HSBC Strategic Income Fund*
Portfolio Manager Q&A

June 2019

A flexible approach to generating competitive income

The HSBC Strategic Income Fund is an US-oriented multi-sector fund that is focused on delivering consistent income with an opportunistic approach. Rick Liu, lead portfolio manager, discusses the Fund's investment strategy, differentiating factors and positioning in the context of the remainder of 2019.

*On April 1, 2019, the HSBC Global High Income Bond Fund became the HSBC Strategic Income Fund. Although the Fund will no longer invest in a globally diversified portfolio of higher-yielding securities, the Fund will invest opportunistically in investments outside of the United States, including in global asset-backed securities.

HSBC Global Asset Management

Investment products:

ARE NOT A BANK DEPOSIT OR OBLIGATION OF THE BANK OR ANY OF ITS AFFILIATES	**ARE NOT FDIC INSURED**	**ARE NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**	**ARE NOT GUARANTEED BY THE BANK OR ANY OF ITS AFFILIATES**	**MAY LOSE VALUE**

All decisions regarding the tax implications of your investment(s) should be made in connection with your independent tax advisor.

How does the Fund generate competitive income on a consistent basis? What are its performance objectives?

The Fund is a multi-sector credit strategy which aims to deliver attractive income on a consistent basis with a focus on the crossover space. Our research shows that within credit markets, this space presents lesser known opportunities for generating income and has a strong historical risk/reward profile. In addition to its income objectives, it also seeks to provide capital gains and to reduce losses during a downturn. In challenging rate environments or difficult credit markets, the Fund enjoys a certain degree of flexibility. On a short-term basis, we can alter its duration by allocating more or less to duration-sensitive rate products, such as government bonds and MBS. We can also reduce credit beta in the short-term by investing in higher quality credits or using derivatives to protect against short-term volatility. This allows for capital preservation without foregoing too much income or yield.

The Fund enjoys a certain degree of flexibility and applies a "best ideas" approach

Applying a focused "best ideas" approach and determining which bonds offer attractive relative value is key in our investment approach. As the portfolio is not formally constrained by a benchmark, it has the freedom to choose issuers and bonds based on their fundamentals and technicals. The portfolio is also more concentrated with 100-150 positions.

Could you elaborate more on the "best ideas" approach?

We first screen the universe to identify bonds that can deliver a high level of income and meet our fundamental criteria. Many of these bonds are also candidates for our other credit funds, which means we are familiar with the issuers. From this, we seek to build a portfolio of 100-150 issuers while maintaining a good level of diversification. The portfolio reflects our top-down views in terms of duration, credit beta and sectors. It also leverages our global credit platform and the in-depth fundamental credit research from our credit analyst teams. This platform has numerous investment tools and captures the views of 40+ industry-specialized credit research analysts and investment teams across the world. They evaluate companies on their fundamentals, valuations and technicals and provide buy and sell recommendations.

The crossover space is where investment grade and high yield bonds meet. Fallen angels and rising stars can present attractive investment opportunities.

In practice, the Fund is managed by balancing income-driven views with fundamentals. For example, even if we find an attractive credit in the oil industry, we would not invest in it if our views on the oil industry were negative.

Why is the Fund focused on the crossover space?

The crossover space, also known as the BBB/BB segment of the credit spectrum, tends to offer the most attractive premium for the level of credit risk. This can be seen in the compelling income and Sharpe ratios this segment can offer for the level of volatility.

One reason the crossover space offers such attractive risk-adjusted return potential is due to inefficiencies inherent to the segment, including the forced selling of credits moving from BBB to BB by investors with minimum investment grade (IG) portfolio constraints. In addition, ratings agencies can be slow to make ratings changes, especially in certain sectors. This gives managers an opportunity to buy credits before they are officially upgraded to IG from HY. There can often be gaps in analyst coverage in the crossover space as credits ratings move between BBB and BB. Our credit research platform covers the entire credit spectrum with continuous coverage as credits move between IG and HY.

Crossover strategies require significant experience and skill.

It is important to note that the implementation of a crossover strategy requires experience and skill. Some crossover funds adopt a barbell strategy. They search for yield at the lower end of the credit spectrum and compensate for the additional risk assumed by allocating to higher-quality bonds, exposing the portfolio to default risk. Our approach seeks to avoid defaults while maintain a comparable yield.

Although the Fund allocates opportunistically to a range of fixed income segments, are there investment limits in place?

The Fund focuses on US BBB and BB corporate bonds but has the ability to invest across the credit spectrum globally. It can invest up to 30% in non-USD denominated bonds. Additionally, it can invest up to 20% in securitized credit and up to 10% in loans. The duration of the portfolio is actively managed and typically maintains a range of 3-6 years to ensure a high degree of flexibility.

How does your portfolio differ from other multi-asset or income-focused funds?

Many multi-sector funds have larger allocations to Treasuries and to MBS in comparison to our strategy. Our portfolio relies primarily on credit allocations to generate competitive and consistent income and returns, with enough flexibility to navigate all stages of the credit cycle. We believe this has helped deliver a more consistent source of performance historically than more binary rates decisions.

HSBC global credit expertise:

- ***USD16.4billion AUM***
- ***40+ sector-specialized credit analysts***
- ***Located across our global offices***

The primary factor that differentiates our strategy is our global credit platform providing comprehensive analytical tools and access to credit specialist teams. This allows the Fund to take advantage of HSBC's global presence and capitalize on ex-US resources in an increasingly globalized world. This is especially important as today, about 30% of US IG and almost 20% of US HY is comprised of non-US issuers issuing USD bonds. We also have access to specialist investment teams throughout the world, including our securitized credit team in London, our Euro Credit team in Paris, our Asian Credit team in Hong Kong or our EMD team in New York. This provides best ideas on a global scale across a broad opportunity set.

Additionally, our team of credit research analysts are organized by global industry groups, not credit ratings. This is important for two reasons. Firstly, working within a global industry group framework, which meets and shares research on a regular basis, allows the analysts to incorporate global industry views and trends into their local credit analysis, factoring in trends that may also impact US only issuers. Secondly, as our analysts are not organized by ratings category, we have continuous coverage of an issuer even as it migrates between IG and HY. This is important when focusing on the cross over space.

How is the Fund currently positioned?

Following the rally in risk assets earlier this year, we are moderately defensive in our portfolio positioning. While we remain cautiously optimistic on credit markets, we anticipate short-term volatility at current valuations which we would look to take advantage of.

We are targeting more defensive Consumer Non-Cyclicals that are less sensitive to the economic cycle. Specific sector focuses include Healthcare, which should produce higher yields. We are increasing our position in the homebuilders sector as we see opportunity for good yields and an overall supportive macro environment with lower rates and prices.

Despite higher yields in Autos, we have decreased our exposure due to a more cautious view on the industry. Car sales have declined in general and Chinese auto-sales for e-vehicles have halted. There are low expectations for US sales as well.

The current duration positioning of just over five years is in part due to the defensive positioning of the portfolio with an increased level of IG bonds and US Treasuries compared to HY levels. We could potentially reduce duration from here given the recent rally in Treasuries. Additionally, we prefer longer-dated bonds given the steeper spread curve and more attractive yield this segment is currently providing.

Are you concerned about the growing size of the BBB market?

Compared to 2006 when it was only 35% of the IG market, the US BBB market has significantly grown in size and now represents over 50% of the market. This is due to some rising stars, some changes in credit rating methodologies and an increase in corporate leverage to fund dividends, share buybacks and M&A. This is a true concern for IG managers since they may be forced to sell if these issuers should be downgraded to HY.

However, with our flexible approach, the BBB market can present several opportunities as the mispricing of these bonds potentially increases with market concern and volatility. A disciplined implementation can find value in volatility and protect on the downside.

The growth of the BBB market presents opportunities for flexible strategies such as the HSBC Strategic Income Fund

What are your expectations for the rest of the year and how have they impacted your allocations?

With a slowdown in global growth as the US economy returns to trend-like growth, we expect to see spreads potentially widening from current levels. The Fed has shown continued patience in what has become a more benign rate environment for fixed income with the market now even pricing in rate cuts as early as this summer. The HSBC Strategic Income Fund should perform well in the current environment as credit and the crossover space continue to show solid fundamentals. For the rest of 2019, credit can potentially perform well with carry levels continuing to remain high. However, we have a more cautious view on credit given the recent rally and the level of current valuations calling for a greater focus on credits with stable-to-improving fundamentals, such as stronger cash flow, stronger margins that can withstand a downturn and the ability to maintain or decrease leverage.

HSBC Strategic Income Fund Quick Facts

Launch Date	July 14, 2015
AUM	$28.4M
Benchmark	Bloomberg Barclays US Aggregate Bond Index[1]
Lead portfolio manager	Rick Liu, *Senior Portfolio Manager* 16 years of industry experience
Expense ratio (gross/net)[2]	A: 2.79% / 1.15% I: 2.44% / 0.80%
Monthly income distribution per share (as of March 31, 2019)	A: $0.0376 I: $0.0395

[1]As of April 1, 2019. Prior to that date, the benchmark was the Bloomberg Barclays High Income Bond Composite Index.

[2]Reflects the expense ratio as reported in the prospectus dated January 31, 2019, as supplemented and restated April 2, 2019. HSBC Global Asset Management (USA) Inc., the Fund's investment adviser has entered into a contractual expense limitation agreement with the Fund under which it will limit total expenses of the Fund (excluding interest, tax, brokerage commissions, extraordinary expenses and estimated indirect expenses attributable to the Fund's investments in investment companies) to an annual rate of: Class A: 1.15%, Class I: 0.80%. The expense limitation agreement is effective until March 1, 2020.

Important information

This document is for information only and does not constitute investment advice, a solicitation or a recommendation to buy, sell or subscribe to any investment. It is not intended to provide and should not be relied upon for accounting, legal or tax advice.

HSBC Global Asset Management is the marketing name for the asset management businesses of HSBC Holdings Plc. HSBC Global Asset Management (USA) Inc. is an investment adviser registered with the US Securities and Exchange Commission. HSBC Global Asset Management (USA) Inc. serves as the investment adviser to the HSBC Funds. Foreside Distribution Services, L.P., member FINRA, is the distributor of the HSBC Funds and is not affiliated with the adviser. HSBC Securities (USA) Inc., member NYSE, FINRA and SIPC, is a sub-distributor of the HSBC Funds. Affiliates of HSBC Global Asset Management (USA) Inc. may receive fees for providing various services to the funds. **In Chile:** Operations by HSBC's headquarters or other offices of this bank located abroad are not subject to Chilean inspections or regulations nor are covered by warranty of the Chilean state. Further information may be obtained about the state guarantee to deposits at your bank or on www.sbif.cl. **In Colombia:** HSBC Bank USA NA has an authorized representative by the Superintendencia Financiera de Colombia (SFC) whereby its activities conform to the General Legal Financial System. SFC has not reviewed the information provided to the investor. This presentation is only for the exclusive use of institutional investors in Colombia and is not for public distribution. **In Peru:** HSBC Bank USA NA has an authorized representative by the Superintendencia de Banca y Seguros in Perú whereby its activities conform to the General Legal Financial System - Law No. 26702. The Fund has not been registered before the Superintendencia del Mercado de Valores (SMV) and are being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This presentation is only for the exclusive use of institutional investors in Perú and is not for public distribution.

Statistical information pertaining to HSBC Global Asset Management personnel or assets may be aggregated. Assets under management may include assets managed by affiliates of HSBC Global Asset Management, which may provide advice in the form of portfolio construction, sector allocations and / or stock recommendations. The views expressed above were held at the time of preparation and are subject to change without notice. Forecasts, projections or targets are indicative only and are not guaranteed in any way. HSBC Global Asset Management accepts no liability for any failure to meet such forecasts, projections or targets. Past performance is no guarantee of future results. HSBC Global Asset Management has based this material on information obtained from sources it believes to be reliable but which it has not independently verified. HSBC Global Asset Management and HSBC Group accept no responsibility as to its accuracy or completeness. The views expressed were held at the time of preparation and are subject to change without notice.

There is no assurance that a portfolio will achieve its investment objective or will work under all market conditions. The value of investments may go down as well as up and you may not get back the amount originally invested. Portfolios may be subject to certain additional risks, which should be considered carefully along with their investment objectives and fees. Fixed income is subject to credit and interest rate risk. Credit risk refers to the ability of an issuer to make timely payments of interest and principal. Interest rate risk refers to fluctuations in the value of a fixed income security that result from changes in the general level of interest rates. In a declining interest rate environment, a portfolio may generate less income. In a rising interest-rate environment, bond prices fall. High Yield. Investments in high yield securities (commonly referred to as “junk bonds”) are often considered speculative investments and have significantly higher credit risk than investment grade securities. The prices of high yield securities, which may be less liquid than higher rated securities, may be more volatile and more vulnerable to adverse market, economic or political conditions. Foreign and emerging markets. Investments in foreign markets involve risks such as currency rate fluctuations, potential differences in accounting and taxation policies, as well as possible political, economic, and market risks. These risks are heightened for investments in emerging markets which are also subject to greater illiquidity and volatility than developed foreign markets. Derivative instruments. Derivatives can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on performance. Asset-backed securities (ABS) are bonds that are created from various types of consumer debt. They are subject to additional risks such as prepayment risk, liquidity risk, default risk and adverse economic developments.

Investors should consider the investment objectives, risks, charges, and expenses of the investment company carefully before investing. The prospectus contains this and other important information about the investment company. For clients of HSBC Securities (USA) Inc., please call 1-888-525-5757 for more information. For other investors and prospective investors, please call the Funds directly at 1-800-782-8183 or visit our website at www.investorfunds.us.hsbc.com. Investors should read the prospectus carefully before investing or sending money.