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HSBC launches its first AI powered equity index products in Malaysia

New index series to empower investors who want to invest in US equity during periods of high market volatility

HSBC Amanah Malaysia Berhad (“**HSBC**”) launched the AI Powered US Equity 5 Index (AiPEX5) suite of structured products in Malaysia, the bank’s first to use artificial intelligence (AI) as a method in equity investing. The new index is especially relevant to investors in the country through this period of financial market unpredictability as it is able to identify companies whose stock prices are poised for growth while managing draw-down risk during times of high market volatility.

AiPEX5 aims to generate positive long-term returns and build wealth for investors by using the latest techniques in AI. By processing data thousands of times faster than humans and working around the clock, AiPEX5 attempts to gain an informational advantage over the rest of the market and continues to learn and adapt as markets evolve and new information becomes available.

- **Informational Advantage:** The AI Powered US Equity Indexes are the first and only rules-based equity strategies to use IBM Watson¹ to continuously analyse and learn from millions of pieces of structured and unstructured data each day, and turn the data into investment insight
- **Well-Established Stock Selection Principles:** AiPEX5 selects stocks by applying AI driven insight to improve on fundamental equity portfolio management techniques
- **Volatility Control:** Risk of loss increases when there are more rapid movements in the market. AiPEX5 incorporates a daily volatility control mechanism to reduce exposure to equities when markets are unstable.

“In today’s highly volatile markets compounded by the impact of the Covid-19 pandemic, investors need strategies that focus on providing steady returns at a reduced risk. However, successful investment strategies must keep up with the growing amount of data being generated each day. AiPEX5 simulates a team of thousands of analysts and traders working around the clock to learn from millions of pieces of information and identify potential investment opportunities. This not only empowers clients to keep up with their investments, but thrive in an increasingly complex world of change”, said Alvin Kong, Head of Global Markets, HSBC Malaysia.

“For investors seeking to grow their wealth by investing in equities, the birth of Big Data signifies an unprecedented opportunity. Each new piece of data represents a new possible insight on a company or the markets that can potentially lead to better investment decisions. By investing in this structured product, investors will gain

¹ Watson is IBM’s suite of enterprise-ready AI services, applications, and tooling. For more information about IBM Watson, please visit www.ibm.com/watson

exposure to strategies that learn and evolve over time and do not rely exclusively on pre-programed, backward-looking and fixed measurements like most other quantitative indices in the market today. AiPEX5 is forward-looking and works by synthesizing all available information in the past and present, in real time”, said Tara Latini, Head of Wealth and Personal Banking, HSBC Malaysia.

The AiPEX family of indices, which AiPEX5 is a part of, was developed by EquBot² and leverage the AI capabilities of EquBot and IBM Watson™ to ingest and learn from the vast amounts of publicly available and continuously generated data points. Data points could include a company announcement, a tweet, a satellite image of a store parking lot, or even the tone of language a CEO uses during an earnings presentation.

Applying what has been learned through Big Data and AI, AiPEX5 uses a rules-based process to objectively evaluate each of the 1,000 largest U.S. publicly traded companies. AiPEX5 rebalances its equity portfolio monthly, and to manage short-term volatility, reallocates between the equity portfolio and cash component on a daily basis. AiPEX5 selects companies with stock prices that may be poised for growth according to an objective selection process that is similar to a fundamental equity research approach, only thousands of times faster and broader in scope.

HSBC Group is the exclusive licensee of AiPEX5, and is offering a variety of investment solutions based on the indices to its clients globally. Products linked to the AiPEX family indices have also been launched by HSBC in the US and in Singapore.

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HSBC Malaysia

HSBC's presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited established its first office in the country on the island of Penang, with the permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, founding member of the HSBC Group. In 2007, HSBC Bank Malaysia was the first foreign bank to be awarded an Islamic banking subsidiary licence in Malaysia, namely HSBC Amanah Malaysia Berhad. Today, HSBC Malaysia has a network of 67 branches nationwide, of which 26 are HSBC Amanah Malaysia Berhad branches. HSBC Malaysia offers a comprehensive range of banking and financial services including Islamic financial solutions. HSBC Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition on supported mobile phones.

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 64 countries and territories in its geographical regions: Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US\$2,923bn at 30 June 2020, HSBC is one of the world's largest banking and financial services organisations.

² EquBot offers compelling global financial technology solutions powered by artificial intelligence (AI) and machine learning (ML). For more information about EquBot, please visit www.equbot.com.