HSBC Global Asset Management March 2018

HSBC Frontier Markets Fund

Monthly Commentary

Total Return (%)	Fund performance ending March 31, 2018							Fund performance ending December 31, 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	2.02%	3.61%	3.61%	17.28%	7.56%	7.63%	9.61%	21.20%	9.09%	9.39%
Class A with maximum sales charge (5.00%)	-3.05%	-1.55%	-1.55%	11.42%	5.74%	6.54%	8.75%	15.11%	7.97%	8.50%
Class I	2.16%	3.74%	3.74%	17.74%	7.92%	8.01%	10.00%	21.60%	9.47%	9.78%
Benchmark Comparison – MSCI Frontier Markets Index	0.91%	5.10%	5.10%	27.26%	7.90%	8.64%	8.20%	31.86%	9.27%	7.68%
Benchmark – MSCI Select Frontier & Emerging Markets Capped Index*	0.92%	4.11%	4.11%	20.07%	5.58%	5.85%	6.76%	22.52%	6.49%	6.35%

*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 2.02% in March, outperforming its reference benchmark, MSCI Select Frontier & Emerging Markets Capped Index, which returned of 0.92% over the month. The I shares class returned 2.16% for the period.

Attribution and Positioning

- Relative outperformance was supported by good stock selection. A key contributor during the month included TBC Bank (portfolio weight: 2.61%), a leading bank in Georgia, driven by positive annual results in February. Exposure to holdings in Egypt, notably Talaat Moustafa Group (TMG) (portfolio weight: 3.08%), a real estate company, and Centamin (portfolio weight: 3.83%), a gold mining company, made a notable contributions. TMG rallied on good fiscal year 2017 financial results coupled with news of investment in a new capital project. Centamin benefitted from the rise in gold prices and strong performance of the Egyptian equity market.Exposure to Emirates NBD (portfolio weight: 1.84%) also made a positive contribution supported by talks of mergers and acquisitions and increasing its foreign ownership limit.

- Underweight allocation to Vietnam and Kenya detracted from performance as those equity markets performed well during the month. Exposure to logistics companies, particularly port operators - International Container Services (portfolio weight: 3.17%) in the Philippines and DP World (portfolio weight: 2.63%) in the UAE – hurt performance as a result of negative sentiment on global trade following announcements of US tariffs on imports.

- During the month, we initiated a position in Sphera Franchise (portfolio weight: 0.76%), which owns and operates a chain of franchise restaurants in Romania. The company is attractively valued and we expect to see a strong margin improvement given favorable industry cycle, sustainable GDP growth in Romania and higher disposable income. Another addition was CEMEX Latam (portfolio weight: 0.63%), a Colombian cement company. We exited our positions in Mobile Telecommunication and Nestle Nigeria.

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Market Review

- Global equities fell in March, amid increasing concerns over global trade protectionism following US President Trump's announcements of tariffs on imports and a potential US-China trade war. The MSCI All Country World Index returned -2.14%.
- Frontier Markets (FM) fared better than both emerging markets (EM) and developed markets (DM) during this period. The MSCI Frontier Markets Index returned +0.91% and our custom reference index, the MSCI Select Frontier & Emerging Markets Capped Index, returned +0.92%, compared to a return of -1.86% for the MSCI Emerging Markets Index and -2.18% for the MSCI World Index.
- Within FM, Egypt (+12.57%) delivered a strong performance supported by multiple economic catalysts, including confirmation that a number of government-owned companies will file for initial public offerings (IPOs), Presidential elections and the Central Bank's decision to cut interest rates. Kenya (+9.69%) gained on improving macro indicators with inflation continuing to trend lower. Vietnam (+6.79%) was buoyed by the announcement of a number of IPO transactions and Romania (+5.90%) continued its strong performance for the year supported by a very healthy dividend yield.
- Among the weaker performing markets was Estonia (-8.66%), which suffered on weak statistics by the largest listed company Tallink Grupp, and the Philippines (-5.99%) due to uncertainty surrounding the impact of the new tax regime.

Outlook

- The outlook for FM remains positive. Improvements in fundamentals coupled with economic development and low penetration of goods and services across FM should allow for further gains in corporate earnings.
- Valuations relative to profitability continues to look attractive for FM compared to both EM and DM. Opportunities in FM are domestically driven, leading to historically low correlation to each other, to EM and to DM, which could provide potential portfolio diversification benefits.
- We are mindful of risks in the current environment, which are primarily exogenous to FM but could still lead to increased market volatility in the short term. At the forefront are rising inflation risk and changing expectations of the pace of US rate hikes, global trade tension, concerns surrounding Chinese growth and geopolitical risks.
- 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 FM 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

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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