

HSBC Frontier Markets Fund

Monthly Commentary

Total Return (%)	Fund performance ending August 31, 2018							Fund performance ending June 30, 2018		
	1 Month	3 Month	YTD	1 Year	3 Years	5 Years	Since Inception	1 Year	5 Years	Since Inception
Class A without sales charge	-6.04%	-8.45%	-13.96%	-11.31%	2.96%	3.24%	6.15%	-4.80%	4.66%	7.03%
Class A with maximum sales charge (5.00%)	-10.74%	-13.04%	-18.25%	-15.77%	1.20%	2.18%	5.37%	-9.57%	3.60%	6.22%
Class I	-6.08%	-8.33%	-13.77%	-10.97%	3.31%	3.58%	6.52%	-4.40%	5.02%	7.40%
MSCI Frontier Markets Index	-5.38%	-5.34%	-12.39%	-5.54%	4.93%	3.96%	5.37%	1.97%	4.94%	5.80%
MSCI Select Frontier & Emerging Markets Capped Index*	-2.56%	-1.37%	-5.22%	0.78%	5.84%	3.99%	5.30%	3.93%	4.27%	5.33%

*The indicative index was a customized MSCI Frontier Emerging Markets Capped Index until end of May 2014 and the customized MSCI Select Frontier & Emerging Markets Capped Index thereafter.

Past performance is no guarantee of future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed may be worth more or less than the original cost. To obtain performance data current to the most recent month-end and other information, please call 1-888-936-4722 or visit <https://investorfunds.us.hsbc.com>.

Inception date: September 6, 2011. Returns greater than one year are annualized. Returns include the reinvestment of dividends and income. Performance for other share classes will vary. The performance above reflects any fee waivers that have been in effect during the applicable periods as well as any expense reimbursements that have periodically been made. Absent such waivers and reimbursements, returns would have been lower.

¹ The Funds' investment adviser has entered into a contractual expense limitation agreement with the Funds under which it will limit total expenses of the Funds (excluding interest, tax, brokerage commissions, extraordinary expenses and estimated indirect expenses attributable to the Funds' investments in investment companies) to an annual rate of 1.85% for Class A Shares and 1.50% for Class I Shares. The expense limitation agreement is effective until March 1, 2020.

Expense Ratio ¹	Class A	Class I
Gross	3.89%	3.54%
Net	1.85%	1.50%

Performance

- ◆ Frontier markets finished the month of August lower with the MSCI Frontier Markets index down -5.4% whilst our custom reference index, the MSCI Select Frontier & Emerging Markets capped index was down -2.6%.
- ◆ Performance was mixed within the index. Oman, Bangladesh and Romania were the best performing markets and in positive territory, whilst Argentina was the worst performer. The sell-off in Argentina was triggered by President Macri's announcement which surprised the market by asking the IMF to 'speed-up' the release of its \$50bn bailout package to shore up next year's budget.

Attribution and Positioning

- ◆ The fund underperformed its benchmark during the month.
- ◆ The largest detractor this month was Argentina as the benchmark dropped more than 20%.
- ◆ The portfolio average weight for the month was 8.5% vs. 6.7% for the benchmark. This was reduced at the end of the month to benchmark levels. Other detractors were Kazakhstan followed by Vietnam.
- ◆ Offsetting some of those losses was our overweight and holdings in Egypt which recovered from previous month weakness. Particular stock highlights were Juhayna Food Industries (3.38%) and T M G holdings (3.83%). Shares in TMG rallied as the company reported strong results for the quarter

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

Market Review

- ◆ Performance was mixed within the index. Oman, Bangladesh and Romania were the best performing markets and in positive territory, whilst Argentina was the worst performer. The sell-off in Argentina was triggered by President Macri's announcement which surprised the market by asking the IMF to 'speed-up' the release of its \$50bn bailout package to shore up next year's budget.
- ◆ Frontier markets finished the month of August lower with the MSCI Frontier Markets index down -5.5% whilst our custom reference index, the MSCI Select Frontier & Emerging Markets capped index was down -2.6%.

Outlook

- ◆ The outlook for frontier markets remains positive. Improvements in fundamentals coupled with economic development and low penetration of goods and services across frontier markets should allow for further gains in corporate earnings.
- ◆ Valuation relative to profitability continues to look attractive for frontier markets compared to both emerging markets and developed markets. Opportunities in frontier markets are domestically driven, leading to historically low correlation to each other, to emerging and to developed markets, which could provide potential portfolio diversification benefits.
- ◆ We are mindful of risks in the current environment, which are primarily exogenous to frontier markets, but may lead to increased market volatility in the short term. At the forefront are rising inflation risk and changing expectation of the pace of US rate hikes, global trade tension, concerns surrounding Chinese growth, and geopolitical risk.
- ◆ As fundamental investors, we are able to uncover quality companies that are delivering earnings growth and sustainable returns while trading at an attractive valuation to build a diversified frontier markets portfolio.

Risks to Consider

- ◆ Past performance is no guarantee of future results.
- ◆ 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.
- ◆ Equity investments fluctuate in value based on changes to an individual company's financial condition and overall market conditions.
- ◆ 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.
- ◆ Frontier markets generally have smaller economies or less developed capital markets than traditional emerging markets, and therefore investing in frontier markets can magnify the risks of investing in emerging markets.
- ◆ Derivative instruments. Derivatives can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on performance.

Benchmark

The Fund's primary benchmark, the MSCI Select Frontier and Emerging Markets Capped Index has been developed by MSCI for the Adviser and, in terms of geography constituents, includes the 29 geographies that are part of the MSCI Frontier Markets Index classification as well as seven small emerging market "crossover" geographies (namely Colombia, Egypt, Pakistan, Philippines, Peru, Qatar, and United Arab Emirates) that are also included within the MSCI Emerging Markets Index. The MSCI Select Frontier and Emerging Markets Capped Index is a free float-adjusted market capitalization index designed to measure equity market performance in the aforementioned geographies. The MSCI Frontier Markets Index is an "industry standard" index that captures large- and mid-cap representation across 29 frontier market geographies. The index is a free float-adjusted market capitalization index that is designed to measure equity performance of frontier markets. Index returns assume reinvestment of all distributions and do not reflect fees or expenses or taxes.

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