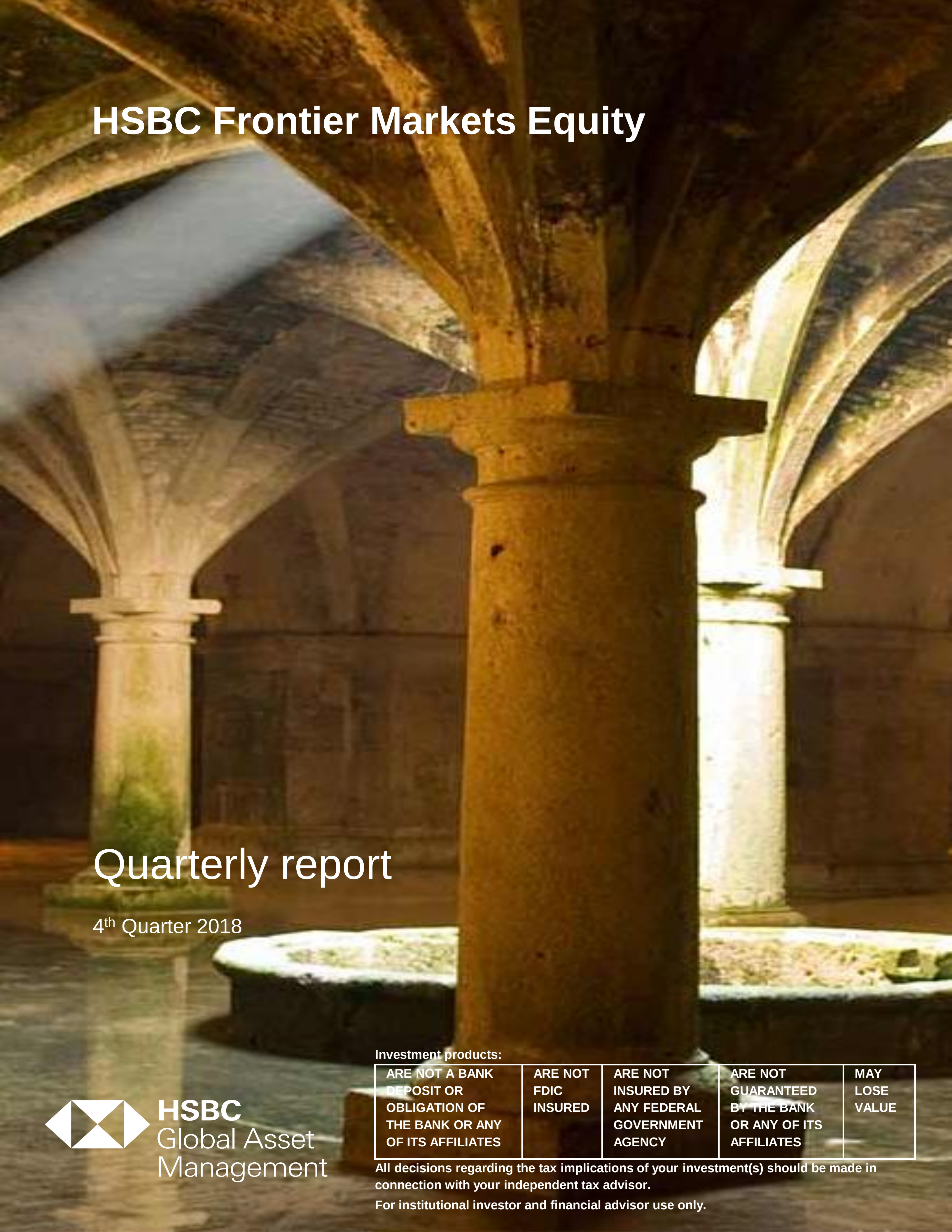

HSBC Frontier Markets Equity

Quarterly report

4th Quarter 2018

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

Quarterly market performance

Top 5 performing countries (%)

Country	Absolute return	Contribution to reference index
Qatar	8.42	0.73
Sri Lanka	6.83	0.08
Lebanon	6.60	0.12
Estonia	5.53	0.00
Philippines	5.33	0.48

Bottom 5 performing countries (%)

Country	Absolute return	Contribution to reference Index
Ivory Coast	(27.13)	(0.03)
Pakistan	(22.37)	(0.11)
Senegal	(21.68)	(0.13)
Colombia	(18.95)	(0.83)
Lithuania	(15.42)	(0.03)

Past performance is no guarantee of future results. Source: HSBC Global Asset Management – data as of December 31, 2018. The reference index is a customized MSCI Frontier Emerging Markets Capped index until May 31, 2014 and the customized MSCI Select Frontier & Emerging Markets Capped index thereafter.

During the quarter, the MSCI Frontier Markets Index was down -4.3% and performance of our custom reference index, the MSCI Select Frontier & Emerging Markets Capped Index, was negative (-3.4%, USD) but outperformed Emerging Markets (EM) equities as the MSCI Emerging Markets index was down -7.5% over the period.

There was a wide dispersion of returns within our custom index with Qatar, Sri Lanka and Lebanon delivering a performance over 6% while Ivory Coast, Pakistan and Senegal were the worst-performing countries, down by over -20%.

Quarterly market performance

	Oct	Nov	Dec	Qtr	YTD	1 yr	3 yrs	5 yrs	Since Inception
Class A without sales charge	-4.86	2.11	-2.01	-4.80	-19.51	-19.51	1.93	-0.21	4.90
Class A with Maximum sales charge (5.00%)	-9.63	-3.01	-6.91	-9.58	-23.52	-23.52	0.20	-1.23	4.16
Class I	-4.83	2.19	-1.97	-4.67	-19.21	-19.21	2.30	0.15	5.27
MSCI Frontier Markets Index	-3.53	2.18	-2.92	-4.32	-16.20	-16.20	4.58	1.05	4.48
MSCI Select F&EM Capped Index	-2.58	1.38	-2.16	-3.36	-9.62	-9.62	6.09	1.32	4.37

Past performance is no guarantee of future results. Source: HSBC Global Asset Management. The performance data is calculated in USD, on a bid to bid basis, net of fees, as of December 31, 2018. Returns relate to the AC and IC share classes, calculated after deduction of management fees and operating expenses, and returns longer than one year are annualized. The reference index is a customized MSCI Frontier Emerging Markets Capped Net index until May 31, 2014 and the customized MSCI Select Frontier & Emerging Markets Capped Net index thereafter. Index information is for illustrative purposes only. **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 more current performance and other information, please call 1-888-936-4722 or visit https://investorfunds.us.hsbc.com. Maximum sales charge: Class A: 5.00%; Class I: None. Expense Ratio (Gross/Net): Class A: 3.89% / 1.85%; Class I: 3.54% / 1.50%.**[1]

Over the fourth quarter of 2018, the Fund delivered an absolute return of -4.8% (gross of fees) and underperformed its custom reference index, the MSCI Select Frontier & Emerging Markets Capped Index.

Our stock selection within countries, particularly within Egypt, was positive. However, this was offset by our country allocation. Specifically, our underweight to Qatar and overweight to Egypt had a negative impact on relative performance. This was offset by our exposures to Vietnam (underweight), Bahrain (underweight) and Cambodia (overweight), which contributed to performance.

Our holdings within sectors detracted, in particular within Financials and Real Estate. This was mitigated by our holdings in Consumer Staples, Materials and Consumer Discretionary which contributed to performance.

[1] Reflects the expense ratio as reported in the prospectus dated February 28, 2018. 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: 2.20%, Class I: 1.85%. The expense limitation agreement is effective until March 1, 2020.

Key purchases and sales over the quarter

During the quarter, we added a position in **Globant** and **Masan Group**. We exited our holdings in **Gulf International Services**, **Gulf Marine Services**, **Cemex Latam** and **Sampath Bank**.

Quarterly stock performance attribution (%)

Positive	Country	Average active weight	Allocation effect	Selection effect	Relative impact
International Container Terminal	Philippines	4.22	0.51	(0.01)	0.50
Juhayna Food Industries	Egypt	3.23	0.46	0.00	0.46
Ecopetrol	Colombia	(0.96)	0.44	0.00	0.44
Humansoft Holding Co	Kuwait	4.91	0.24	0.00	0.24
Cleopatra Hospital	Egypt	0.78	0.23	0.00	0.23

Past performance is no guarantee of future results. Source: HSBC Global Asset Management – data as of December 31, 2018. Portfolio data is subject to change. **Average active weight** is the average of difference between the weight of security in the actively managed portfolio and its weight in the benchmark portfolio. **Allocation effect** measures the investment manager's ability to effectively allocate their portfolio's assets to various securities. **Selection effect** measures the investment manager's ability to select securities within a given segment relative to a benchmark.

- **International Container Terminal (ICT):** Shares were higher due to inflation pressure decelerating and continued strong economic activity.
- **Juhayna Food Industries:** The company recovered from previous quarter weakness. It held an analyst day end of November and the overall message was positive with the company expecting similar revenue growth in 2019 as 2018 while seeing room for further pick-up in margins.
- **Ecopetrol (zero weight):** The company was lower on the back of weak market performance in Colombia, mostly on local currency depreciation and a strong decline in oil prices. Not holding the name had a positive impact on relative performance.
- **Humansoft:** Shares continues to be stable in a down market. Recent quarterly results were in line with expectations.
- **Cleopatra Hospital:** The stock traded higher as the company reported strong quarter results. Two new polyclinics are scheduled to be fully operational in first quarter 2019.

Quarterly stock performance attribution (%)

Negative	Country	Average active weight	Allocation effect	Selection effect	Relative impact
Qatar National Bank	Qatar	(4.33)	(0.54)	0.00	(0.54)
Banco Davivienda	Colombia	3.32	(0.51)	0.00	(0.51)
Gulf Marine Services	United Arab Emirates	0.38	(0.44)	0.00	(0.44)
TMG Holding	Egypt	3.29	(0.34)	0.00	(0.34)
NMC Health	United Arab Emirates	1.65	(0.29)	0.00	(0.29)

Past performance is no guarantee of future results. Source: HSBC Global Asset Management – data as of December 31, 2018. Portfolio data is subject to change. **Average active weight** is the average of difference between the weight of security in the actively managed portfolio and its weight in the benchmark portfolio. **Allocation effect** measures the investment manager's ability to effectively allocate their portfolio's assets to various securities. **Selection effect** measures the investment manager's ability to select securities within a given segment relative to a benchmark.

- **Qatar National Bank:** The bank lifted its foreign ownership limit earlier in the year. This resulted in significant flows that pushed the share price higher. Not holding the name in our portfolio had a negative impact on performance.
- **Banco Davivienda:** The stock slid on the back of weak market performance in Colombia, mostly on local currency depreciation and a strong decline in oil prices.
- **Gulf Marine Services:** The company fell after it issued a statement warning that delays on the mobilization of signed contracts would mean it will breach banking covenants at the end of 2018.
- **TMG Holding:** The stock was lower on the back of weak market in Egypt.
- **NMC Health:** After a strong performance over the long-term, the company was under pressure given concerns over capacity in the UAE Health Care sector. However, management has been reiterating their guidance.

Quarterly country performance attribution (%)

The tables below show the largest overweight and underweight country positions for the quarter.

Positive	Average active weight	Allocation effect	Selection effect	Relative impact
Egypt	14.60	(0.81)	1.54	0.73
Bahrain	(3.76)	0.21	0.00	0.21
Cambodia	3.03	0.20	0.00	0.20
Vietnam	(3.36)	0.30	(0.10)	0.20
Kuwait	3.85	0.09	0.05	0.14

Past performance is no guarantee of future results. Source: HSBC Global Asset Management – data as of December 31, 2018. Portfolio data is subject to change. **Average active weight** is the average of difference between the weight of security in the actively managed portfolio and its weight in the benchmark portfolio. **Allocation effect** measures the investment manager's ability to effectively allocate their portfolio's assets to various securities. **Selection effect** measures the investment manager's ability to select securities within a given segment relative to a benchmark.

- **Egypt:** The Fund has a large overweight in Egypt. Our stock selection was positive, with stocks such as Juhayna Food Industries contributing.
- **Bahrain:** Our zero weight was positive given a weak market performance during the period
- **Cambodia:** Our allocation to this off-benchmark country contributed, particularly our holding in Nagacorp
- **Vietnam:** Our underweight exposure had a positive impact on relative performance as the market traded lower.

Negative	Average active weight	Allocation effect	Selection effect	Relative impact
Qatar	(9.24)	(0.99)	0.05	(0.94)
United Arab Emirates	5.75	(0.10)	(0.80)	(0.90)
Georgia	4.45	(0.35)	0.00	(0.35)
Philippines	(1.26)	(0.09)	(0.20)	(0.29)
Argentina	1.55	(0.11)	(0.16)	(0.27)

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- **Qatar**: Our underweight to Qatar detracted, in particular our zero weight in Bank of Qatar, which continued to perform well on the back of foreign flows.
- **UAE**: Our allocation and holdings were negative. Specifically, Gulf Marine Services and NMC Health detracted. We exited our position in Gulf Marine Services.
- **Georgia**: Our exposure to this off-benchmark country detracted, mainly due to our exposure to TBC Bank
- **Philippines**: Our underweight exposure detracted as the equity market in Philippines outperformed during the period with inflation pressure decelerating and continued strong economic activity.

Largest 5 stocks by active weight (%)

Stock	Country	Active Weight
Int'l. Container Terminal	Philippines	5.75
Humansoft Holding Co	Kuwait	5.24
Juhayna Food Industries	Egypt	3.91
TMG Holding	Egypt	3.70
TBC Bank Group Plc	Georgia	3.65

Smallest 5 stocks by active weight (%)

Stock	Country	Active weight
Qatar National Bank	Qatar	(4.43)
Ahli United Bank	Bahrain	(2.38)
Kuwait Finance House	Kuwait	(2.33)
Maroc Telecom	Morocco	(2.24)
First Abu Dhabi Bank	United Arab Emirates	(1.91)

Past performance is no guarantee of future results. Source: HSBC Global Asset Management – data as of December 31, 2018. The reference index is a customized MSCI Frontier Emerging Markets Capped Net index until May 31, 2014 and the customised MSCI Select Frontier & Emerging Markets Capped Net index thereafter. Active weight is the difference between the weight of security in the actively managed portfolio and its weight in the benchmark portfolio.

Largest stocks by active weight

- **International Container Terminal**: The company is one of the largest port operators in the world.
- **Human Soft**: The Kuwait-based company offers education, training, human resources management services and operates a publishing business. The stock is attractively valued and earnings should grow sustainably with growing number of students, addition of new majors and courses, and stable/increasing tuition fees.
- **Juhayna Food Industries**: The largest dairy company in Egypt is well-positioned to benefit from the consumer spending recovery in Egypt, a market still dominated by loose milk, as the move to packaged milk should continue.
- **TMG Holding**: Talaat Moustafa Group (TMG) is a real estate company based in Egypt that develops luxury properties across the Middle East and North Africa.

Smallest stocks by active weight

- **Qatar National Bank**: The Bank is the heaviest weight in Qatar-index. We do not invest in this company due to high valuation.
- **Ahli United Bank**: The Fund has no exposure to the Bahrain-based bank due to low liquidity.
- **Kuwait Finance House**: We do not invest in this stock due to lack of transparency and the lack of access to company management.
- **Maroc Telecom**: We do not invest in this company due to high valuation.

Country positioning (%)

The tables below show the largest overweight and underweight country positions for the quarter.

Overweight	Portfolio weight	Reference index weight	Active weight
Egypt	18.20	1.08	17.12
United Arab Emirates	13.22	6.83	6.38
Georgia	6.36	0.00	6.36
Kuwait	14.27	9.69	4.58
Kazakhstan	4.63	0.79	3.84

Underweight	Portfolio weight	Reference index weight	Active weight
Qatar	0.00	9.64	(9.64)
Morocco	3.08	7.58	(4.50)
Bahrain	0.00	3.62	(3.62)
Lebanon	0.00	2.52	(2.52)
Slovenia	0.00	1.69	(1.69)

Past performance is no guarantee of future results. Source: HSBC Global Asset Management – data as of December 31, 2018. The reference index is a customized MSCI Frontier Emerging Markets Capped Net Index until May 31, 2014 and the customized MSCI Select Frontier & Emerging Markets Capped Net Index thereafter. **Active weight** is the difference between the weight of security in the actively managed portfolio and its weight in the benchmark portfolio.

Overweight

- **Egypt**: We find the currency to be attractively valued and believe that government has taken the difficult, but positive, steps on fiscal reforms. This includes removing subsidies, modifying VAT and making the investment climate more investor friendly. We believe this is very positive for long-term growth in the country. We see valuations as attractive and our investments in the country represent a very diversified set of sectors. We see inflation reducing in 2019 and the country should start reaping the benefits of higher local gas production.
- **UAE**: Dubai continues to invest in its infrastructure and key projects are on track to meet its 2020 vision of attracting 20 million visitors.
- **Georgia**: The Fund has exposure to banks which are attractively valued and provide exposure to domestic growth.
- **Kuwait**: We increased our exposure to Kuwait during 2017 by adding to new companies in the education and logistics space. The new additions to our holdings has turned our position in the country to overweight. Kuwait continues to enjoy very high financial reserves and to command the lowest fiscal budget breakeven oil price in the Gulf Cooperation Council (GCC) at less than USD 60 per barrel. We are very encouraged by the increased liquidity in the stock market that we saw in 2017 and we believe the government will continue to implement its infrastructure plans.
- **Kazakhstan**: The country has seen currency stability after a series of devaluations. We have exposure to Halyk Bank, the country's largest bank, which has maintained its strong capital position and profitability. The bank has acquired one of its largest rivals and improved its leading position in the markets.

Underweight

- **Qatar**: The Fund remains underweight on valuation considerations. We have further reduced our allocation following the tense political situation with neighboring countries. We are closely monitoring the political situation and do not see any contagion effect to the GCC at this stage.
- **Morocco:** We continue to be underweight due to unattractive valuations. However, market liquidity has improved significantly over the past few quarters, presenting us with possible new investment opportunities, once valuations move to a more compelling level.
- **Bahrain**: We continue to be out of Bahrain due to liquidity risk and a fragile economic picture.
- **Lebanon:** We continue to have no exposure given low liquidity and political worries.
- **Slovenia**: We are underweight given lack of attractive investment opportunities

Short-term investment outlook

The outlook for frontier markets (FM) remains positive. These markets continue to offer attractive opportunities to invest in local companies benefiting from domestic economic development trends. Improvements in fundamentals coupled with economic development and low penetration of goods and services across FM should support corporate earnings growth.

Valuation relative to profitability continues to look attractive for FM compared to both emerging markets (EM) and developed markets (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 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 FM portfolio.

As of December 31, 2018, our regional positioning (%) was as follows:

Region	Portfolio weight	Benchmark weight	Relative weight
Middle East & North Africa	48.77	44.02	4.75
Asia	22.44	22.58	(0.14)
Latin America	15.03	14.10	0.93
Eastern Europe	15.21	8.71	6.50
Sub-Saharan Africa	8.62	10.58	(1.96)

Past performance is no guarantee of future results. Source: HSBC Global Asset Management – data as of December 31, 2018. The reference index is a customized MSCI Frontier Emerging Markets Capped Net Index until May 31, 2014 and the customized MSCI Select Frontier & Emerging Markets Capped Net Index thereafter. **Portfolio weight** is the percentage composition of a particular holding in a portfolio. **Benchmark weight** is the percentage composition of a particular holding in a benchmark. **Relative weight** is the difference between the weight of security in the actively managed portfolio and its weight in the benchmark portfolio.

Middle East and North Africa:

- The GCC economies continue undergoing structural changes to reduce their reliance on oil and diversify their revenue sources. A number of countries have already started implementing VAT. Subsidies are slowly being removed and there is a focus on job creation. Fiscal consolidation is leading governments to focus on projects strategic to economic growth. The magnitude of future GDP growth will depend on how fast economies are adjusting to this new reality. Most GCC countries still boast high financial reserves and we expect the non-energy sector to continue showing positive growth rates.
- The Fund continues to have exposure to select countries in the GCC region, mainly due to attractive valuations and sustainable returns but with the added benefit of the US dollar pegs and high yields. We currently do not see any risk to the dollar peg in the countries we are invested in and, in an environment of global currency concerns, we feel that this link to the US currency offers higher earnings visibility.
- The **UAE** is one of the top five countries in our portfolio by relative weight. Dubai continues to invest in its infrastructure and key projects and the economy's direct reliance on oil is much lower than that of neighboring countries. Even though the real estate sector is experiencing a slowdown, we find valuations to be very attractive and not reflective of the robustness of the companies we are invested in.
- In **Qatar**, the Fund remains underweight on valuation considerations. Even though our underweight position hurt us in 2018, passive flows and net earnings growth were the main reason behind the rerating. We find valuations to be misaligned with the impact the blockade is bringing on to the economy. We currently do not have any exposure to the off-index market of Saudi Arabia. The Kingdom will become part of the MSCI EM

Benchmark in 2019. Until then, flows will be the main drivers and fundamentals will become secondary.
We increased our exposure to Kuwait in 2017 by adding two new companies in the education and logistics space. **Kuwait** has very high financial reserves and the lowest fiscal budget breakeven oil price in the GCC at less than USD 60/barrel. We are very encouraged by the increased liquidity in the stock market that we saw in 2017 and we believe the government will continue to implement its infrastructure plans. We have exited Oman as the fiscal picture is deteriorating. We have no exposure to **Bahrain** due to liquidity risk and a fragile economic picture.

- We increased our exposure to **Kuwait** in 2018 by adding to the companies that we already own and deem to be very attractive. Kuwait has very high financial reserves and the lowest fiscal budget breakeven oil price in the GCC at less than USD 60 per barrel. We are very encouraged by the increased liquidity in the stock market that we saw in 2018 and we believe the government will continue to implement its infrastructure plans. Kuwait is a market that could potentially be upgraded to EM. However, our allocation does not take this into account. We have exited **Oman** as the fiscal picture is deteriorating. We have no exposure to **Bahrain** due to liquidity risk and a fragile economic picture.
- In North Africa, **Egypt** is our largest overweight in the portfolio. We find the currency to be attractively valued and believe that government has taken the difficult, but positive, steps on fiscal reforms. This includes removing subsidies, modifying VAT and making the investment climate more investor-friendly. We believe this is very positive for long-term growth in the country. We see valuations to be attractive and our investments in the country represent a very diversified set of sectors. We see inflation reducing in 2019 and the country should start reaping the benefits of higher local gas production.
- We continue to be underweight in **Morocco** due to unattractive valuations. However, market liquidity has improved over the past few quarters, presenting us with possible new investment opportunities, once valuations move to a more compelling level.
- We continue to have no exposure to **Tunisia**, **Jordan** and **Lebanon** due to high valuations or low liquidity and political concerns.
- In North Africa, **Egypt** is our largest overweight position in the portfolio. We find the currency to be attractively valued and believe that the government has taken the difficult but positive steps on fiscal reforms. This includes removing subsidies, modifying VAT and making the investment environment more investor-friendly. We believe this is very positive for long-term growth in the country. We see valuations to be attractive and our investments in the country represent a very diversified set of sectors. We see inflation reducing in 2019 and the country should start reaping the benefits of higher local gas production.
- In **Morocco**, we continue to be underweight due to unattractive valuations. However, market liquidity has improved significantly over the past few quarters, presenting us with potential new investment opportunities once valuations move to a more compelling level.
- We continue to have no exposure to **Tunisia**, **Jordan** and **Lebanon** due to high valuations or low liquidity and political worries.

Asia:

- We currently do not hold any companies in **Pakistan**. We have reduced our exposure to Pakistan in the run-up to the MSCI reclassification in May 2017 as its valuation reached our level of fair value. Pakistan approached the IMF in Q3 2018. We await to see the details of the program before we turn positive. We would also like to see reforms being enacted to reduce circular debt levels, subsidies and enhance the tax base. We continue to believe that there are many well-run companies with excellent disclosure and a reasonable valuation. However, the macro challenges weigh on our investment decision. The China Pakistan Economic Corridor (CPEC), an investment program of USD46 billion, will transform the country's infrastructure and alleviate the power shortage. Mobilization has started and we expect to slowly start seeing the impact on corporate results and loan growth in 2019.
- The **Philippines** economy continues to perform well, although inflation was on an upward trend in 2018 and pushed the Central Bank to embark on a tightening cycle. Lower oil prices should act as a boon to inflation and will alleviate the mounting pressure on the Peso. The country continues to benefit from strong remittances and business process outsourcing earnings. We expect infrastructure spending to continue growing in 2019 and expect the private sector to play a more important role in funding these projects. The Fund has exposure to a supermarket chain, which should continue to benefit from positive consumption trends, and the largest port operator in the country. We continue to review the better-known larger-capitalization names, but finding attractive opportunities remains difficult.
- The Fund has exposure to select holdings in **Vietnam**. Access remains restricted by foreign ownership limits (FOL) and low levels of liquidity. We struggle to find attractively-valued companies that have FOL availability. We expect FOL will continue to rise and new investment opportunities to arise as more Vietnamese companies IPO. We are constructive on Vietnam from a top-down standpoint as more manufacturing jobs move from China to Vietnam.

Latin America:

- After two years of anaemic economic growth in **Colombia**, we believe corporate profitability should improve. Corporates have adjusted well to the peso depreciation triggered by the fall in the oil price during 2015-2016. We expect growth to pick-up over 2019, driven by investments in infrastructure and the absence of any material election.

- We are underweight **Peru** relative to the reference index. The macro story remains supportive. However, it is difficult to find investable companies at reasonable valuations. Rising metals output, particularly copper, is providing a boost to economic activity. We are always wary of political tension in the country however all signs point to a stable 2019.
- We are neutral on **Argentina** and, even though the country remains a compelling long-term economic restructuring story, challenges remain high as the economy is adjusting to the higher inflation rate and currency. We find the IMF program to be successful in reducing Argentina's reliance on international debt market and bringing the economy into a primary surplus. All eyes will be on the presidential election in 2019 with mounting fears over the return of the previous Kirchner era. We would like to see inflation on a downward trend, interest rates normalizing and the currency stabilizing for a prolonged period before we turn positive on the country.

Eastern Europe:

- The Fund's exposure to Eastern Europe remains relatively high. We reduced our position in **Romania** at the end of 2018. We fear that the government will penalize the corporate sector in order to fund its higher fiscal deficit. Even though the economy delivered strong GDP growth 2018, we see 2019 delivering much slower growth with higher taxes as the main talking point.
- **Kazakhstan** has seen currency stability after a series of devaluations. We have exposure to Halyk Bank, the country's largest bank, which has maintained its strong capital position and profitability. The bank has acquired one of its largest rivals and improved its leading position in the markets. We also own a copper mine operator.

Sub-Saharan Africa:

- In **Nigeria**, the economy has moved out of recession, driven by much better availability of foreign currency and higher oil production. However, a lack of government reforms and a struggling consumer are holding back a stronger recovery. We are watching the recovery to see any signs of pick-up in investment before increasing our allocation to the market. The outcome of the presidential elections in Q1 2019 will be a big factor in setting sentiment for the remainder of the year.
- The Fund maintains underweight in **Kenya**. Even though the Kenyan economy recovered in 2018 from the 2017 drought, currency remains in pricey territory and reserve levels are under pressure. Also, slower government spending and the continued implementation of interest rate caps is keeping the recovery muted. We would like to see the government removing interest rate caps before we become constructive on growth.

Investment objective

The Frontier Markets fund seeks long-term total return by investing primarily in a diversified portfolio of equity and equity equivalent securities of companies which have their registered office in, and with an official listing on a major stock exchange or other Regulated Market in Frontier Markets, as well as those companies with significant operations or carrying out a preponderant part of their business activities in these countries.

Investment philosophy and process

We believe Frontier Markets possess many structurally attractive characteristics and are both underdeveloped and inefficient. Through a focused and disciplined investment process we can exploit investment opportunities arising from these inefficiencies aiming to deliver superior risk-adjusted returns for our clients.

The team implements a bottom-up fundamental process focused on a rigorous stock analysis process combining quantitative and qualitative inputs and constructs the portfolio by implementing the individual stock ideas, with approximately 60-80 stock positions typically held.

The investment universe consists of companies based or listed in Frontier Markets. Our definition of frontier markets includes the 29 countries forming part of the industry standard MSCI Frontier Markets Index plus 7 emerging market 'crossover' countries (that is, Colombia, Egypt, Peru, Philippines, Pakistan, 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).

The investment universe consists of approximately 3,000 stocks, although our screening targets stocks with a minimum of USD250,000 in six-month Average Daily Trading Volume and in turn reduces this to around 750-800 investable stocks.

Management team

The HSBC Frontier Markets Fund is managed by a dedicated and highly experienced Frontier Markets equity team, headed by Ramzi Sidani, a Senior Portfolio manager, who has been working in the industry since 2007. Prior to joining HSBC in 2016, Ramzi was a Portfolio Manager with SHUAA Asset Management in Dubai, managing the firm's flagship Frontier and MENA capabilities. Previously, he worked for Dubai Group as a part of the Acquisitions team. Ramzi holds a MSc (Hons) in Finance, from Boston College, Carroll Graduate School of Management, a Master of Business Administration from Lebanese American University and a Bachelor of Business Administration – Finance from American University of Beirut and is a CFA charterholder.

Talib Saifee is a Portfolio Manager on the Frontier Markets team and has been working in the industry since 2000. He joined HSBC in 2013 as a research analyst in the Global Emerging Markets team. Prior to joining HSBC, he was an Executive Director at Goldman Sachs Asset Management, where his coverage focused on banks and telecommunications companies across Europe, Middle East, and Africa. Prior to business school, Talib spent six years at Citigroup, first as an Analyst in their Investment Banking Division and later as an Associate within their Strategic Planning and Corporate M&A Groups. Talib holds a B.S. in Economics and a BA in History from The Wharton School, University of Pennsylvania and an MBA from Columbia Business School.

Important information

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.
- Derivatives can be illiquid, may disproportionately increase losses and may have a potentially large negative impact on performance.
- Non-diversification occurs when portfolio assets are invested in fewer securities, industries, currencies or countries than in diversified investment portfolios, Non-diversification increases risk because each investment has a greater effect on portfolio performance and can also be affected by single economic, political or regulatory occurrences.
- Geographic concentration occurs when a portfolio concentrates its investments in one country or region. Portfolio performance is expected to be closely tied to the social, political, and economic conditions in that country or region, and may therefore be more volatile than the performance of more geographically diversified funds.
- Exposure to commodities markets, including investments in companies in commodity-related industries, may subject a fund to greater volatility than investments in traditional securities. The value of commodity-related investments may be affected by overall market movements and factors specific to a particular industry or commodity.

Benchmark Definitions:

The primary benchmark, the MSCI Select Frontier and Emerging Markets Capped Index has been developed by MSCI for the Adviser and, in terms of country constituents, includes the 29 countries that are part of the MSCI Frontier Markets Index classification as well as seven small emerging market "crossover" countries (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 countries. The MSCI Frontier Markets Index is an "industry standard" index that captures large- and mid-cap representation across 29 frontier market countries. The index is a free float-adjusted market capitalization index that is designed to measure equity performance of frontier markets.

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The performance for the benchmark does not reflect the deduction of expenses associated with a mutual fund, such as investment management and fund accounting fees. Indexes returns assume reinvestment of all distributions and do not reflect fees or expenses. You cannot invest directly in an index.

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