

HSBC Global High Yield Bond Fund

Monthly Commentary

Total Return (%)	Fund performance ending February 28, 2019						Fund performance ending December 31, 2018	
	1 Month	3 Month	YTD	1 Year	3 Years	Since Inception	1 Year	Since Inception
Class A without sales charge	1.15%	3.60%	4.90%	2.36%	7.03%	3.87%	-2.98%	2.63%
Class A with maximum sales charge (4.75%)	-3.68%	-1.28%	-0.06%	-2.51%	5.32%	2.49%	-7.63%	1.20%
Class I	1.17%	3.67%	4.93%	2.69%	7.39%	4.24%	-2.65%	3.00%
Benchmark – ICE BofA Merrill Lynch BB-B Global High Yield Constrained (USD hedged) Index	1.66%	4.61%	5.61%	4.20%	8.75%	5.69%	-1.67%	4.30%

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 1.15% in February, while its benchmark, the ICE BofA Merrill Lynch BB-B Global High Yield Constrained (USD Hedged) Index, returned 1.66%. Class I shares returned 1.17% for the period.

Attribution and Positioning

- ◆ The Fund delivered positive performance on an absolute basis, underperforming the reference benchmark in January gross of fees.
- ◆ Allocation effects were positive for relative performance. All three segments contributed positive performance and the overweight to the US sleeve contributed the most with the largest outperformance.
- ◆ Security selection was negative for relative performance with the three sleeves underperforming their benchmarks. The emerging markets (EM) and EUR segments saw the greatest underperformance.
- ◆ Regionally, the Fund is overweight the US at the expense of EUR and EM. The overall portfolio beta is slightly below 1. The duration is 0.75 years below the benchmark.
- ◆ 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.
- ◆ The main sector overweight is Health Care at 2.52% above the benchmark weight, predominantly in the US sleeve. The main sector underweights are Energy and Real Estate.

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

- ◆ Risk assets rallied further in February as recessionary fears continued to fade and investor sentiment turned more confident in the US. As a result, credit spreads tightened over the month.
- ◆ US Treasury yields rose slightly across the curve, steepening slightly with the 2- and 5-year rising 6 and 8 basis points (bps), respectively while the 10- and 30-year both rose 9 bps. Treasury yields finished at 2.52%, 2.51%, 2.72% and 3.08% for the 2-, 5-, 10- and 30-year, respectively.
- ◆ Oil prices continued to rise as trade tensions with China seemed to ease and major oil suppliers including Russia and OPEC boosted investor confidence that supply would be capped. Brent Crude finished at \$66.03 per barrel after starting the month at \$61.89 per barrel.
- ◆ In the US, fourth quarter GDP growth estimates were solid. However, they showed signs of decline while domestic demand remained robust. Inflation remained just under the US Federal Reserve's (Fed) 2% target in January with core personal consumption expenditures at 1.9% year-on-year.
- ◆ In Europe, the European Central Bank acknowledged recent weakness in growth and agreed the balance of risks to the outlook have moved to the downside. The weak economic data is being primarily driven by the current uncertainties over Brexit, keeping any potential rate hikes on hold.
- ◆ While weaker, China GDP growth remains stable amid the ongoing US-China trade tensions and weakening credit growth. The Peoples Bank of China continues its easing policy with a reduction in the reserve ratio.
- ◆ Japan looks likely to maintain its expansionary policy for the foreseeable future, though economic growth is tied to any potential outcomes of the current trade issues China is experiencing.
- ◆ The monthly total return for the broad global high yield (HY) market as represented by the ICE BofAML Global High Yield Index USD Hedged Index was 1.69%. Regionally, US, EUR and EM spreads tightened 45 bps, 52 bps and 32 bps, respectively. From a quality perspective, lower-rated bonds outperformed higher-rated bonds. US HY issuance was \$20.8 billion while Euro HY saw €3.8 billion of new issue supply in February.
- ◆ The monthly total return for the broad global corporate investment grade (IG) market as represented by the Bloomberg Barclays Global Agg Corporates USD Hedged Index was 0.43%. Regionally, US, EUR, GBP and EM spreads tightened 9, 14, 7 and 17 bps, respectively. From a ratings perspective, lower-quality bonds outperformed higher-quality bonds. US IG new issue supply was \$116 billion issued for February. Euro and Sterling IG new issuance was €50.4 billion and £4.1 billion respectively.

Outlook

- ◆ Global economic growth has moderated. In particular, the Eurozone, UK and Japanese economies have shown signs of slowing down, while 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. Progress on trade negotiations between the US and China have so far been positive for market sentiment and a resolution should continue that trend as it decreases uncertainty.
- ◆ 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 despite some more recent contradictory data points, 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 below the historical averages. US IG issuance remained strong in February with demand also picking up as foreign inflows grow. HY supply remains historically low, but could pick up post earnings. Demand increased with continued inflows over the month.
- ◆ We expect credit spreads will be supported in the short term as investors are now less focused on Fed policy and trade issues, which caused considerable uncertainty in 2018. While credit metrics are still somewhat benign at current spread levels, with the rally in credit so far in 2019, we are selective especially in lower-rated bonds and look to reduce portfolio beta into market strength.

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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