HSBC Global High Income Bond Fund

Monthly Commentary

Total Return (%)	Fund performance ending			March 31, 2018		Fund performance ending December 31, 2017	
	1 Month	3 Month	YTD	1 year	Since Inception	1 year	Since Inception
Class A without sales charge	-0.22%	-1.59%	-1.59%	2.67%	3.58%	6.27%	4.63%
Class A with maximum sales charge (4.75%)	-4.96%	-6.28%	-6.28%	-2.17%	1.73%	1.21%	2.58%
Class I	-0.10%	-1.44%	-1.44%	3.11%	3.97%	6.69%	4.99%
Benchmark – Bloomberg Barclays High Income Bond Composite Index	-0.01%	-1.16%	-1.16%	3.94%	5.32%	7.51%	6.37%

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.

Expense Ratio[1]	Class A	Class I
Gross	2.79%	2.44%
Net	1.16%	0.8%

Inception date: July 14, 2015. 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 1.15% for Class A Shares and 0.80% for Class I Shares. The expense limitation agreement is effective until March 1, 2018.

Performance

- The Global High Income Bond Fund Class A shares returned -0.22% in March, while the benchmark, the Bloomberg Barclays High Income Bond Composite Index returned -0.01%. Class I shares returned -0.10 % for the period.

Attribution and Positioning

- The strategy performed in line with the reference benchmark on an absolute basis and in March gross of fees.
- Allocation effects were slightly negative for relative performance overall. The overweight to US BB bonds and underweight to EM(Emerging Markets) bonds were a drag on performance while the overweight to US BBB was positive for performance.
- Issue selection was slightly positive for relative performance, driven by strong relative performance in the EM sleeve.
- We remain overweight to the US BBB (+10%) and BB (+4%) sleeves which are funded by underweights in the EUR (-5%) and EM (-9%) sleeves.
- Overall portfolio beta is slightly below 1.The fund is 0.2 year underweight duration relative to the benchmark.
- Our overall exposure to energy is 13% which is 3% above the benchmark. This exposure is mainly in USD (US dollar) and EM bonds. .
- The strategy is overweight financials by 7% above the benchmark weight, predominantly in the US BBB and Euro sleeves. The main sector underweights remain telecom and retail.

HSBC Global Asset Management

Market Review

- Global risk assets saw continued volatility in March as investors remained concerned with rate volatility as well as the additional uncertainty caused by the US administration's protectionist policies. Credit markets saw spread widening with heavy IG (Investment grade) new issue supply and weaker investor demand while HY saw additional investor outflows
- Credit markets saw spread widening with heavy IG new issue supply and weaker investor demand while HY (High Yield) saw additional investor outflows. US Treasuries yields fell, flattening the curve with the 2 year rising 2 bps, to 2.27 while the 5, 10 and 30 year fell 8, 12 and 15 bps to 2.56%, 2.74% and 2.97% respectively. Oil saw continued strength, Brent Crude moved higher finishing the month at $70.3 having started the month at $65.8 p/barrel.
- In the US the Fed Fund rate was hiked by 25 bps signaling a more optimistic view on future market conditions with a potential for two additional rate hikes by 2019. Q4 GDP increased 0.4 above estimates hitting 2.9% quarter over quarter while consumer consumption rose 0.2 to 4.0%.
- In Europe, strength in the Euro and moderated trade growth may be to blame for softer economic data in Q1 as noted by the latest Eurozone survey. The overall growth picture however remains solid.
- Despite BoJ (Bank of Japan) Governor Kuroda's assurance of loose monetary policies, the yen rose as a response to increases in risk aversion. Chinese government restructuring stemming from new financial regulation is helping weaken internal and external policy risks. The new framework should ease up potential issues involving US trade policies as well.
- The monthly total return for the Bloomberg Barclays Global High Yield USD hedged Index was -0.27%. Regionally, US, EUR and EM HY spreads widened 25 bps, 29bps and 10 bps respectively. The best performing HY sectors were capital goods, transportation and financials while energy, communications and consumer non-cyclical were the worst performing. From a ratings perspective B and BB bonds outperformed CCC and CC bonds. US high yield new issue supply came in at $21.9 billion in March while Euro HY new issue supply was €3 billion issued.
- Monthly total returns for the Bloomberg Barclays Global Agg Corporates USD Hedged Index was 0.23%. Regionally, US, EUR, Sterling and EM IG spreads widened 16 bps, 11 bps and 17bps respectively. The best-performing Investment Grade sectors were, technology, utilities and communications while basic industry, financials and energy were the worst-performing sectors. From a ratings perspective, higher rated bonds outperformed lower rated bonds. US IG new issue supply was $122 billion issued for March. Euro and Sterling IG new issuance in March was €65.3 billion and £3.7 billion respectively.

Outlook

- Global economic activity is expected to remain strong. While tax reform and fiscal stimulus could be positive for corporate credit it could lead to a swifter tightening path. The Federal Reserve is expected to continue its normalization path in 2018 with the potential for 2 additional rate hikes as well as the continued reduction its balance sheet.
- In Europe, the pick-up in growth is expected to continue. The ECB (European Central Bank) corporate bond-buying programs remain supportive for now and the ECB has signaled its intention to maintain low policy rates going forward despite a potential decrease in bond buying.
- Despite the recent pick up in volatility the current macro environment remains supportive for credit and the continued expectation of global growth in 2018 should allow credit metrics to improve further. Despite weaker balance sheets across some sectors, globally, credit fundamentals have been stabilizing and default rates are low. Most corporate markets are moderately expensive but global growth has been supportive for current spread levels.
- Globally, corporate spreads are compressed and likely to remain so for the foreseeable future. US investment grade and high yield spreads may be more volatile given fuller valuations. In Europe, we expect investment grade spreads to be relatively stable while high yield yields look more stretched in a global context.

Risks to Consider

- 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.
- Past performance is no guarantee of future results
- 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.
- 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.
- Investment grade fixed income securities are securities that are rated by one or more NRSROs within one of the four highest long-term quality grades at the time of purchase (*e.g.*, "AAA", "AA", "A" or "BBB" by S&P or Fitch or "Aaa", "Aa", "A" or "Baa" by Moody).
- 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.
- Convertibles are subject to the risks of equity securities when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the conversion feature); they are subject to the risks of debt instruments when the underlying stock price is low relative to the conversion price (because the conversion feature is less valuable). A convertible bond is not as sensitive to interest rate changes as a similar non-convertible debt instrument, and generally has less potential for gain or loss than the underlying equity security.
- 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.

Benchmark

Bloomberg Barclays High Income Bond Composite Index is a customized index that is close to equally weighted across US, Euro and EM markets. Components include: Bloomberg 20% Barclays US Corporate Baa, 15% Bloomberg Barclays US High Yield Ba, 15% Bloomberg Barclays Euro Agg Corporate Baa USD Hedged, 15% Bloomberg Barclays Euro HY BB Rating Only USD Hedged, and 35% Bloomberg Barclays EM USD Aggregate Index.

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