

Harnessing Asia's dividends: Investing in income and growth opportunities



The case for Asia dividend investing

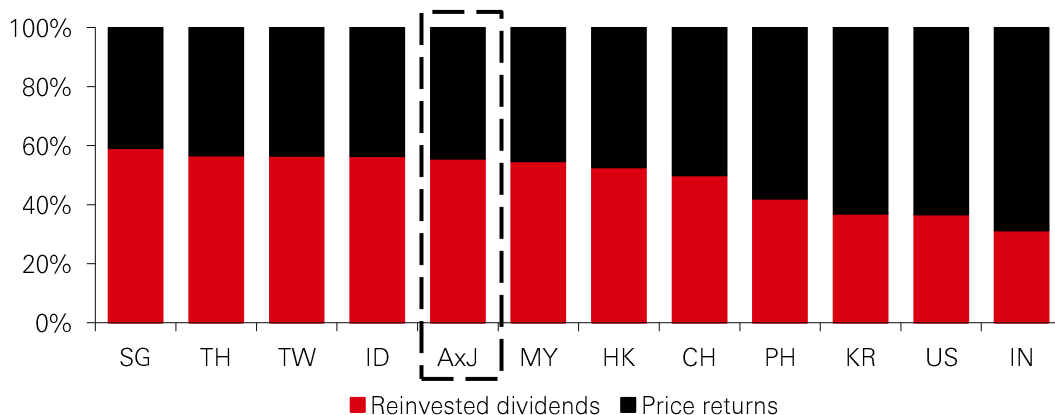
As interest rates have shown volatility over the past year with a slower pace of decline, investors are increasingly shifting their focus towards reliable sources of income. Meanwhile, a weakening US dollar and geopolitical challenges—including persistent tariff disputes—continue to add layers of uncertainty to global markets.

Amid these dynamics, Asia's dividend landscape has emerged as an appealing option for those seeking income and diversification. With US AI stocks reaching stretched valuations, investors are seeking to rebalance their portfolios by exploring Asia's compelling growth opportunities and favorable valuations, increasingly robust shareholder-focused reforms, and strong corporate fundamentals. In this environment of uncertainty, Asia offers the combination of income prospects and long-term growth opportunities.

Over the past 25 years, dividends have been a central pillar of Asia's investment appeal, accounting for more than half of the region's total returns—a clear testament to its income-generating strength. For perspective, dividends from Asia ex-Japan have contributed 56% of total returns, significantly outpacing the 37% contribution observed in the US (Fig 1). Recent government policy initiatives, such as those in Korea and China, mean that using dividends as a way to enhance shareholder returns in Asia has grown increasingly compelling.

Fig 1: Dividends contribute a substantial share of Asia's total returns

Contribution to total return between 2000 and 2025



Using FTSE indices. Source: FTSE, as of December 2025.

Note: IN – FTSE India, KR – FTSE Korea, TW – FTSE Taiwan, TH – FTSE Thailand, ID – FTSE Indonesia, SG – FTSE Singapore, HK – FTSE Hong Kong, CH – FTSE China, MY – FTSE Malaysia, PH – FTSE Philippines, US – FTSE US, AxJ – FTSE All-World Asia Pacific ex JP, AU and NZ.

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A clear path to boost shareholder returns

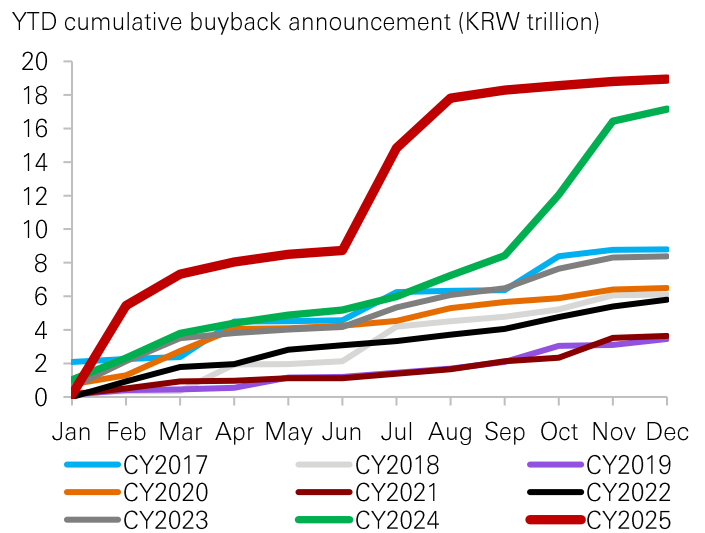
Korea

Korea's commitment to corporate governance reform is paving the way for enhanced shareholder returns. Companies are responding to policy shifts by deploying capital more efficiently, increasing dividends, and initiating stock buybacks. Noteworthy among these reforms is the "Value-Up" programme, launched in 2024, which aims to address the undervaluation of Korean equities by encouraging corporates to adopt stronger shareholder return policies.

Korean companies spent KRW 18.94 trillion (USD 13.2 billion) on share buybacks in 2025, an increase from KRW 17.15 trillion (USD 12.0 billion) in the previous year (Fig 2).

In December 2025, Korea's National Assembly passed a bill introducing separate taxation for dividends, designed to incentivise higher corporate payouts. Companies that either exceed a 40% cash pay-out threshold or maintain cash pay-out ratios above 25% while increasing dividends by more than 10% year-on-year will qualify for favourable tax treatment. This reform is expected to serve as a catalyst for dividend increases, as firms seek to benefit from the newly applied tax regime beginning in 2026. With such targeted initiatives, Korea offers a fertile landscape for income-focused investors.

Fig. 2: A significant increase in share buyback activities in South Korea since 2024



Source: FactSet, Goldman Sachs Global Investment Research, December 2025.

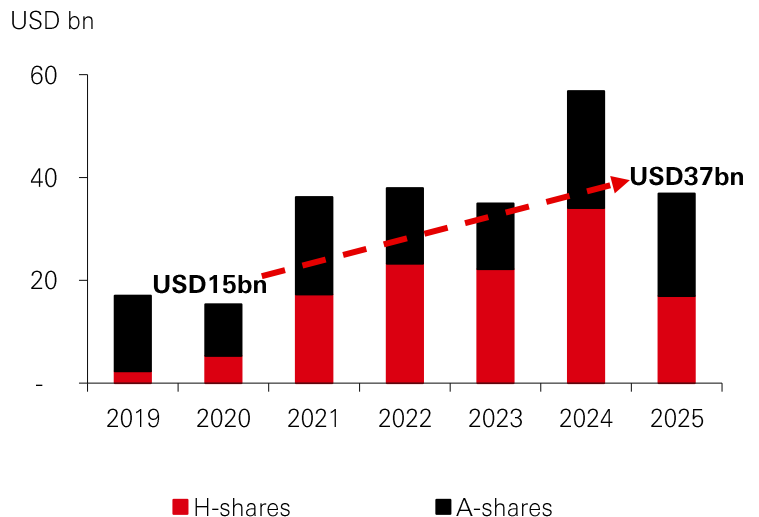
China

Since early 2024, Chinese authorities have implemented policies to encourage listed companies to prioritize shareholder returns. The China Securities Regulatory Commission (CSRC), for instance, encourages companies to pay dividends multiple times per year, rather than just at year-end.

Additionally, profitable A-share companies with low payout ratios face regulatory scrutiny, with major shareholders prohibited from selling shares unless dividend policies are improved. Driven by the policy initiatives, share buybacks soared to USD 57 billion in 2024 from USD 15 billion in 2020 (Fig 3.) These measures have made a clear impact.

On the other hand, in 2024, the dividend payout ratio in China's market reached 39%, up from 37% the year prior and far above the 10-year average of 31%¹. Nearly 900 companies-initiated share buyback programs for the first time in the last five years. These developments highlight China's increasing commitment to fostering an income-friendly investment environment, making it a compelling market for dividend seekers.

Fig. 3: Share buyback activities of Chinese equities



Source: Wind, Bloomberg, HSBC Global Research, December 2025. H-shares refer to Chinese companies listed on the Hong Kong Stock Exchange, while A-shares represent Chinese companies listed on stock exchanges in Mainland China.

Source: HSBC Asset Management, as of February 2026.

Note: 1: Goldman Sachs Research, data as of 7 January 2026

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Solid fundamentals in Asia

Solid fundamentals

Beyond targeted policy reforms, the broader financial health of Asia's companies is also improving. As of 2025, nearly 40% of Asia ex-Japan companies are net cash positive, compared to just 30% in 2010 (Fig 4). This enhanced cash position provides firms with greater flexibility to optimize their balance sheets and reward shareholders. Additionally, the region's earnings growth is projected to accelerate from 11% in 2025 to 30% in 2026, according to data compiled by Goldman Sachs Research in February, further boosting the potential for higher dividend payouts.

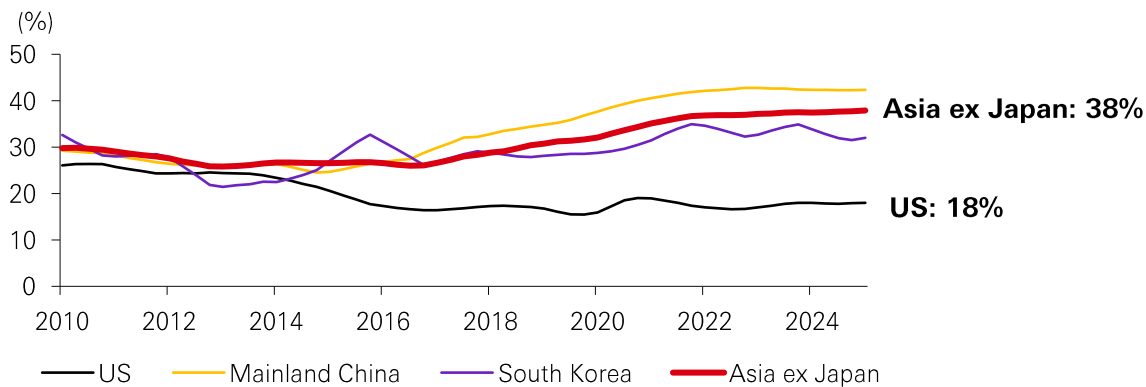
Navigating market volatility with bottom-up stock picking

While geopolitical tensions and policy uncertainty continue to drive market volatility, Asia's increasing emphasis on shareholder returns offers investors a powerful counterbalance. In this environment, bottom-up stock picking becomes critical to identifying companies with the potential to deliver both income and consistent alpha.

Asia's dividend story is well underway, strengthening the case for income-focused investing. For income-focused investors, the region offers not just a stream of dividends, but also the opportunities for long-term value creation.

Our Asia High Dividend strategy is centered on identifying high-quality companies with strong balance sheets and sustainable growth potential, offering investors income and long-term opportunities in one of the world's most dynamic regions.

Fig 4: Percentage of companies which are net cash positive



Source: FTSE Russell, Factset, HSBC Global Research, data as of December 2025

Note: US – FTSE US, Mainland China – FTSE China, South Korea – FTSE Korea, AxJ – FTSE All-World Asia Pacific ex JP, AU and NZ.

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Source: HSBC Asset Management, as of February 2026.

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