HSBC Asia ex-Japan Smaller Companies Equity Fund
Monthly Commentary

Total Return (%)	Fund performance ending November 30, 2018						Fund performance ending September 30, 2018	
	1 Month	3 Month	YTD	1 Year	3 year	Since Inception	1 year	Since Inception
Class A without sales charge	4.10%	-13.93%	-21.31%	-20.08%	5.65%	3.00%	-9.58%	5.55%
Class A with maximum sales charge (5.00%)	-1.13%	-18.24%	-25.21%	-24.06%	3.87%	1.69%	-14.10%	4.16%
Class I	3.98%	-13.90%	-21.08%	-19.88%	6.01%	3.34%	-9.15%	5.94%
Benchmark – MSCI AC Asia ex Japan Small Cap Index	6.05%	-10.40%	-17.18%	-15.15%	2.96%	0.59%	-2.33%	2.43%

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	5.18%	4.83%
Net	1.32%	0.97%

Inception date: November 11, 2014. 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 1.25% for Class A Shares and 0.90% for Class I Shares. The expense limitation agreement is effective until March 1, 2019.

Performance

- The Asia ex-Japan Smaller Companies Equity Fund Class A shares returned 4.10% in November, while its benchmark, the MSCI AC Asia ex Japan Small Cap Index, returned 6.05% over the month. Class I shares returned 3.98% for the period.

Attribution and Positioning

- The Fund delivered a positive absolute return but underperformed the benchmark in November mainly due to detracting stock selection calls in Korea and India.

- Genting Malaysia (portfolio weight: 0.65%) was the key detractor, falling sharply as the Government announced a casino duty hike. Indonesian telecommunications company XL Axiata (portfolio weight: 1.29%) fell as it did not raise prices as it was expected to following a period of increased competition.

- On the upside, Global Wafers (portfolio weight 1.59%) found buying support in November following an almost 70% recent decrease in its share price. It has recently reported on stronger-than-expected wafer demand and firmer prices for its products

- We are currently finding good value in a various parts of the market including gaming and materials. We are also constructive on the Chinese education sector. Policy overhang has weighed on private education providers, but the sector is ripe for mergers and acquisitions and consolidation. Select higher education operators are set to benefit.

Market Review

- The MSCI Asia ex Japan Small Caps rose 6% in USD terms in November, the first monthly gain since March 2018, as market sentiment turned more positive due to dovish language from the US Federal Reserve, lower oil prices, firmer Asian currencies and an improving outlook on US-China trade talks.
- Indonesia was the top-performing small-cap market, rising 10% in USD terms. A 6% rebound in the value of the Indonesian Rupiah versus the US Dollar provided much of the boost.
- A 20% fall in crude oil prices was strongly beneficial for India as it is a significant net importer of oil. Benign inflation and firmer Rupee numbers were also positive for sentiment in India.
- Chinese small caps ended the monthly in positive territory in the lead up to the G20 international forum, which confirmed meetings between President Trump and President Xi, and in the lead up saw more constructive remarks on trade from both sides

Outlook

- Trade barriers remain a key risk to Asian economies. However, the broader trajectory of global economic growth remains robust for now. With the pullback in markets this year, valuations in Asia have moved to more attractive territory and provide a better entry point for long-term investors. While consensus earnings forecasts have been recently trimmed for 2018/2019, the earnings-per-share growth forecast for 2018 for the region remains a healthy 11% and 8% for 2019. Other key risks are a stronger US Dollar, a stronger oil price and a more aggressive rate hike cycle in the US. A continued risk-off environment will also place more pressure on emerging markets. Potential positive catalysts include a swifter and more constructive resolution to global trade tensions and fiscal reforms in China which may ease the tax burden on the corporate sector.

- While China's growth/demand shows some signs of softening, supportive policy measures, such as monetary loosening, personal tax deductions, support measures for private enterprises and infrastructure spending, will go a long way to mitigate this. Current fundamentals in China remain more sound than the during the last major equity correction in 2015. India's reform agenda is supportive of growth over the medium to long term, despite short-term challenges around inflation and the current account deficit.

- The ASEAN region remains an attractive destination for foreign direct investment given its competitive labor costs and exposure to a burgeoning trade and economic block.

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
- 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.
- Equity investments fluctuate in value based on changes to an individual company's financial condition and overall market conditions.
- Investing in mid and small capitalization stocks involves greater risks than investing in larger companies. Smaller companies may have a limited number of products, be more difficult to buy and sell, subject to greater business and competitive risks and more sensitive to market changes than larger capitalization companies.
- 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.
- 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

MSCI AC Asia ex Japan Small Cap Index captures small cap representation across 2 of 3 Developed Markets countries (excluding Japan) and 9 Emerging Markets countries in Asia of withholding taxes.

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