HSBC Asia ex-Japan Smaller Companies Equity Fund
Monthly Commentary

Total Return (%)	Fund performance ending March 31, 2018						Fund performance ending December 31, 2017		
	1 Month	3 Month	YTD	1 Year	3 year	Since Inception	1 year	3 year	Since Inception
Class A without sales charge	0.16%	2.37%	2.37%	21.65%	12.64%	11.97%	34.52%	14.88%	12.13%
Class A with maximum sales charge (5.00%)	-4.86%	-2.72%	-2.72%	15.56%	10.73%	10.28%	27.76%	12.91%	10.30%
Class I	0.24%	2.53%	2.53%	22.08%	13.02%	12.38%	34.93%	15.28%	12.52%
Benchmark – MSCI AC Asia ex Japan Small Cap Index	-1.19%	-0.44%	-0.44%	18.13%	6.14%	6.33%	33.84%	8.23%	7.01%

Expense Ratio[1]	Class A	Class I
Gross	3.90%	3.55%
Net	1.83%	1.48%

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.

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 1.75% for Class A Shares and 1.40% 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 0.16% in March, while its benchmark, the MSCI AC Asia ex Japan Small Cap Index, returned -1.19% over the month. Class I shares returned 0.24% for the period.

Attribution and Positioning

- The fund outperformed the benchmark mainly due to strong stock selection in Taiwan and Hong Kong, while stock selection in Korea and China detracted the most.
- Indonesia construction play Adhi Karya Persero fell in March despite the positive news that it had received the first payment instalment for the construction of the Jakarta light rail transit project. Some of our auto-related holdings (eg. dealers, auto parts supply chain) were also subject to some profit taking.
- On the upside specialist memory producer, Macronix, surged in March on solid sales. Yageo Corp, which produces thin-film and chip resistors for precision electronics manufacturers, rose after it released strong quarterly results, mainly due to improved pricing power.
- We are most positive on companies that will benefit from consolidation, supply-side reforms, electric vehicle adoption, alternative energy and anti-pollution policy. We are also very constructive some tourism-related and textile plays. We are overweight consumer discretionary and industrials. We are underweight IT, healthcare, consumer staple and real estate the most.

Source: HSBC Global Asset Management, as of March 31, 2018. Portfolio weight of Adhi Karya Persero is 0.80%, Yageo Corp is 1.49%, and Macronix is 1.22%.

HSBC Global Asset Management

Market Review

- The MSCI Asia ex Japan index fell 1.2% in USD terms in March, amid a volatile month of trading. The index had registered gains by mid-month, recovering some of the sharp losses recorded in February which were mainly driven by concerns over the prospects of higher inflation and the potential for faster than expected rate rises.
- Sentiment then went negative following the announcement that the US would impose tariffs on steel and aluminium, although the US will exclude most key trading partners.
- Also sapping confidence was a later US Treasury Department announcement to impose tariffs on up to USD60bn worth of imports from China. The announcements have markets concerned over the spectre of retaliatory measures and an escalation of trade tensions.
- Small caps in India, Indonesia and Malaysia fared the worst amid the risk-off market. India fared badly in part as a result of the rising price of oil for which it is a major importer.
- Major exporter economies Korea and Taiwan performed better than most despite the regional trade tensions.

Outlook

- Asian economies stand to benefit from the synchronized pickup in global economic growth. While there is still uncertainty around issues like potential trade barriers, we expect earnings growth to remain strong against the backdrop of a stronger global economy. Prospects for a continued re-rating of Asian equity markets remain positive. Key risks are local currency volatility and a more aggressive rate hike cycle in the US.
- Macro indicators suggest a stable Chinese economy which continues to grow at a solid pace. There are potential positive catalysts on the horizon around ongoing economic and structural reforms which should help support economic growth.
- In India, the Government's reform agenda is incrementally adding to the country's growth potential and attractiveness as a destination for capital. The ongoing recovery in the economy will be a key catalyst going forward.
- Subsiding macro concerns in Korea will help it to attract capital over the long term, while Taiwan continues to benefit from the strong tech cycle. ASEAN's steady growth momentum should support ongoing interest in these markets. While the market has rallied, valuations in Asia ex Japan remain reasonable.

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 8 Emerging Markets countries in Asia.

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