HSBC Asia ex-Japan Smaller Companies Equity Fund
Monthly Commentary

Total Return (%)	Fund performance ending			May 31, 2018			Fund performance ending March 31, 2018	
	1 Month	3 Month	YTD	1 Year	3 year	Since Inception	1 year	Since Inception
Class A without sales charge	0.16%	-0.96%	1.22%	15.67%	8.05%	11.03%	21.65%	11.97%
Class A with maximum sales charge (5.00%)	-4.83%	-5.92%	-3.80%	9.91%	6.23%	9.42%	15.56%	10.28%
Class I	0.16%	-0.88%	1.39%	16.08%	8.43%	11.41%	22.08%	12.38%
Benchmark – MSCI AC Asia ex Japan Small Cap Index	-0.17%	-1.15%	-0.41%	15.44%	2.45%	6.04%	18.13%	6.33%

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 1.25% for Class A Shares and 0.90% for Class I Shares. The expense limitation agreement is effective until March 1, 2019.**

Expense Ratio[1]	Class A	Class I
Gross	5.18%	4.83%
Net	1.32%	0.97%

★★★★

Overall Morningstar Rating™
Class I Shares

Rated among 70 Pacific/Asia ex-Japan Stock Funds, as of 5/31/18, based on risk adjusted total return. The Overall Morningstar Rating is a weighted average of the performance figures for its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics.[ǂ]

Performance

- The Asia ex-Japan Smaller Companies Equity Fund Class A shares returned 0.16% in May, outperforming its benchmark, the MSCI AC Asia ex Japan Small Cap Index, which returned -0.17% over the month. Class I shares returned 0.16% for the period.

Attribution and Positioning

- The Fund delivered positive absolute returns and outperformed the benchmark in May, mainly driven by solid stock selection in Taiwan, Singapore and Hong Kong. Stock selection in China and Korea were the main detractors.
- Yageo Corp (portfolio weight 1.56%), which produces thin-film and chip resistors for precision electronics manufacturers, continued its multi-month rise in May, mainly due to improved pricing power from favorable supply/demand dynamics. Aslan Pharmaceuticals (portfolio weight: 0.47%), which develops innovative oncology treatments, surged as some of its pipeline of drugs have shown some promising results in trials. Gaming and e-commerce play, SEA (portfolio weight: 1.26%), surged in May due to stronger-than-expected results, with surprisingly strong performance and outlook for its e-commerce business. Times China (portfolio weight: 1.54%) rose during the month and has been seeing strong demand for its housing projects in Guangdong.
- On the downside, BNK Financial (portfolio weight: 1.50%), detracted from performance due to regulatory impacts on financials in Korea. Wind turbine maker Suzlon Energy (portfolio weight: 0.46%) fell in the absence of any materials news.

Key investment themes

- Supply disruption: industry consolidation and supply disruptions are providing pricing power in specialized tech componentry, steel, aluminium, cement, glass and containerboard
- Electric vehicle (EV) opportunities: we see opportunities to play the rise of EV through the related component supply chain
- Sewn-up opportunities: improving apparel sales, particularly in the US, are providing a boost for the textiles and apparel manufactures
- Taking a break: the outlook for Asian tourism is bright with high spending power for gaming, hotels and luxury retailers
- Health kick: Aging populations and rising incomes will spur demand for healthcare products and services

Market Review

- MSCI Asia ex Japan small cap index ended 0.2% lower in USD terms. Absolute returns were negative for all Asia ex Japan small cap markets except China & Taiwan.
- Key factors that depressed investor sentiment were the de-synchronization of global growth (US stronger / Europe softer), US Dollar strength, higher oil prices and the protracted nature of trade renegotiation.
- Offshore Chinese small-cap stocks rose 4.4% in May as fundamentals remained bright including a solid purchasing manager index survey, growing industrials profits and overall positive quarterly earnings results from its cyclical sectors. This was enough to counter negative sentiment around trade friction with the US, rising debt default rates and net southbound (Hong Kong-bound) outflows recorded on stock connect.
- Malaysia was among the worst performers due to concerns over its future fiscal position as Pakatan Harapan ended Barisan National's 61-year rule in a shocking election result.
- Also, negatively impacting sentiment in Malaysia and other ASEAN markets was the strong USD. India, which is a major oil importer, was negatively impacted by the surging oil price and a weaker Rupee

Outlook

- Asian economies stand to benefit from strong global economic growth, albeit less synchronized than last year (stronger US/ softer Europe). While there is still uncertainty around issues like potential trade barriers, we expect earnings growth to remain strong against the backdrop of a strong global economy.
- Prospects for a continued re-rating of Asian equity markets remain positive, and valuations overall remain reasonable. Key risks are a stronger US Dollar, stronger oil prices (for big net importers like India) 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 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.

ǂ The HSBC Asia ex-Japan Smaller Companies Equity Fund (Class I) received 4 stars for the three-year rating among 69 Pacific/Asia ex-Japan Stock Funds, and was not rated for the five- or 10-year periods. A star rating is derived from a weighted average of the Fund's three-, five- and 10-year risk-adjusted returns as of 4/30/18. Different share classes may have dissimilar ratings. Star ratings are based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges and redemption fees), placing more emphasis on downward variations, and rewarding consistent performance. The overall rating is a weighted average of the three-, five- and 10-year (if applicable) returns. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. A fund must be in existence three years to be rated. Ratings are subject to change monthly. ©2018 Morningstar, Inc. All Rights Reserved. Morningstar and/or its content providers are the proprietors of this information; do not permit its unauthorized copying or distribution; do not warrant it to be accurate, complete, or timely; and are not responsible for damages or losses arising from its use.

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.

Important Information

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