Amanah
Islamic Financial Solutions

HSBC PREMIER

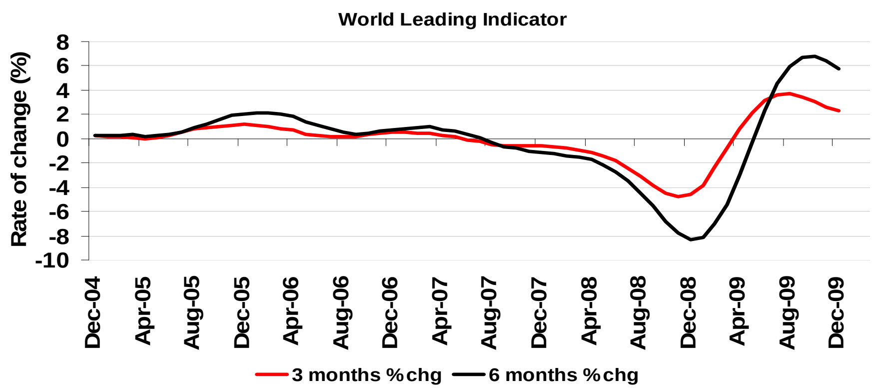
March 2010

Global Investment Perspective

Global equities rebounded in February following a sharp fall in January. The MSCI World Index rose by 2.0% in February, recouping part of January's losses when global equities fell by 3.6%.

Pace of recovery could ease

From a macroeconomic perspective, there is further evidence of recovery across a number of countries, primarily in emerging market economies, which are likely to continue to lead the global turnaround. However, there are signs that leading economic indicators have now peaked in most markets (see chart below). Furthermore, rising public debt in developed economies, with Greece dominating the news flow over the month, may weigh on the outlook for economic growth, as government may need to curb public spending to maintain their credit quality. These concerns, combined with the potential acceleration of monetary tightening in China and India, adds to the challenges that still face a sustainable long-term recovery.



Source: All data and charts are sourced from Datastream, Bloomberg, Barclays Capital, HSBC Global Asset Management,26 February 2010

Our View…

As a result of investors' sentiment and growth concerns, we maintained our preference for defensive sectors, such as healthcare and telecommunication services, over financials and cyclical stocks.

Among emerging markets, we continue to see potential in Turkish equities. Turkey has been experiencing significant volatility as a result of the revelation and planned military coup in 2003. However, the risks seem to be largely priced in, making valuations highly attractive, as Turkey has underperformed emerging markets overall. Furthermore, regarding Latin American equity markets, we maintain our positive stance versus Emerging Asian equities, as fundamentals continue to be supportive.

Within fixed income, we maintain our neutral position in government bonds over cash, as valuations for the former reflect the risks of higher issuance and normalisation of monetary policy. From a shorter-term perspective, regarding sovereign debt, while there is concern Greece's credit rating could be downgraded if the government fails to contain Greece's debt, the risks appear to be adequately priced in.

Markets

US

Mixed Economic Outlook, Easing Pace Of Recovery And Risk Of Negative Earnings Surprises Prompt Cautious View

- The US outlook remains mixed. There is clear evidence of faster economic growth, but little progress made in deficit and unemployment reductions. Overall, we reiterate our moderately cautious view on equities for the US and elsewhere, and maintain our preference for defensive sectors versus cyclical stocks

Europe

Record Unemployment And Weak Consumption Support View Of Anaemic Growth For 2010

- Elevated levels of unemployment and weak consumption continued to support our view of anaemic growth in 2010. But, given the support due to the high level of market liquidity, we recommend only a moderately cautious stance on European equities and maintain our moderate underweight versus cash

Japan

Weak Spending And High Unemployment Mean A Sustainable Recovery May Be Difficult To Achieve

- Consumer spending remains weak and unemployment is still high, adding to the deflation problem in Japan. That said, the government has committed to provide economic support throughout 2010. Therefore, liquidity levels are likely to remain a positive factor in 2010. We maintain a moderately cautious view on the asset class and expect Japan to perform in line with other developed markets

Emerging Markets

Maintain Preference For Latin American And Turkish Equity On Valuations

- From a macroeconomic perspective, emerging markets are likely to continue to lead the recovery. However, emerging market equities are trading well above the bargain levels of early 2009. We maintain our preference for Latin American equities over emerging Asia. In addition, we continue to like Turkish equities on valuations, while we acknowledge that political tension is likely to be a source of volatility

Asia ex Japan

Optimistic Earnings Growth Projections And Concern Of Acceleration in Monetary Tightening Represent Risk For Disappointment

- The outlook for Asia-ex Japan remains positive. Nevertheless, there is growing concern regarding a potential acceleration in monetary tightening, which could slow the pace of recovery. Therefore, we maintain a moderately underweight allocation to Asia ex-Japan relative to cash. That said, liquidity remains highly supportive for equity markets as globally central banks are likely to keep rates low

Indonesia

Economic Outlook Continue Supporting This Asset Class but Recent Domestic News May Create Short-Term Volatility

- Domestic political news particularly those related to Bank Century case has been pressuring market and drove investors to do *wait-and-see.* However, market and analysts viewed that this condition may only create short-term volatility. Positive economic outlook and the strengthening in rupiah, may drive overseas fund to continue flowing into the nation's equity market and support this asset class in a longer term. At such, we continue maintaining neutral overweight portion on Indonesian equities.

Sukuk

GCC

- Shuaa GCC Investor Confidence Index slips 7.8% to 105.6 in February - The GCC Investor Confidence Index fell 8.9 points in February as uncertainty around the Dubai World debt restructuring plans weighs on investor sentiment. Investors are erring on the side of caution and are not over confident towards the UAE and wider GCC. However, it is important to note that the six month investor outlook for the GCC's economic performance as a whole remains in positive territory. This indicates that despite short term uncertainty, investors expect economic conditions in the GCC to improve within the next six months.

- New warnings about debt levels at six companies controlled by the Abu Dhabi Government could raise pressure on the emirate to slow the pace of development as it grapples with the unanticipated effects of Dubai's financial travails. Moody's Investors Service lowered beginning of March 2010, its assessment of the creditworthiness of Abu Dhabi National Energy (Taqa), Aldar Properties, Dolphin Energy, the International Petroleum Investment Company, Mubadala Development and the Tourism Development and Investment Company. Moody's also lowered its credit rating for Etisalat, which is controlled by the Federal Government. Moody's warned of the risk of a downgrade in December, after Dubai requested a standstill from Dubai World's creditors. Its decision to do so reflects growing concern that Dubai's troubles not only place a long-term financial burden on Abu Dhabi and the rest of the UAE, but also that they have begun to weigh on economic growth in a way that oil wealth may not be able to completely offset. What appeared to worry Moody's was that the Dubai World decision demonstrated the potential for selective or strategic default.

- DAAR International Sukuk Company announced periodic coupon distribution amounting to USD 3,420,000.00 for the period commencing 8 December, 2009 till 7 March, 2010. The periodic coupon distribution is based on 3 Month Libor (0.280 calculated on 4 December, 2009) plus a profit margin of 2%.

- The Central Bank of Bahrain (CBB) announced that the monthly issue of the Sukuk Al-Salam Islamic securities has been over subscribed. Subscriptions worth BD 56.8 million were received for the BD 12 million issue, which carries a maturity of 91 Days. The expected return on the issue, which begins on 3 March 2010 and matures on 2 June 2010, is 0.95%. The securities are issued by the CBB on behalf of the Government of the Kingdom of Bahrain.

- Dar Al-Arkan Real Estate Development Company, a leading residential real estate developer in the Kingdom of Saudi Arabia, successfully issued a US$450 million 5-year Sukuk. The Sukuk, which offers a yield of 11%, will be used to finance the company's current and future development projects. The transaction marks the first international issue out of the GCC region in 2010 and attracted significant interest from investors in the GCC, Europe, Asia and the United States, with Dar Al-Arkan opting to close the issue at US$450 million. As the first 144A issue by a company in Saudi Arabia, the landmark Sukuk made it possible for US investors to directly participate in a Saudi Arabia issue for the first time.

Asia

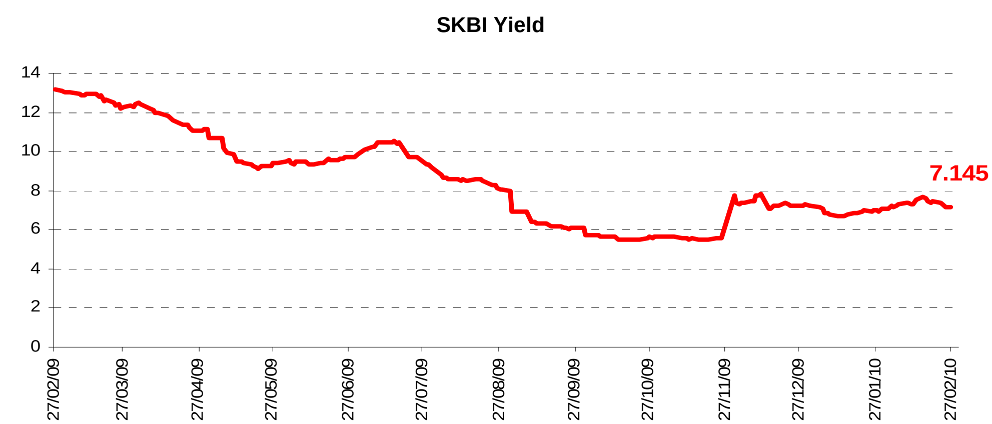
- According to the CIMB Group, sales of Islamic bonds may increase around 25% this year, led by Southeast Asia, as the region's expansion helps drag the world out of recession. Global sales of sukuk will probably reach $25 billion this year, according to the same source. Gulf issuance will fall after Dubai World's attempt to reschedule $22 billion of debt eroded investor confidence.

Amanah
Islamic Financial Solutions

HSBC PREMIER

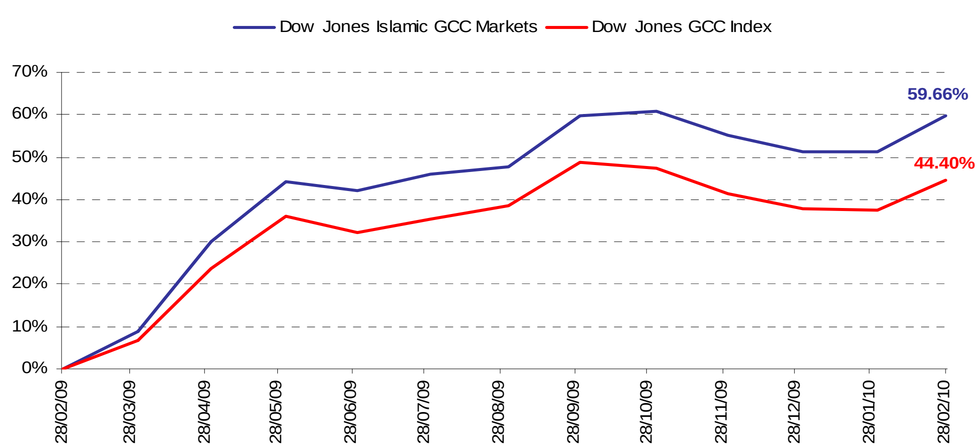
- Malaysia, which accounted for about half global sukuk sales in 2009, will continue to dominate the sales, followed by Indonesia, which has the world's largest Muslim population.
- During February 2010, the Islamic Bank of Thailand announced it plans to sell as much as 50 billion baht ($1.5 billion) of Islamic bonds in the third quarter to fund infrastructure projects.
- In February 2010, the Republic of Indonesia sold 3-year IDR 8 trillion (equivalent to $859 million) Sukuk to individual investors. Yield of the Sukuk at issuance was 8.7% per annum. HSBC was among the top-5 selling agents for this transaction.
- Malaysia has eased foreign ownership rules and approved new products as part of efforts to become a hub for Islamic financial products. It also plans to issue new Islamic banking licenses and two new permits to sell Islamic insurance.
- Thailand will introduce new rules in the first quarter to allow local companies to sell Islamic bonds for the first time to provide them with a new source of funding, the country's Securities and Exchange Commission said.

The HSBC SKBI yield stands at 7.145 as of 26 February 2010 compared to 7.093 as of end of January 2010.



Source: Bloomberg; SKBIAY figures as 26 February 2010 2010

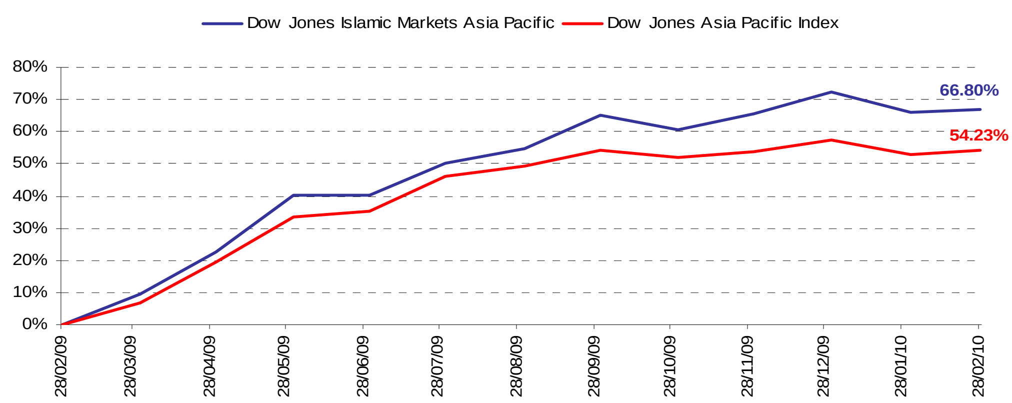
Main Indices Performance



Source: Bloomberg February 2010, USD

Amanah
Islamic Financial Solutions

HSBC PREMIER



Source: Bloomberg February 2010, USD

Performance Summary

Index	Performance 1 year End of February 2009 to End of February 2010
Dow Jones Islamic Markets World	50.90%
Dow Jones Global Index	55.57%
Dow Jones Islamic Markets Europe	48.95%
Dow Jones European Index	53.43%
Dow Jones Islamic Markets Asia Pacific	66.80%
Dow Jones Asia Pacific Index	54.23%
Dow Jones Islamic Markets Emerging Markets	85.92%
Dow Jones Emerging Markets Index	90.72%
Dow Jones Islamic Markets GCC	59.66%
Dow Jones GCC Index	44.40%

Source: Bloomberg February 2010, USD

Amanah
Islamic Financial Solutions

HSBC PREMIER

Commodity

Oil

Subdued Demand Is Likely To Keep Oil Trading In A Target Range Of US$65-85, Which We Have Revised Up from US$60-80

- Supply and demand dynamics are slowly improving, as are global growth prospects. As such, we have raised our target range for oil from US$60-80 per barrel to US$65-85 due to cyclical improvements. Risks to our view include a sharp fall in USD or an unexpected disruption to supply

Currency

USD

Maintain Neutral View Given Uncertainty On Growth Outlook

- Although the US Federal Reserve raised the discount rate in February, we retain the view that it will err on the side of caution in tightening monetary policy. Our recommendation is to maintain a neutral view on the USD, given the uncertainties surrounding the macroeconomic outlook for 2010 and that the major currencies are very comparable in terms of fundamentals, in particular they all offer very low yields on cash and whether the USD's inverse link with the 'risk trade' is still in place

EUR

Maintain Neutral Position As Resolution Of Greece Debt Issue Will Be A Major Swing Factor In The Short Term

- With inflation contained and growth still patchy, official interest rates will be kept low for a protracted period of time.
- In the EUR area as in other major developed countries, in the short term, currency movements are likely to be driven by newsflow around the Greek fiscal situation. We continue to have some conviction on longer term strengthening of the EUR against the GBP. However, the shorter term picture is unclear

GBP

Short-Term Volatility Likely Given UK Political Uncertainty And The Debt Issue Of Peripheral Eurozone Governments

- We retain the view that an underweight GBP position against the EUR is justified by the UK's fiscal position which is weaker than that of the major Eurozone countries. However, we recognise that both the GBP and EUR could be subject to short-term volatility given the political uncertainty in the UK and the fiscal difficulties of the peripheral Eurozone countries

JPY

Retain Neutral Position As Potential For Volatility Is High

- It is probably safe to assume that the authorities continue to hold the view that excessive JPY strength is not desirable for the Japanese economy. Nevertheless, there has been no market intervention or even any recent comments to this effect. As a result, the potential for volatility remains high and we therefore retain our neutral recommendation

IDR

Rising Foreign Reserve and Positive Economic Outlook are Supporting Rupiah

- Rising foreign reserve supported by improving global commodity prices that drove income on the nation's commodity export to increase, sent positive sentiment to rupiah in February. In addition, foreign inflow to the nation's equity and bond markets added support to rupiah. Expectation of faster economic growth this year and attractive yield spread, may drive rupiah to strengthen in a longer term. However, any negative news or sentiment from local and overseas, may drive volatility to rise in a short-term. At such, we continue maintaining our neutral overweight view for this currency.