HSBC Global High Yield Bond Fund

Monthly Commentary

Total Return (%)	Fund performance ending December 31, 2018						Fund performance ending September 30, 2018	
	1 Month	3 Month	YTD	1 Year	3 Years	Since Inception	1 Year	Since Inception
Class A without sales charge	-1.24%	-3.54%	-2.98%	-2.98%	4.84%	2.63%	1.22%	4.00%
Class A with maximum sales charge (4.75%)	-5.88%	-8.11%	-7.63%	-7.63%	3.17%	1.20%	-3.60%	2.44%
Class I	-1.20%	-3.45%	-2.65%	-2.65%	5.19%	3.00%	1.56%	4.37%
Benchmark – ICE BofA Merrill Lynch BB-B Global High Yield Constrained (USD hedged) Index	-0.95%	-2.74%	-1.67%	-1.67%	6.60%	4.30%	1.82%	5.56%

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 -1.24% in December, while its benchmark, the ICE BofA Merrill Lynch BB-B Global High Yield Constrained (USD Hedged) Index, returned -0.95%. Class I shares returned -1.20% for the period.

Attribution and Positioning

- The Fund delivered negative performance on an absolute basis, underperforming the reference benchmark in December gross of fees.
- Overall, the regional allocation was negative for relative performance. The underweight to emerging markets (EM) bonds and the overweight to US bonds detracted from performance as EM bonds were the best-performing segment while US bonds performed the worst over the month.
- Issue selection was flat overall with the US underperforming its reference benchmark, while the EM and EUR sleeves outperformed.
- The Fund remains underweight BB (considered lower grade credit or commonly referred to as "junk bonds") and B and overweight BBB (considered investment grade). The Fund also has CCC exposure, which is largely in the US and in more defensive industries and companies with improving credit profiles.
- Regionally, the Fund is overweight the US sleeve at the expense of the EUR and EM sleeves. The USD, EUR and EM sleeve weights are 68%, 17% and 15%, respectively.
- The overall beta of the Fund is below 1, while the duration is about 0.5 years below the benchmark, on an option-adjusted basis.
- The main sector overweights are to Healthcare and Leisure, while the main underweights are to Financials, Real Estate and Telecommunications.

HSBC Global Asset Management

Market Review

- Credit spreads widened in December as risk assets dropped dramatically as a result of investor fears surrounding slowing global growth, trade issues, US Federal Reserve (Fed) policy overshoot and recession risks. High Yield (HY) led the spread widening after significant outflows and a continued decline in oil prices. The US Treasury curve neared inversion. However, this seems temporary as short-term recession risks remain relatively low.

- US Treasury yields fell across the curve with 2-, 3- and 5-year yields falling 30, 34 and 30 basis points (bps) finishing at 2.49%, 2.46% and 2.51%, respectively. The 10- and 30-year yields fell 31 and 28 bps to finish at 2.69% and 3.02%, respectively. 3-month LIBOR increased over the month, moving from 2.74% to 2.81%, a slowdown compared to its rapid rise in October and November. Oil prices continued to slide on concerns of a supply glut due to a supply increase by OPEC members, the US waivers for Iranian exports and fears over an economic slowdown capping oil demand. Brent Crude finished at $53.80 per barrel having started the month at $61.69 per barrel.

- In the US, the Fed followed through with their expected rate hike in December. As a result of a softening of the economic outlook and inflation pressures, the normalization of monetary policy is expected to progress at a slower pace in 2019. The European Central Bank (ECB) followed through and ended its net asset purchases relating to quantitative easing (QE). Inflation remains low in the Eurozone however, potentially curbing any rise in interest rates for 2019. While weaker, China GDP growth remains stable amid the ongoing US-China trade tensions and slowing credit growth. In Japan, policy makers will likely maintain an expansionary policy for the foreseeable future as inflation remains well below 2%.

- The monthly total return for the broad global HY market as represented by the ICE BofAML Global High Yield Index USD Hedged Index was -1.19%. Regionally, US, EUR and EM spreads widened 104 bps, 26 bps and 31 bps, respectively. From a quality perspective, higher-rated bonds outperformed lower-rated bonds. US and Euro HY saw no new issue supply in December.

- The monthly total return for the broad global investment grade (IG) market as represented by the Bloomberg Barclays Global Agg Corporates USD Hedged Index was 1.18%. Regionally, US, EUR, GBP and EM spreads widened 14, 5, 4 and 13 bps, respectively. From a ratings perspective, higher-quality bonds outperformed lower-quality bonds. US IG new issue supply was just $12 billion issued for December. Euro and Sterling IG new issuance was €6 billion and £300 million, respectively.

Outlook

- Global economic growth has moderated. In particular, the Eurozone, UK and Japanese economies have shown signs of slowing down. The US, which is later on in the cycle, continues to grow at a stronger pace, but now also with an outlook for moderating economic activity.

- The US administration’s protectionist trade stance continues to roil markets as the anticipated effects on global growth filter through to market sentiment. While moderating, 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.

- Although debt leverage ratios are at a high for the cycle, they have stabilized. Default rates are low and are expected remain so. US IG issuance has eased somewhat with demand weakening while in HY supply has been historically low and demand has been weak.

- We expect credit spreads will continue to be volatile in the short term as investors try to gain some clarity on many issues such as trade, global growth, Fed policy and Brexit. These are causing uncertainty in the markets at the moment. While credit metrics are still somewhat benign at current spread levels we remain selective especially in lower-rated credits.

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

ICE 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.

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