

HSBC Frontier Markets Fund

Monthly Commentary

Total Return (%)	Fund performance ending October 31, 2017							Fund performance ending September 30, 2017		
	1 Month	3 Month	YTD	1 Year	3 Years	5 Years	Since Inception	1 Year	5 Years	Since Inception
Class A without sales charge	0.93%	3.07%	20.39%	20.50%	2.97%	9.87%	9.54%	17.42%	9.85%	9.52%
Class A with maximum sales charge (5.00%)	-4.14%	-2.08%	14.34%	14.46%	1.22%	8.74%	8.63%	11.54%	8.73%	8.59%
Class I	1.00%	3.12%	20.66%	20.87%	3.31%	10.23%	9.92%	17.72%	10.21%	9.88%
Benchmark – MSCI Select Frontier & Emerging Markets Capped Index*	0.65%	3.01%	16.84%	16.26%	-0.93%	6.40%	5.71%	14.37%	6.36%	5.68%
Benchmark Comparison – MSCI Frontier Markets Index	1.23%	7.10%	26.39%	27.51%	0.55%	9.15%	7.16%	25.47%	8.73%	7.05%

*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 2.20% for Class A Shares and 1.85% for Class I Shares. The expense limitation agreement is effective until March 1, 2018.**

Expense Ratio ¹	Class A	Class I
Gross	2.45%	2.10%
Net	2.20%	1.85%



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Lipper awards recognize consistently strong risk-adjusted returns relative to their peers. The Best Emerging Markets Fund Award is granted to the fund with the highest Lipper Leader for Consistent Return over the 5-year period as of November 30th of the prior year.

Performance

- ▶ The Frontier Markets Class A shares returned 0.93% in September, outperforming its reference benchmark, MSCI Select Frontier & Emerging Markets Capped Index, which returned of 0.65% over the month. The I shares class returned 1.00% for the period.

Attribution and Positioning

- ▶ The key contributor to relative performance was NagaCorp (portfolio weight: 2.67%), a Cambodian leisure and tourism company, as it rallied following the successful opening of Naga2, a massive hotel and extension to the capital's NagaWorld casino and resort. Other positive contributors included BRAC Bank (portfolio weight: 2.04%), a commercial bank in Bangladesh, which gained on market speculation of a stake sale in bKash, a subsidiary of the bank that provides mobile financial services. Exposure to Banco Macro (portfolio weight: 4.48%), an Argentine bank also supported performance as the stock gained on anticipation of strong earnings results.
- ▶ Mitigating some of the gains was underweight allocation to Vietnam as that equity market performed well. Exposure to Banco Davivienda (portfolio weight: 2.92%) suffered following disappointing results by a large Colombian bank which raised concerns.
- ▶ During the month, we initiated a position in Sampath Bank (portfolio weight: 0.13%), which is a leading commercial bank in Sri Lanka. The bank is attractively valued relative to profitability, and we believe capital constraints should be alleviated with the upcoming rights issue.

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

- ▶ In October, the MSCI Frontier Markets net index rose 1.2% and our custom reference index, the MSCI Select Frontier & Emerging Markets capped index rose 0.7%.
- ▶ Amongst the best performing frontier markets (FM) were Vietnam (+7.6%), which continued to gain on the positive macro environment, and Argentina (+5.6%), supported by IPO activity.
- ▶ The weaker performing markets included Colombia (-9.0%), declining on disappointing results from one of the largest banks in the country, and Pakistan (-7.6%), as a result of continued political uncertainty and fiscal pressure.

Outlook

- ▶ We believe FM continue to offer strong growth prospects as secular development trends, including demographics, infrastructure investment, industrialization and institutions building, drive economic growth and provide a platform for corporate profit growth.
- ▶ We find many FM are growing upwards of 4%, which compares favorably to some developed markets (DM) which are struggling to grow despite low interest rates.
- ▶ Valuations relative to profitability continues to look attractive for FM compared to both emerging markets (EM) and DM. An allocation to FM can be diversifying given low correlations with major asset classes.
- ▶ As fundamental investors, we are able to uncover quality companies in FM that deliver earnings growth and sustainable returns while trading at an attractive valuation.

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

Our definition of frontier markets includes the 23 countries forming part of the industry standard MSCI Frontier Markets Index plus 6 emerging market 'crossover' countries (that is, Colombia, Egypt, Peru, Philippines, Qatar and UAE) that are frontier in nature and are under-represented in the mainstream MSCI Emerging Markets Index, as well as off-benchmark countries (e.g. Saudi Arabia) that are unrepresented in the MSCI indices and companies operating in frontier countries but are officially listed on a developed market exchange (e.g. companies with significant operating assets located within a frontier country but listed in London or Hong Kong).

We employ a custom reference index – the MSCI Select Frontier & Emerging Markets Capped index – that is only available to HSBC and which reflects our globally diversified investment approach by removing the inadvertent skews towards particular regions introduced by the publically available alternatives. We believe this is necessary, and indeed a key point of distinction with our strategy, as the 'industry standard' benchmark, the MSCI Frontier Markets Index, has a disproportionately large skew to the two countries (Kuwait and Nigeria) while the MSCI Frontier Emerging Markets index, in its uncapped form, has a disproportionately large skew to the four emerging market 'crossover' countries within that index (i.e. Colombia, Egypt, Peru and the Philippines)

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