response to the uncertainties brought by COVID-19, and the increase in digital apps make it easier to set up investment accounts. Yet the trend actually pre-dates the pandemic, with women adding at least $5 trillion to the global wealth pool every year[2].

Indeed, one of the most compelling reasons for more women to launch their own investment portfolios is that they often get better results than men.

So says a steady stream of research, including a study from Warwick Business School in the UK, which concluded that women were outperforming men by 1.8% in annual returns[3].

Another review by Fidelity, an international asset manager, claimed that its female customers were making an average of 0.4 percentage points more on an yearly basis than their male counterparts[4].

The differences may not seem like much but it adds up to a substantial amount over extended periods of time.

With all of these proof points that female investors are gaining traction, if you're looking to start investing, you may be asking how and where do you begin?

Four tips for first-timers in getting ahead

[2] Boston Consulting Group, Managing the Next Decade of Women's Wealth, April 2020

[3] 'Are Women Better Investors than Men?" Warwick Business School, June 2018

[4] Fidelity Women & Money Survey, May 2017

Until you find your own footing and coming to an investment strategy you're comfortable with, here are four ways on how you may get started, taking tips from female investors who have already succeeded.

Start investing as early as you can. Starting early unleashes the power of compounding, which supercharges your returns over the longer term. And it can be even more significant for women, who tend to live longer than men – nearly six years more in the case of people in Hong Kong[5] – which translates to a longer period of retirement to fund.

"For first time investors, I observed a tendency to rush into investing as each one of the opportunities looked exciting. Very soon, you will realise that you run out of capital when a great investment opportunity presents itself. Do pace yourself and don't fall into the trap of herd investing," advises Maggie Ng, Head of Wealth and Personal Banking at HSBC Hong Kong.

Choose a balanced strategy. Building a diversified portfolio protects your wealth when the market sells off. Experts claim that women cope with stormy conditions better than men, who take more risk for the chance of bigger returns but lose more on the downside because of the volatility of their investments. Women also keep their cool better in downturns, with suggestions that they are about 25% less likely to sell down their investments in moments of crisis than men[6].

Invest with specific goals in mind. Women often prefer to set objectives around life goals, such as securing the funds for a child's education or a future home. Men are more likely to focus on quantitative targets like beating benchmarks, which can distract from a longer-term plan. Women are more likely to see wealth as a means to an end, not as an end in itself, which helps in putting together a plan for the different stages of their lives.

Do your research and seek professional advice. Women tend to set their goals with a higher degree of confidence, wanting the time and data to research their investment choices properly. They are also more prepared to ask for expert advice, another factor in achieving better returns.

Looking to start your investment journey or explore your strategy? You may wish to contact HSBC Premier today to speak with our relationship managers.

[5] Hong Kong Centre for Health Protection, 2019
[6] 'Are women changing the way they think about investing?' Nutmeg survey, February 2021

(Expandable tab)

Risk disclosures

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Currency conversion risk – the value of your foreign currency and RMB deposits will be subject to the risk of exchange rate fluctuation. If you choose to convert your foreign currency and RMB deposits to other currencies at an exchange rate that is less favourable than the exchange rate in which you made your original conversion to that foreign currency and RMB, you may suffer loss in principal.

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Unit Trusts

- In the worst case scenario, the value of the funds may be worth substantially less than the original amount you invested (and in an extreme case could be worth nothing).
- Funds which are invested in certain markets and companies (eg emerging markets, commodity markets and smaller companies) may also involve a higher degree of risk and are usually more sensitive to price movements.
- Credit Risk/Interest Rate Risk – a fund that invests in fixed income securities may fall in value if interest rates change, and is subject to the credit risk that issuers may not make payments on such securities. Price of the fund may have a high volatility due to investment in financial derivative instruments and may involve a greater degree of risk than is the case with conventional securities.
- Counterparty Risk – a fund will be exposed to credit risk on the counterparties with which it trades in relation to financial derivative instrument contracts that are not traded on a recognised exchange. Such instruments are not afforded the same protections as may apply to participants trading financial derivative instruments on organised exchanges, such as the performance guarantee of an exchange clearing house. A fund will be subject to the possibility of insolvency, bankruptcy or default of a counter party with which a fund trades such instruments, which could result in substantial loss to a fund.

Bonds/CDs

- Bonds and CDs are mainly for medium to long-term investment, not for short-term speculation. You should be prepared to invest your funds in bonds/CDs for the full investment tenure; you could lose part or all of your investment if you choose to sell bonds/CDs prior to maturity.
- It is the issuer to pay interest and repay principal of bonds/CDs. If the issuer defaults, the holder of bonds/CDs may not be able to receive back the interest and principal. The holder of bonds/CDs bears the credit risk of the issuer and has no recourse to HSBC unless HSBC is the issuer itself.
- Indicative prices of bonds/CDs are available and bond/CD prices do fluctuate with market changes. Factors affecting the market price of bonds/CDs include, and are not limited to, fluctuations in Interest Rates, Credit Spreads and Liquidity Premiums. The fluctuation in yield generally has a greater effect on prices of longer tenure bonds/CDs. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling bonds/CDs.
- If you wish to sell bonds/CDs, HSBC may repurchase them based on the prevailing market price under normal market circumstances, but the buying price may differ from the original selling price due to changes in market conditions.
- There may be exchange rate risks if you choose to convert payments made on bonds/CDs to your home currency.
- The secondary market for bonds/CDs may not provide significant liquidity or may trade at prices based on the prevailing market conditions and may not be in line with the expectations of holders of bonds/CDs.
- If bonds/CDs are redeemed early, you may not be able to enjoy the same rates of return when you re-invest the funds in other investments.
- Renminbi related products Risk Disclosure
    - There may be exchange rate risks if you choose to convert RMB payments made on the bonds to your home currency.
    - RMB debt instruments are subject to interest rate fluctuations, which may adversely affect the return and performance of the RMB products.
    - RMB products may suffer significant losses in liquidating the underlying investments if such investments do not have an active secondary market and their prices have large bid/ offer spreads.

- You could lose part or all of your investment if you choose to sell your RMB bonds prior to maturity.

Stocks

- Investment involves risk. You should carefully consider whether any investment products or services mentioned herein are appropriate for you in view of your investment experience, objectives, financial resources and relevant circumstances. The price of stocks securities may move up or down. Losses may be incurred as well as profits made as a result of buying and selling stocks securities.
- The Bank does not provide investment advice. Investment involves risk. The price of stocks may move up or down.
- Losses may be incurred as well as profit made as a result of buying and selling stocks.

Exchange Traded Funds (ETFs)

- ETFs are typically designed to track the performance of certain indices, market sectors or groups of assets such as stocks, bonds or commodities. ETF managers may use different strategies to achieve this goal, but in general they do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.
- You are exposed to the political, economic, currency and other risks related to a synthetic ETF's underlying index.
- You may be exposed to tracking errors (ie the disparity in performance between an ETF and its underlying index/assets), due to, for instance, failure of the tracking strategy, currency differences, fees and expenses.
- Where an ETF invests in derivatives (ie a synthetic ETF) or by using total return swaps to replicate the index performance, customers are exposed to the credit risk of the counterparties who issued the derivatives, in addition to the risks relating to the index. A synthetic ETF may suffer losses equal to the full value of the derivatives issued by the counterparty upon its default or if such counterparty fails to honour its contractual commitments.
- Where the index/market that the ETF tracks is subject to restricted access, the efficiency in unit creation or redemption to keep the price of the ETF in line with its net asset value (NAV) may be disrupted, causing the ETF to trade at a higher premium or discount to its NAV. Investors who buy an ETF at a premium, or sell when the market price is at a discount to NAV, may sustain losses.
- ETFs can be illiquid. Although most ETFs are supported by one or more market maker, there is no assurance that active trading will be maintained. In the event that the market makers default or cease to fulfil their role, investors may not be able to buy or sell the product. A higher liquidity risk is involved if a synthetic ETF involves derivatives which do not have an active secondary market. You may suffer a loss with wider bid-offer spreads in the price of the derivatives. Even where collateral is obtained by an ETF, it is subject to the collateral provider fulfilling its obligations. There is a further risk that when the right against the collateral is exercised, the market value of the collateral could be substantially less than the amount secured resulting in significant loss to the ETF.
- There can be no guarantee that an ETF will fully replicate its underlying index and may hold non-index assets. The ETF manager's strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. In addition, the manager has absolute discretion to exercise unit holders' rights with respect to the constituents of the ETF.
- The creation and redemption of units of an ETF may only be effected through participating dealers. Participating dealers will not be able to create or redeem units during any period when, among other things, dealings on the relevant exchange are restricted or suspended, settlement or clearing of securities through the clearing system is disrupted or the underlying index is not compiled or published. In addition, as the number of participating dealers at any given time will be limited, there is a risk that investors may not always be able to create or redeem units freely.
- Investors and potential investors will not be able to buy, nor will investors be able to sell, units on the relevant exchange during any period in which trading of the units is suspended. An exchange may suspend the trading of units whenever it determines that it is appropriate in the interests of a fair and orderly market to protect investors. The subscription and redemption of units may also be suspended if the trading of units is suspended.
- The underlying index of an ETF is subject to fluctuations. Composition of and weightings in the underlying index may change. The price of ETF units may rise or fall as a result of such changes. An investment in units will generally reflect the underlying index as its constituents change from time to time, and not necessarily the way it is comprised at the time of an investment in the units. In addition, there can be no guarantee that a particular ETF will at any given time accurately reflect the composition of the relevant underlying Index.
- The index providers do not have any obligation to take the needs of the ETF manager or investors into consideration in determining, composing or calculating the relevant underlying index. The process and the basis of computing and compiling each underlying index and any of its related formulae, constituent companies and factors may at any time be changed or altered by the index providers without notice. Consequently, there can be no guarantee that the actions of an index provider will not prejudice the interests of the relevant ETF, manager or investors.
- As an ETF manager is normally granted a licence by each of the index providers to use the relevant underlying index, an ETF may be terminated if the relevant licence agreement is terminated, or if the relevant underlying index ceases to be compiled or published. Further, a regulator reserves the right to withdraw the authorisation granted to an ETF or impose such conditions as it considers appropriate and such withdrawal may make it illegal, impractical or inadvisable to continue an ETF.
- Investors trading ETFs with underlying assets not denominated in local currencies are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the ETF price.

Deposit Plus

- Not a time deposit – Deposit Plus is NOT equivalent to, nor should it be treated as a substitute for, time deposit. It is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.
- Derivatives risk – Deposit Plus is embedded with FX option(s). Option transactions involve risks, especially when selling an option. Although the premium received from selling an option is fixed, you may sustain a loss well in excess of such premium amount, and your loss could be substantial.
- Limited potential gain – The maximum potential gain is limited to the interest on the deposit.

- Maximum potential loss – Deposit Plus is not principal protected. You must be prepared to incur loss as a result of depreciation in the value of the currency paid (if the deposit is converted to the linked currency at maturity). Such loss may offset the interest earned on the deposit and may even result in losses in the principal amount of the deposit.
- Not the same as buying the linked currency – Investing in Deposit Plus is not the same as buying the linked currency directly.
- Market risk – The net return of Deposit Plus will depend upon the exchange rate of the deposit currency against the linked currency prevailing at the deposit fixing time on the deposit fixing date. Movements in exchange rates can be unpredictable, sudden and drastic, and affected by complex political and economic factors.
- Liquidity risk – Deposit Plus is designed to be held until maturity. You do not have a right to request early termination of this product before maturity.
- Credit risk of the Bank – Deposit Plus is not secured by any collateral. When you invest in this product, you will be relying on the Bank's creditworthiness. If the Bank becomes insolvent or defaults on its obligations under this product, you can only claim as an unsecured creditor of the Bank. In the worst case, you could suffer a total loss of your deposit amount.
- Currency risk – If the deposit currency and/or linked currency is not your home currency, and you choose to convert it back to your home currency upon maturity, you may make a gain or loss due to exchange rate fluctuations.
- Risks relating to RMB - You should note that the value of RMB against other foreign currencies fluctuates and will be affected by, amongst other things, the PRC government's control (for example, the PRC government regulates conversion between RMB and foreign currencies), which may adversely affect your return under this product. The value of your investment will be subject to the risk of exchange rate fluctuation. In case you receive RMB as Linked Currency at maturity and you choose to convert your maturity proceed to other currencies, you may suffer loss in principal. This product will be denominated (if Deposit Currency being RMB) and settled (when receive RMB at maturity) in RMB deliverable in Hong Kong, which is different from that of RMB deliverable in Mainland China.

Capital Protected Investment Deposits (CPIs)

- Not a time deposit – this product is NOT equivalent to, nor should it be treated as a substitute for, a time deposit. It is NOT a protected deposit and is NOT protected by the Deposit Protection Scheme in Hong Kong.
- Derivatives risk – this product is embedded with FX option(s). Option transactions involve risks. If the exchange rate of the currency pair performs against expectation at the fixing time on the fixing date, you can only earn the minimum pay-out of the structure, or can only earn zero/the minimum pay-out of the structure.
- Limited potential gain – the maximum potential gain is limited to the higher pay-out on the deposit less the principal amount or the sum of the coupons of the deposits, when the exchange rate of the currency pair at fixing moves in line with your anticipated direction.
- Not the same as buying the linked currency – investing in this product is not the same as buying the linked currency directly.
- Market risk – the return of this product will depend upon the exchange rates of the currency pair against the trigger rate at the fixing time on the fixing date. Movements in exchange rates can be unpredictable, sudden and drastic, and affected by complex political and economic factors. You must be prepared to take the risk of earning the lower pay-out/no return (if the exchange rate performs against expectation) on the money invested.
- Liquidity risk – this product is designed to be held until maturity. You do not have a right to request early termination of this product before maturity. Under special circumstances, the Bank has the right to accept your early redemption request at its sole discretion and on a case by case basis. The Bank will provide an indication of the redemption price upon such request. Your return upon such early redemption will likely be lower than that if the deposit were held until maturity, and may be negative.
- Credit risk of the Bank – this product is not secured by any collateral. When you invest in this product, you will be relying on the Bank's creditworthiness. If the Bank becomes insolvent or defaults on its obligations under this product, you can only claim as an unsecured creditor of the Bank. In the worst case, you could suffer a total loss of your deposit amount.
- Currency risk – if the deposit currency is not your home currency, and you choose to convert it back to your home currency upon maturity, you may make a gain or loss due to exchange rate fluctuations.
- Risk of early termination by the Bank – the Bank shall have the discretion to uplift a Deposit or any part thereof prior to the Maturity Date (subject to the deduction of such break costs or the addition of such proportion of the return or redemption amount, which may result in a figure less than the original principal amount of the Deposit) if it determines, in its sole discretion, that this is necessary or appropriate to protect any right of the Bank to combine accounts or set-off, or any security interest, or to protect the Customer's interests.
- Risks relating to RMB – you should note that the value of RMB against other foreign currencies fluctuates and will be affected by, amongst other things, the PRC government's control (for example, the PRC government regulates conversion between RMB and foreign currencies), which may adversely affect your return under this product when you convert RMB into your home currency. The value of your RMB deposit will be subject to the risk of exchange rate fluctuation. If you choose to convert your RMB deposit to other currencies at an exchange rate that is less favourable than that in which you made your original conversion to RMB, you may suffer loss in principal. This product (if denominated in RMB) will be denominated and settled in RMB deliverable in Hong Kong, which is different from that of RMB deliverable in mainland China.
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