

HSBC Global High Yield Bond Fund

Monthly Commentary

Total Return (%)	Fund performance ending			May 31, 2018		Fund performance ending March 31, 2018	
	1 Month	3 Month	YTD	1 Year	Since Inception	1 Year	Since Inception
Class A without sales charge	-0.63%	-0.79%	-1.36%	0.98%	3.77%	3.18%	4.14%
Class A with maximum sales charge (4.75%)	-5.31%	-5.51%	-6.09%	-3.78%	2.03%	-1.73%	2.29%
Class I	-0.60%	-0.71%	-1.22%	1.36%	4.14%	3.54%	4.51%
Benchmark – ICE BofA Merrill Lynch BB-B Global High Yield Constrained (USD hedged) Index	-0.57%	-0.63%	-0.97%	2.06%	5.46%	4.28%	5.90%

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	2.66%	2.31%
Net	1.18%	0.83%

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, 2019.

Performance

- ◆ The Global High Yield Bond Fund Class A shares returned -0.63% in May, while its benchmark, the ICE BofA Merrill Lynch BB-B Global High Yield Constrained Index, returned -0.57%. Class I shares returned -0.60% for the period.

Attribution and Positioning

- ◆ The fund delivered negative performance on an absolute basis but outperformed the reference benchmark in May, gross of fees.
- ◆ Overall, the regional allocation was positive for relative performance with an underweight to emerging markets (EM) and EUR which were the worst-performing segments and an overweight to the US which was the best-performing region.
- ◆ Issue selection was negative for performance overall with the US and EUR sleeves underperforming their benchmarks.
- ◆ The fund is underweight BB (considered lower grade credit or commonly referred to as "junk bonds") and B rated bonds and overweight BBB (considered investment grade bonds) and CCC rated bonds. The CCC exposure is largely in more defensive industries and in companies with improving fundamentals.
- ◆ Regionally, the fund is overweight the US sleeve at the expense of the EUR and EM sleeves. The US, EUR, and EM sleeve weights are 70%, 17%, and 14% respectively.
- ◆ The overall beta of the fund remains just under 1, reflecting our overall "fair value" view. The duration is about 0.5 years below the benchmark's.
- ◆ The Energy exposure is 13%, which is in line with the benchmark with a continued overweight in gas distribution and refining and underweight in exploration & production and oil field services. The fund is also overweight leisure by 1%.
- ◆ The fund is underweight Financials, Telecommunications, and Real Estate at -3% each versus the benchmark weight.

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

- ◆ Markets were choppy in May as investors had to reconcile still-solid global growth and a strong corporate earnings picture with geopolitical risks, trade tensions and country-specific issues in Europe and EM, which caused market volatility over the month.
- ◆ US Treasuries rose as yields fell across the curve with the 2-, 5-, 10- and 30-year yields dropping 6, 10, 9 and 10 basis points (bps) to 2.43%, 2.70%, 2.86% and 3.03%, respectively.
- ◆ Oil saw some volatility in May with falling inventories, decreasing Venezuelan production and geopolitical concerns surrounding Iran on one hand and indications of increased production from Organization of the Petroleum Exporting Countries (OPEC) and Russia on the other. Brent Crude finished the month at \$77.59 after hitting a high of \$79.80 having started the month at \$75.17 per barrel.
- ◆ In the US, policy rates were kept on hold as the Federal Reserve (Fed) restated its symmetric inflation target. The latest first quarter (Q1) GDP growth was 2.2% quarter-on-quarter (qoq), annualized, below the prior Q1 estimate 2.5% but staying in line with 2017's growth rate.
- ◆ In Europe, data continued to moderate with the Purchasing Managers Index (PMI) falling to 54.1 but remaining consistent with growth of 0.4% qoq. However, some one-off factors may still be holding back growth. With UK core inflation falling to 2.1% in April the Bank of England (BoE) may find it difficult to raise rates again this year if the rate falls below 2% over the summer.
- ◆ Economic growth in China remains strong despite external uncertainties. Policy is likely to become less restrictive and should be on course for further opening up of the economy and financial sector. In Japan, Consumer Price Index inflation should remain below target, strengthening the Bank of Japan's case to remain within their current policy framework.
- ◆ The monthly total return for the Bloomberg Barclays Global High Yield USD Hedged Index was -0.84%. Regionally, US, EUR and EM spreads widened 17 bps, 68bps and 76bps, respectively. The best performing high yield (HY) sectors were Consumer Non-Cyclicals and Energy while banking and natural gas were the worst performing. From a ratings perspective, lower-rated bonds outperformed higher-rated bonds. US HY new issue supply came in at \$15.2 billion in May while Euro HY new issue supply was €3.9 billion.
- ◆ Monthly total returns for the Bloomberg Barclays Global Agg Corporates USD Hedged Index was 0.34%. Regionally, US, EUR, Sterling and EM spreads widened 8, 26, 17 and 16bps, respectively. The best-performing investment grade (IG) sectors were Technology and Consumer Non-Cyclicals while Insurance and Communications were the worst-performing sectors. From a ratings perspective, higher-rated bonds outperformed lower-rated bonds. US IG new issue supply was \$91 billion issued for May. Euro and Sterling IG new issuance in May was €42.7 billion and £2.3 billion, respectively.

Outlook

- ◆ While still solid, global economic growth has moderated in the first few months of 2018. In particular, the Eurozone, UK and Japanese economies have shown signs of having hit a soft patch in Q1. However, this appears to be temporary as growth seems to remain largely on trend.
- ◆ While the US administration's protectionist stance is initially expected to have a minimal impact on growth, the situation warrants continued monitoring as negotiations with trading partners continue. We still view the balance of risks tilted towards the gradual build-up of cyclical inflation pressures. This is especially relevant to the US which continues to add jobs at a healthy pace and is operating with little, or no, spare capacity.
- ◆ 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 remain low. Most corporate markets remain 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 IG and HY spreads may be more volatile given fuller valuations. In Europe, we expect IG spreads to be relatively stable while HY yields look more stretched in the current global context although less so after May's widening.

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).
- Asset-backed securities (ABS) are bonds that are created from various types of consumer debt. They are subject to additional risks such as prepayment risk, liquidity risk, default risk and adverse economic developments.
- 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

BofA Merrill Lynch BB-B Global High Yield Constrained Index tracks the performance of USD, CAD, GBP and EUR denominated below investment-grade corporate debt publicly issued in the major domestic or eurobond markets.

Important Information

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